

**IREDELL-STATESVILLE
BOARD OF EDUCATION**

Financial Report

Year Ended June 30, 2018

IREDELL-STATESVILLE BOARD OF EDUCATION

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	4-11
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Position.....	12
2 Statement of Activities.....	13
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds.....	14
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	15-16
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds	17-19
6 Statement of Net Position – Proprietary Funds.....	20
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	21
8 Statement of Cash Flows – Proprietary Funds.....	22-23
Notes to the Financial Statements.....	24-52
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability TSERS.....	53
Schedule of Board Contributions - Teachers' and State Employees' Retirement System.....	54
Schedule of the Proportionate Share of Net OPEB Liability – Retiree Health Benefit Fund.....	55
Schedule of Board Contributions – Retiree Health Benefit Fund.....	56
Schedule of Proportionate Share of Net OPEB Asset – Disability Income Plan of NC	57
Schedule of Board Contributions – Disability Income Plan of NC.....	58
Individual Fund Statements and Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	59-60
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund.....	61
C-1 Non-major Governmental Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Federal Grants Fund.....	62
D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund.....	63
D-2 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Child Care Fund.....	64

IREDELL-STATESVILLE BOARD OF EDUCATION

TABLE OF CONTENTS (Continued)

COMPLIANCE

Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* 65-66

Independent Auditor’s Report On Compliance For Each Major Federal Program And Internal Control Over Compliance In Accordance with OMB Uniform Guidance And The State Single Audit Implementation Act..... 67-68

Independent Auditor’s Report On Compliance For Each Major State Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act..... 69-70

Schedule of Findings and Questioned Costs 71-73

Corrective Action Plan..... 74

Summary Schedule of Prior Audit Findings 75

Schedule of Expenditures of Federal and State Awards 76-78

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iredell-Statesville Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Iredell-Statesville Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Iredell-Statesville Board of Education as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, State Public School Fund and Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 4 to the financial statements, in 2018 Iredell-Statesville Board of Education adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 53 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iredell-Statesville Board of Education's basic financial statements. The individual non-major fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual non-major fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 on our consideration of Iredell-Statesville Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iredell-Statesville Board of Education's internal control over financial reporting and compliance.

Coffey, Lovins & Company, PLLC

Statesville, North Carolina

September 27, 2018

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

This section of the Iredell-Statesville Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's enrollment remained virtually unchanged between 2017-18 and 2016-17. The ADM for 2017-18 was 20,305 students.
- The citizens of Iredell County passed a \$131.5 million bond referendum in November 2015 with the Board's allocation being \$119.5 million. In 2017-18, the Board completed the second phase of the project with renovations and additions to North and South Iredell High Schools.
- The State of North Carolina increased teacher and administrator pay, benefit costs and provided Restart funding during the 2017-18 school year, this resulted in an increase of State funding of \$6.3 million. The Board's Local Current Expense funding also increased by \$1.3 million or 3.8%.

Overview of the Financial Statements

The financial statements of the Iredell-Statesville Board of Education consist of four components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, net deferred outflow of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the board's net position and how it has changed. Net position – the difference between the board's assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help it cover the costs of certain services it provides. School food service and childcare services are included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Fund Financial Statements (Continued)

Iredell-Statesville Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Federal Grants Fund, and the other Special Revenue Fund.

The governmental fund statements are shown as Exhibits 3, 4 and 5 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Iredell-Statesville Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$218,564,587 as of June 30, 2018. The largest component of net position is net investment in capital assets of \$89,907,029.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Financial Analysis of the Schools as a Whole (Continued)

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position
as of June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current assets	\$ 17,303,078	\$ 16,688,084	\$ 1,952,352	\$ 2,065,026	\$ 19,255,430	\$ 18,753,110
Capital assets	<u>99,478,042</u>	<u>92,749,739</u>	<u>503,054</u>	<u>481,817</u>	<u>99,981,096</u>	<u>93,231,556</u>
Total assets	<u>116,781,120</u>	<u>109,437,823</u>	<u>2,455,406</u>	<u>2,546,843</u>	<u>119,236,526</u>	<u>111,984,666</u>
Deferred outflows of resources	<u>41,793,172</u>	<u>42,862,119</u>	<u>1,545,228</u>	<u>1,544,684</u>	<u>43,338,400</u>	<u>44,406,803</u>
Current liabilities	17,726,497	13,844,910	517,522	435,753	18,244,019	14,280,663
Long-term liabilities	<u>274,231,165</u>	<u>68,196,373</u>	<u>9,816,622</u>	<u>2,356,008</u>	<u>284,047,787</u>	<u>70,552,381</u>
Total liabilities	<u>291,957,662</u>	<u>82,041,283</u>	<u>10,334,144</u>	<u>2,791,761</u>	<u>302,291,806</u>	<u>84,833,044</u>
Deferred inflows of Resources	<u>76,038,994</u>	<u>4,740,709</u>	<u>2,808,713</u>	<u>170,849</u>	<u>78,847,707</u>	<u>4,911,558</u>
Net investment in capital assets	89,403,975	90,505,213	503,054	481,817	89,907,029	90,987,030
Restricted net position	2,645,481	2,854,725	14,010	--	2,659,491	2,854,725
Unrestricted net position (deficit)	<u>(301,471,820)</u>	<u>(27,841,988)</u>	<u>(9,659,287)</u>	<u>647,100</u>	<u>(311,131,107)</u>	<u>(27,194,888)</u>
Total net position	<u>\$ (209,422,364)</u>	<u>\$ 65,517,950</u>	<u>\$ (9,142,223)</u>	<u>\$ 1,128,917</u>	<u>\$(218,564,587)</u>	<u>\$ 66,646,867</u>

The net position decreased during the year, indicating a decline in the financial condition of the Board. The decrease in net position was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also note that the Board carries capital assets for which Iredell County carries the offsetting debt.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2
Condensed Statement of Activities
for the Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 233,858	\$ 552,959	\$ 4,738,036	\$ 4,963,992	\$ 4,971,894	\$ 5,516,951
Operating grants and contributions	133,111,623	128,072,198	6,037,949	6,349,504	139,149,572	134,421,702
Capital grants and contributions	807,150	879,382	--	17,103	807,150	896,485
General revenues:						
County revenues	45,439,819	39,714,889	-	-	45,439,819	39,714,889
Other revenues	<u>2,193,638</u>	<u>4,095,351</u>	<u>17,478</u>	<u>6,147</u>	<u>2,211,116</u>	<u>4,101,498</u>
Total revenues	<u>181,786,088</u>	<u>173,314,779</u>	<u>10,793,463</u>	<u>11,336,746</u>	<u>192,579,551</u>	<u>184,651,525</u>
Expenses:						
Governmental activities:						
Instructional services	149,135,919	136,730,496	-	-	149,135,919	136,730,496
System-wide support services	36,892,302	36,380,073	-	-	36,892,302	36,380,073
Ancillary services	55,352	57,162	-	-	55,352	57,162
Non-programmed charges	3,999,437	3,721,245	-	-	3,999,437	3,721,245
Interest on long-term debt	24,374	42,067	-	-	24,374	42,067
Depreciation	3,463,140	4,137,484	-	-	3,463,140	4,137,484
Business-type activities:						
Food service	-	-	10,129,582	10,185,262	10,129,582	10,185,262
Child care	-	-	<u>1,261,284</u>	<u>1,185,885</u>	<u>1,261,284</u>	<u>1,185,885</u>
Total expenses	<u>193,570,524</u>	<u>181,068,527</u>	<u>11,390,866</u>	<u>11,371,147</u>	<u>204,961,390</u>	<u>192,439,674</u>
Transfers	<u>(45,000)</u>	<u>(45,000)</u>	<u>45,000</u>	<u>45,000</u>	-	-
Change in net position	(11,829,436)	(7,798,748)	(552,403)	10,599	(12,381,839)	(7,788,149)
Beginning net position	65,517,950	73,316,698	1,128,917	1,118,318	66,646,867	74,435,016
Net position, Restatement	<u>(263,110,878)</u>	--	<u>(9,718,737)</u>	--	<u>(272,829,615)</u>	--
Ending net position	<u>\$(209,422,364)</u>	<u>\$ 65,517,950</u>	<u>\$(9,142,223)</u>	<u>\$ 1,128,917</u>	<u>\$(218,564,587)</u>	<u>\$ 66,646,867</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Total governmental activities generated revenues of \$181.8 million while expenses in this category totaled \$193.6 million for the year ended June 30, 2018. Comparatively, revenues were \$173.3 million and expenses totaled \$181.1 million for the year ended June 30, 2017. The change in net position stands at \$(11,829,436) and \$(7,798,748) at June 30, 2018 and 2017, comparatively. Instructional service expenses comprised 77% of total governmental-type expenses while system-wide support services made up 19% of those expenses for 2018. County funding comprised 25% of total governmental revenue in 2018 and 23% in 2017. Much of the remaining 75% of total governmental revenue for 2018 consists of restricted State and Federal money. Business-type activities generated revenue of \$10.8 million and had expenses of \$11.4 million. Net position decreased in the business-type activities by \$(552,403), including a \$45,000 transfer in from governmental activities.

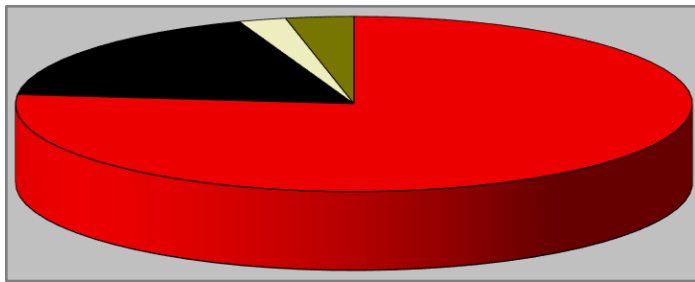
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Iredell-Statesville Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$10,956,848, a \$864,064 decrease over last year. The Capital Outlay Fund, Individual Schools Fund, Other Special Revenue Fund reported a \$248,512, \$163,148 and \$146,282 decrease, respectively, in fund balance for the year ended June 30, 2018. The General Fund reported a \$306,122 decrease in fund balance for the year ended June 30, 2018.

Proprietary Funds: The Board's business-type funds had a net decrease in net position in the past year. The School Food Service Fund reflected a decrease in net position from the prior year of \$566,284. The Child Care Fund's net position increased by \$13,881.

Categorization of Expenditures for Governmental Funds



- Instructional Services**

- System-wide Support Services**

- Non-Programmed Charges**

- Capital Projects**

Expenditures presented on modified accrual basis of accounting

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in revenue and expenditure expectations.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Capital Assets

Capital assets increased by \$6,749,540 from the previous year as a result of capital additions exceeding depreciation. The following is a summary of the capital assets, net of depreciation at year-end.

Table 3
Summary of Capital Assets
as of June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	\$ 17,189,476	\$ 16,420,224	\$ -	\$ -	\$ 17,189,476	\$ 16,420,224
Building and improvements	60,543,289	64,930,578	-	-	60,543,289	64,930,578
Equipment and furniture	17,180,475	7,152,983	503,054	481,817	17,683,529	7,634,800
Vehicles	4,564,802	4,245,954	-	-	4,564,802	4,245,954
Total	\$ 99,478,042	\$ 92,749,739	\$ 503,054	\$ 481,817	\$ 99,981,096	\$ 93,231,556

Debt Outstanding

During the year the Board's outstanding debt increased by \$7.8 million. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors have impacted the economic outlook of Iredell County:

- Iredell County's unemployment rate of 3.9% at June 2018 has improved from 4.2% at June 2017. The State unemployment rate at June 2018 was 4.2%.
- Iredell County maintains the lowest property tax rate in the region and the 16th lowest in the State at \$0.5275 per \$100 of valuation.

Requests for Information

This report is intended to provide a summary of the financial condition of Iredell-Statesville Board of Education. Questions or requests for additional information should be addressed to:

Melissa Wike, Finance Officer
Iredell-Statesville Board of Education
P.O. Box 911
Statesville, NC 28687

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,610,310	\$ 1,620,370	\$ 14,230,680
Receivables (net)	173,205	30,779	203,984
Net OPEB asset	379,273	14,010	393,283
Due from other governments	4,140,290	143,976	4,284,266
Inventories	-	143,217	143,217
Capital assets:			
Land, improvements, and construction in progress	17,189,476	-	17,189,476
Other capital assets, net of depreciation	82,288,566	503,054	82,791,620
Total capital assets	<u>99,478,042</u>	<u>503,054</u>	<u>99,981,096</u>
Total assets	<u>116,781,120</u>	<u>2,455,406</u>	<u>119,236,526</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>41,793,172</u>	<u>1,545,228</u>	<u>43,338,400</u>
LIABILITIES			
Accounts payable and accrued expenses	5,598,285	116,535	5,714,820
Unearned revenue	-	169,057	169,057
Long-term liabilities:			
Net pension liability	56,103,000	2,072,322	58,175,322
Net OPEB liability	209,657,850	7,744,300	217,402,150
Due within one year	12,128,212	231,930	12,360,142
Due in more than one year	8,470,315	-	8,470,315
Total liabilities	<u>291,957,662</u>	<u>10,334,144</u>	<u>302,291,806</u>
DEFERRED INFLOWS OF RESOURCES	<u>76,038,994</u>	<u>2,808,713</u>	<u>78,847,707</u>
NET POSITION			
Net investment in capital assets	89,403,975	503,054	89,907,029
Restricted:			
Individual schools	1,675,511	-	1,675,511
Scholarships	123,230	-	123,230
Stabilization by State Statue	344,237	-	344,237
DIPNC OPEB Plan	379,273	14,010	393,283
Unrestricted (deficit)	<u>(301,348,590)</u>	<u>(9,659,287)</u>	<u>(311,007,877)</u>
Total net position	<u>\$ (209,422,364)</u>	<u>\$ (9,142,223)</u>	<u>\$ (218,564,587)</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 98,372,989	\$ 192,195	\$ 73,424,377	\$ -	\$ (24,756,417)	\$ -	\$ (24,756,417)
Special populations	16,969,106	-	14,625,547	-	(2,343,559)	-	(2,343,559)
Alternative programs	10,093,350	-	9,315,574	-	(777,776)	-	(777,776)
School leadership	11,045,161	-	7,707,977	-	(3,337,184)	-	(3,337,184)
Co-curricular	893,493	-	42,618	-	(850,875)	-	(850,875)
School-based support	11,761,820	-	8,516,420	-	(3,245,400)	-	(3,245,400)
System-wide support services:							
Support and development	1,083,626	-	1,783,215	-	699,589	-	699,589
Special population	1,483,444	-	1,290,662	-	(192,782)	-	(192,782)
Alternative programs	433,213	-	643,170	-	209,957	-	209,957
Technology support	2,342,333	-	970,759	-	(1,371,574)	-	(1,371,574)
Operational support	27,644,709	41,663	13,214,521	807,150	(13,581,375)	-	(13,581,375)
Financial and human resource	2,235,827	-	490,865	-	(1,744,962)	-	(1,744,962)
System-wide pupil support	272,048	-	192,746	-	(79,302)	-	(79,302)
Policy, leadership and public relations	1,397,102	-	444,257	-	(952,845)	-	(952,845)
Ancillary services	55,352	-	6,464	-	(48,888)	-	(48,888)
Non-programmed charges	3,999,437	-	442,451	-	(3,556,986)	-	(3,556,986)
Interest expense	24,374	-	-	-	(24,374)	-	(24,374)
Unallocated depreciation expense**	3,463,140	-	-	-	(3,463,140)	-	(3,463,140)
Total governmental activities	193,570,524	233,858	133,111,623	807,150	(59,417,893)	-	(59,417,893)
Business-type activities:							
School food service	10,129,582	3,466,082	6,037,949	-	-	(625,551)	(625,551)
Child care	1,261,284	1,271,954	-	-	-	10,670	10,670
Total business-type activities	11,390,866	4,738,036	6,037,949	-	-	(614,881)	(614,881)
Total primary government	\$ 204,961,390	\$ 4,971,894	\$ 139,149,572	\$ 807,150	(59,417,893)	(614,881)	(60,032,774)
General revenues:							
Unrestricted county appropriations - operating					36,145,170	-	36,145,170
Unrestricted county appropriations - capital					9,294,649	-	9,294,649
Unrestricted State appropriations - capital					1,123,147	-	1,123,147
Investment earnings, unrestricted					150,767	15,528	166,295
Miscellaneous, unrestricted					919,724	1,950	921,674
Transfers					(45,000)	45,000	-
Total general revenues					47,588,457	62,478	47,650,935
Change in net position					(11,829,436)	(552,403)	(12,381,839)
Net position-beginning, previously reported					65,517,950	1,128,917	66,646,867
Net position, restatement					(263,110,878)	(9,718,737)	(272,829,615)
Net position-beginning, restated					(197,592,928)	(8,589,820)	(206,182,748)
Net position-ending					\$ (209,422,364)	\$ (9,142,223)	\$ (218,564,587)

** This amount excludes the depreciation that is included in the direct expenses of the various programs

**IREDELL-STATESVILLE BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grant	
ASSETS							
Cash and cash equivalents	\$ 7,298,056	\$ -	\$ 1,675,511	\$ 1,961,980	\$ 1,674,763	\$ -	\$ 12,610,310
Accounts receivable	165,965	-	-	-	7,240	-	173,205
Due from other funds	-	-	-	-	-	5,981	5,981
Due from other governments	152,527	3,423,572	-	237,092	18,505	308,594	4,140,290
Total assets	<u>\$ 7,616,548</u>	<u>\$ 3,423,572</u>	<u>\$ 1,675,511</u>	<u>\$ 2,199,072</u>	<u>\$ 1,700,508</u>	<u>\$ 314,575</u>	<u>\$ 16,929,786</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,235,626	\$ 3,423,572	\$ -	\$ 499,894	\$ 130,599	\$ 308,594	\$ 5,598,285
Due to other funds	5,981	-	-	-	-	-	5,981
Unavailable revenues	27,887	-	-	-	334,804	5,981	368,672
Total liabilities	<u>1,269,494</u>	<u>3,423,572</u>	<u>-</u>	<u>499,894</u>	<u>465,403</u>	<u>314,575</u>	<u>5,972,938</u>
Fund balances:							
Restricted:							
Stabilization by State Statute	318,492	-	-	-	25,745	-	344,237
School Capital Outlay	-	-	-	1,699,178	-	-	1,699,178
Scholarships	123,230	-	-	-	-	-	123,230
Individual Schools	-	-	1,675,511	-	-	-	1,675,511
Committed:							
Board designated	-	-	-	-	868,140	-	868,140
Assigned:							
Subsequent years expenditures	2,295,638	-	-	-	341,220	-	2,636,858
Unassigned	3,609,694	-	-	-	-	-	3,609,694
Total fund balances	<u>6,347,054</u>	<u>-</u>	<u>1,675,511</u>	<u>1,699,178</u>	<u>1,235,105</u>	<u>-</u>	<u>10,956,848</u>
Total liabilities and fund balances	<u>\$ 7,616,548</u>	<u>\$ 3,423,572</u>	<u>\$ 1,675,511</u>	<u>\$ 2,199,072</u>	<u>\$ 1,700,508</u>	<u>\$ 314,575</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Net OPEB asset	379,273
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	99,478,042
Deferred outflows of resources related to pensions	28,516,697
Deferred outflows of resources related to OPEB	13,276,475
Liabilities for earned but unavailable revenues in fund statements.	368,672
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 2).	(20,598,527)
Net pension liability	(56,103,000)
Net OPEB liability	(209,657,850)
Deferred inflows of resources related to pensions	(3,188,900)
Deferred inflows of resources related to OPEB	(72,850,094)
Net position of governmental activities	<u>\$(209,422,364)</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 4

	Major Funds				Non-Major Fund		Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grants	
REVENUES							
State of North Carolina	\$ -	\$ 115,784,793	\$ -	\$ 1,123,147	\$ 54,771	\$ -	\$ 116,962,711
Iredell County	36,145,170	-	-	9,294,649	-	-	45,439,819
U.S. Government	-	-	-	-	576,909	9,415,647	9,992,556
Other	1,104,950	-	4,880,623	119,673	3,123,205	-	9,228,451
Total revenues	<u>37,250,120</u>	<u>115,784,793</u>	<u>4,880,623</u>	<u>10,537,469</u>	<u>3,754,885</u>	<u>9,415,647</u>	<u>181,623,537</u>
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	11,561,492	68,925,803	5,043,771	9,749,000	2,110,347	724,450	98,114,863
Special populations	858,667	11,116,263	-	-	407,151	3,509,284	15,891,365
Alternative programs	587,319	4,283,836	-	-	389,139	4,082,493	9,342,787
School leadership	3,280,406	7,181,152	-	-	7,080	-	10,468,638
Co-curricular	845,070	-	-	-	1,791	-	846,861
School-based support	3,691,727	6,958,800	-	-	329,508	160,445	11,140,480
System-wide support services:							
Support and development	601,244	397,561	-	-	18,908	8,940	1,026,653
Special population support	22,837	687,887	-	-	128,873	537,320	1,376,917
Alternative programs	4,569	102,667	-	-	104,024	189,352	400,612
Technology support	1,360,056	859,036	-	-	976	-	2,220,068
Operational support	10,186,370	13,129,015	-	1,303,537	549,885	20,077	25,188,884
Financial and human resource	1,609,687	394,544	-	-	115,406	-	2,119,637
System-wide pupil support	-	-	-	-	245,400	-	245,400
Policy, leadership and public relations	856,596	415,430	-	-	21,826	28,827	1,322,679
Ancillary services	673	6,464	-	-	45,531	-	52,668
Non-programmed charges	4,146,532	-	-	-	14,720	154,459	4,315,711
Debt service:							
Principal	339,507	1,281,335	-	4,013,987	332,811	-	5,967,640
Interest expense	-	-	-	24,374	-	-	24,374
Capital outlay	-	-	-	6,146,854	26,691	-	6,173,545
Total expenditures	<u>39,952,752</u>	<u>115,739,793</u>	<u>5,043,771</u>	<u>21,237,752</u>	<u>4,850,067</u>	<u>9,415,647</u>	<u>196,239,782</u>
Revenues over (under)	(2,702,632)	45,000	(163,148)	(10,700,283)	(1,095,182)	-	(14,616,245)
OTHER FINANCING SOURCES (USES)							
Transfers from (to) other funds	-	(45,000)	-	-	-	-	(45,000)
Debt obligations issued	2,396,510	-	-	10,451,771	948,900	-	13,797,181
Total other financing sources (uses)	<u>2,396,510</u>	<u>(45,000)</u>	<u>-</u>	<u>10,451,771</u>	<u>948,900</u>	<u>-</u>	<u>13,752,181</u>
Net change in fund balance	(306,122)	-	(163,148)	(248,512)	(146,282)	-	(864,064)
Fund balances-beginning	6,653,176	-	1,838,659	1,947,690	1,381,387	-	11,820,912
Fund balances-ending	<u>\$ 6,347,054</u>	<u>\$ -</u>	<u>\$ 1,675,511</u>	<u>\$ 1,699,178</u>	<u>\$ 1,235,105</u>	<u>\$ -</u>	<u>\$ 10,956,848</u>

The accompanying notes are an integral part of the financial statements.

Page 15

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 4
(Continued)

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (864,064)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.	6,741,640
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	10,844,421
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	6,226,992
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue	175,888
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,829,541)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(14,366,480)
Net OPEB expense	(11,968,310)
Compensated absences	(776,645)
Net book value of disposed capital assets	(13,337)
Total changes in net position of governmental activities	<u>\$ (11,829,436)</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	36,145,170	36,145,170	36,145,170	-
U.S. Government	-	-	-	-
Other	950,400	1,052,644	1,104,950	52,306
Total revenues	<u>37,095,570</u>	<u>37,197,814</u>	<u>37,250,120</u>	<u>52,306</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional			11,561,492	
Special populations			858,667	
Alternative programs			587,319	
School leadership			3,280,406	
Co-curricular			845,070	
School-based support			3,691,727	
Total instructional services	<u>19,381,750</u>	<u>21,595,957</u>	<u>20,824,681</u>	<u>771,276</u>
System-wide support services:				
Support and development			601,244	
Special population support			22,837	
Alternative programs			4,569	
Technology support			1,360,056	
Operational support			10,186,370	
Financial and human resource			1,609,687	
Accountability			-	
System-wide pupil support			-	
Policy, leadership and public relations			856,596	
Total support services	<u>15,077,486</u>	<u>14,927,190</u>	<u>14,641,359</u>	<u>285,831</u>
Ancillary services	-	1,000	673	327
Non-programmed charges	4,050,000	4,157,100	4,146,532	10,568
Debt service:				
Principal	339,507	339,507	339,507	-
Interest expense	-	-	-	-
Capital Outlay				
Total expenditures	<u>38,848,743</u>	<u>41,020,754</u>	<u>39,952,752</u>	<u>1,068,002</u>
Revenues over (under) expenditures	(1,753,173)	(3,822,940)	(2,702,632)	1,120,308
Other financing sources:				
Debt obligations issued	-	2,396,510	2,396,510	-
Transfers to other funds	-	-	-	-
	-	2,396,510	2,396,510	-
Appropriated fund balance	<u>1,753,173</u>	<u>1,426,430</u>	<u>-</u>	<u>(1,426,430)</u>
Revenues & appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(306,122)</u>	<u>\$ (306,122)</u>
Fund balances, beginning of year			<u>6,653,176</u>	
Fund balances, end of year			<u>\$ 6,347,054</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 5 (Continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 113,219,629	\$ 118,441,677	\$ 115,784,793	\$ (2,656,884)
Iredell County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>113,219,629</u>	<u>118,441,677</u>	<u>115,784,793</u>	<u>(2,656,884)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional			68,925,803	
Special populations			11,116,263	
Alternative programs			4,283,836	
School leadership			7,181,152	
Co-curricular			-	
School-based support			6,958,800	
Total instructional services	<u>98,383,352</u>	<u>100,599,956</u>	<u>98,465,854</u>	<u>2,134,102</u>
System-wide support services:				
Support and development			397,561	
Special population support			687,887	
Alternative programs			102,667	
Technology support			859,036	
Operational support			13,129,015	
Financial and human resource			394,544	
Accountability			-	
System-wide pupil support			-	
Policy, leadership and public relations			415,430	
Total support services	<u>14,791,277</u>	<u>16,508,386</u>	<u>15,986,140</u>	<u>522,246</u>
Ancillary services	-	7,000	6,464	536
Non-programmed charges	-	-	-	-
Debt service:				
Principal	-	1,281,335	1,281,335	-
Interest expense	-	-	-	-
Capital Outlay				
Total expenditures	<u>113,174,629</u>	<u>118,396,677</u>	<u>115,739,793</u>	<u>2,656,884</u>
Revenues over (under) expenditures	45,000	45,000	45,000	-
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	-	-
Transfers to other funds	(45,000)	(45,000)	(45,000)	-
	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	-
Appropriated fund balance	-	-	-	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 5 (Continued)

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 54,771	\$ 54,771	\$ 54,771	\$ -
Iredell County	-	-	-	-
U.S. Government	592,493	592,493	576,909	(15,584)
Other	3,178,749	3,361,226	3,123,205	(238,021)
Total revenues	<u>3,826,013</u>	<u>4,008,490</u>	<u>3,754,885</u>	<u>(253,605)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional			2,110,347	
Special populations			407,151	
Alternative programs			389,139	
School leadership			7,080	
Co-curricular			1,791	
School-based support			329,508	
Total instructional services	<u>2,722,169</u>	<u>3,926,772</u>	<u>3,245,016</u>	<u>681,756</u>
System-wide support services:				
Support and development			18,908	
Special population support			128,873	
Alternative programs			104,024	
Technology support			976	
Operational support			549,885	
Financial and human resource			115,406	
Accountability			-	
System-wide pupil support			245,400	
Policy, leadership and public relations			21,826	
Total support services	<u>1,342,351</u>	<u>1,400,271</u>	<u>1,185,298</u>	<u>214,973</u>
Ancillary services	89,545	91,776	45,531	46,245
Non-programmed charges	30,950	32,275	14,720	17,555
Debt service:				
Principal	16,400	332,811	332,811	-
Interest expense	-	-	-	-
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>26,691</u>	<u>13,309</u>
Total expenditures	<u>4,241,415</u>	<u>5,823,905</u>	<u>4,850,067</u>	<u>973,838</u>
Revenues over (under) expenditures	(415,402)	(1,815,415)	(1,095,182)	720,233
Other financing sources (uses):				
Installment obligation issued	-	948,900	948,900	-
Transfers to other funds	-	-	-	-
	<u>-</u>	<u>948,900</u>	<u>948,900</u>	<u>-</u>
Appropriated fund balance	<u>415,402</u>	<u>866,515</u>	<u>-</u>	<u>(866,515)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(146,282)</u>	<u>\$ (146,282)</u>
Fund balances, beginning of year			<u>1,381,387</u>	
Fund balances, end of year			<u>\$ 1,235,105</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Exhibit 6

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,248,486	\$ 371,884	\$ 1,620,370
Due from other governments	143,723	253	143,976
Accounts receivable	4,969	25,810	30,779
OPEB asset	11,655	2,355	14,010
Inventories	143,217	-	143,217
Total current assets	<u>1,552,050</u>	<u>400,302</u>	<u>1,952,352</u>
Noncurrent assets:			
Capital assets, net	503,054	-	503,054
	<u>2,055,104</u>	<u>400,302</u>	<u>2,455,406</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,285,521</u>	<u>259,707</u>	<u>1,545,228</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	113,777	2,758	116,535
Compensated absences	174,749	57,181	231,930
Unearned revenue	111,982	57,075	169,057
Total current liabilities	<u>400,508</u>	<u>117,014</u>	<u>517,522</u>
Noncurrent liabilities:			
Net pension liability	1,724,026	348,296	2,072,322
Net OPEB liability	6,442,713	1,301,587	7,744,300
Total noncurrent liabilities	<u>8,166,739</u>	<u>1,649,883</u>	<u>9,816,622</u>
Total liabilities	<u>8,567,247</u>	<u>1,766,897</u>	<u>10,334,144</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,336,652</u>	<u>472,061</u>	<u>2,808,713</u>
NET POSITION			
Net investment in capital assets	503,054	-	503,054
DIPNC OPEB plan	11,655	2,355	14,010
Unrestricted	(8,077,983)	(1,581,304)	(9,659,287)
Total net position	<u>\$ (7,563,274)</u>	<u>\$ (1,578,949)</u>	<u>\$ (9,142,223)</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 7

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 3,466,082	\$ -	\$ 3,466,082
Child care fees	-	1,271,954	1,271,954
Total operating revenues	<u>3,466,082</u>	<u>1,271,954</u>	<u>4,738,036</u>
OPERATING EXPENSES			
Food cost:			
Purchase of food	3,096,407	45,165	3,141,572
Salaries and benefits	5,676,992	1,180,790	6,857,782
Indirect costs	731,889	-	731,889
Utilities and telephone	22,153	8,964	31,117
Contracted services	12,739	996	13,735
Materials and supplies	488,182	9,294	497,476
Travel	19,374	3,652	23,026
Field trips	-	10,520	10,520
Depreciation	79,135	-	79,135
Other	2,711	1,903	4,614
Total operating expenses	<u>10,129,582</u>	<u>1,261,284</u>	<u>11,390,866</u>
Operating profit (loss)	<u>(6,663,500)</u>	<u>10,670</u>	<u>(6,652,830)</u>
NONOPERATING REVENUES			
Federal reimbursements	4,773,121	-	4,773,121
State reimbursements	19,162	-	19,162
Federal commodities	513,777	-	513,777
Indirect cost not paid	731,889	-	731,889
Interest earned	12,317	3,211	15,528
Gain on disposal of capital assets	1,580	-	1,580
Other	370	-	370
Total nonoperating revenue	<u>6,052,216</u>	<u>3,211</u>	<u>6,055,427</u>
Profit (loss) before contributions and transfers	(611,284)	13,881	(597,403)
Transfer from other funds	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Change in net position	(566,284)	13,881	(552,403)
Total net position - beginning	1,088,316	40,601	1,128,917
Net position, restatement	<u>(8,085,306)</u>	<u>(1,633,431)</u>	<u>(9,718,737)</u>
Total net position - ending	<u>\$ (7,563,274)</u>	<u>\$ (1,578,949)</u>	<u>\$ (9,142,223)</u>

The accompanying notes are an integral part of the financial statements.

Page 21

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,468,050	\$ 1,324,147	\$ 4,792,197
Cash paid for goods and services	(3,104,397)	(81,794)	(3,186,191)
Cash paid to employees for services	(5,321,516)	(1,112,996)	(6,434,512)
Net cash provided (used) by operating activities	<u>(4,957,863)</u>	<u>129,357</u>	<u>(4,828,506)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government reimbursements	4,822,644	-	4,822,644
Other	370	-	370
Net cash provided by noncapital financing activities	<u>4,823,014</u>	<u>-</u>	<u>4,823,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	1,580	-	1,580
Acquisition of capital assets	(100,372)	-	(100,372)
Net cash used by capital and related financing activities	<u>(98,792)</u>	<u>-</u>	<u>(98,792)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	12,317	3,211	15,528
Net increase (decrease) in cash and cash equivalents	(221,324)	132,568	(88,756)
Balances-beginning of the year	<u>1,469,810</u>	<u>239,316</u>	<u>1,709,126</u>
Balances-end of the year	<u>\$ 1,248,486</u>	<u>\$ 371,884</u>	<u>\$ 1,620,370</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8
(Continued)

Reconciliation of operating profit (loss) to net cash used by operating activities

Operating profit (loss)	\$ (6,663,500)	\$ 10,670	\$ (6,652,830)
Adjustments to reconcile operating profit (loss) to net cash used by operating activities:			
Depreciation	79,135	-	79,135
Donated commodities consumed	513,777	-	513,777
Salaries paid by other funds	45,000	-	45,000
Indirect cost not paid	731,889	-	731,889
Changes in assets and liabilities:			
Decrease in accounts receivable	388	2,358	2,746
Decrease in net OPEB asset	370	74	444
Increase in due from other governments	-	(125)	(125)
Decrease in inventories	4,946	-	4,946
Increase (decrease) in accounts payable and accrued expenses	18,446	(1,175)	17,271
Increase (decrease) in net pension liability	(237,993)	(45,693)	(283,686)
Decrease in net OPEB liability	(1,842,979)	(372,327)	(2,215,306)
Increase (decrease) in deferred inflows	2,194,374	443,490	2,637,864
(Increase) decrease in deferred outflows	189,213	36,658	225,871
Increase (decrease) in unearned revenues	1,580	49,835	51,415
Increase (decrease) in compensated absences	7,491	5,592	13,083
Total adjustments	<u>1,705,637</u>	<u>118,687</u>	<u>1,824,324</u>
Net cash provided (used) by operating activities	<u>\$ (4,957,863)</u>	<u>\$ 129,357</u>	<u>\$ (4,828,506)</u>

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$513,777 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid salaries of \$45,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 7.

Indirect costs of \$731,889 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Iredell-Statesville Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Iredell-Statesville Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education of the children of Iredell County not living within the boundaries of the Mooresville City Local Educational Agency. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities on revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the “Local Current Expense Fund,” which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Iredell County appropriations, restricted sales tax moneys, proceeds of Iredell County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

The Board reports the following major enterprise funds:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

Child Care Fund. The Child Care Fund is used to account for the before and after school care program within the school system.

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools Special Revenue Funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$1,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT Government Portfolio are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with STIF procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost.

Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1970 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Iredell County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Equipment and furniture	12
Vehicles	7
Computer equipment	5

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board had one item that meet this criterion – pension and OPEB related deferrals.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records of the current portion of compensated absences.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

 Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

 Restricted for School Capital Outlay – portion of fund balance that can be only used for School Capital Outlay [G.S. 159-18 through 22].

 Restricted for Scholarships – portion of fund balance not available for appropriation because it represents the year-end fund balance of scholarships, which are not expendable, available resources.

 Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the Iredell-Statesville Schools governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

 Committed for Board designated purposes – portion of fund balance generated by revenues that can only be expended for specific purposes as designated by the Board.

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balance – portion of fund balance that Iredell-Statesville Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(220,379,212) consists of several elements as follows:

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 221,908,275
Less Accumulated depreciation	<u>122,430,233</u>
Net capital assets	99,478,042
 Net OPEB asset	 379,273
 Pension related deferred outflows of resources	 28,516,697
OPEB related deferred outflow of resources	13,276,475
 Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide	 368,672
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases and installment financing	(10,074,067)
Compensated absences	(10,524,460)
Net pension liability	(56,103,000)
Net OPEB liability	(209,657,850)
Deferred inflows of resources related to pensions:	(3,188,900)
Deferred inflows of resources related to OPEB	<u>(72,850,094)</u>
Total adjustment	<u>\$ (220,379,212)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(10,965,372) as follows:

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 15,711,029
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(8,969,389)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred revenue	175,888
New debt issued during the year is recorded as a source of funds on the funds statements, but has no effect on the statement of activities – it affects only the government-wide statement of net position.	(13,797,181)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements.	5,967,640
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	10,844,421
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	6,226,992
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(14,366,480)
OPEB expense	(11,968,310)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(776,645)
Net book value of disposed capital assets	<u>(13,337)</u>
Total adjustment	<u>\$ (10,965,372)</u>

Defined Benefit Pension Plan and OPEB Plans

For the purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS', RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Assets

Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$13,587,947 and with the State Treasurer of \$-0. The bank balances with the financial institutions and the State Treasurer were \$13,497,673 and \$812,718, respectively. Of these balances, \$2,365,435 was covered by federal depository insurance and \$11,944,956 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2018, the Board had \$631,095 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$11,638 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and is authorized under NC General Statute 147-69.1 and had a weighted average maturity of 1.4 years at June 30, 2018. The Board has no policy for managing interest rate risk or credit risk.

**IREDELL-STATESVILLE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at the government-wide level at June 30, 2018, were as follows:

	<u>Due from other governments</u>	<u>Accounts receivable, net</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 152,527	\$ 165,965	\$ 318,492
Other governmental activities	<u>3,987,763</u>	<u>7,240</u>	<u>3,995,003</u>
Total	<u>\$ 4,140,290</u>	<u>\$ 173,205</u>	<u>\$ 4,313,495</u>
Business-type activities:			
School Food Service	\$ 143,723	\$ 4,969	\$ 148,692
Child Care	<u>253</u>	<u>25,810</u>	<u>26,063</u>
Total	<u>\$ 143,976</u>	<u>\$ 30,779</u>	<u>\$ 174,755</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 152,527	Sales tax refund due from the State
State Public School Fund	3,423,572	Salary accrual due from NC
Federal Grants Fund	308,594	Salary accrual due from Federal Grants
Capital Outlay	237,092	Iredell County and the State of NC
Other Special Revenue Fund	<u>18,505</u>	Grant funds
	<u>\$ 4,140,290</u>	
Business-type activities:		
School Food Service Fund	\$ 143,723	Federal reimbursements and NC sales tax
Child Care Fund	<u>253</u>	Sales tax refund due from the State
	<u>\$ 143,976</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,420,224	\$ 769,252	\$ -	\$ 17,189,476
Capital assets being depreciated:				
Buildings and improvements	148,459,838	42,769	185,578	148,317,029
Equipment and furniture	26,428,121	13,490,632	5,528,714	34,390,039
Vehicles	21,226,521	1,408,376	623,166	22,011,731
Total capital assets being depreciated	<u>196,114,480</u>	<u>14,941,777</u>	<u>6,337,458</u>	<u>204,718,799</u>
Less accumulated depreciation for:				
Buildings and improvements	83,529,260	4,430,058	185,578	87,773,740
Equipment and furniture	19,275,138	3,463,140	5,528,714	17,209,564
Vehicles	16,980,567	1,076,191	609,829	17,446,929
Total accumulated depreciation	<u>119,784,965</u>	<u>8,969,389</u>	<u>6,324,121</u>	<u>122,430,233</u>
Total capital assets being depreciated, net	<u>76,329,515</u>			<u>82,288,566</u>
Governmental activity capital assets, net	<u>\$ 92,749,739</u>			<u>\$ 99,478,042</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 2,364,607	\$ 100,372	\$ 5,406	\$ 2,459,573
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,882,790</u>	<u>79,135</u>	<u>5,406</u>	<u>1,956,519</u>
Business-type activity capital assets, net	<u>\$ 481,817</u>			<u>\$ 503,054</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS,
 For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 4,430,058
Operational support	1,076,191
Unallocated depreciation	3,463,140
Total	<u>\$ 8,969,389</u>

Liabilities

Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$11,245,931 for the year ended June 30, 2018.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Board reported a liability of \$58,175,322 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .73% and .74%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$14,921,645. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,261,133	\$ 1,903,219
Changes of assumptions	9,190,823	-
Net difference between projected and actual earnings on pension plan investments	7,873,095	-
Changes in proportion and differences between Board contributions and proportionate share of contributions		1,403,472
Board contributions subsequent to the measurement date	<u>11,245,931</u>	<u>-</u>
Total	<u>\$ 29,570,982</u>	<u>\$ 3,306,691</u>

\$11,245,931 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflow/inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 2,484,697
2020	10,627,180
2021	5,057,381
2022	(3,150,898)
2023	--
Thereafter	--

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discounted Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 119,748,893	\$ 58,175,321	\$ 6,584,517

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Post-employment Benefits
Healthcare Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$6,311,492.

At June 30, 2018, Board reported a liability of \$217,402,150 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 0.6631%.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

\$6,311,492 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (13,688,970)
2020	(13,688,970)
2021	(13,688,970)
2022	(13,688,970)
2023	(13,668,771)
Thereafter	-

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.75%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - Medicare advantage	4.00-5.00%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

**IREDELL-STATESVILLE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

	1% decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 259,348,277	\$ 217,402,149	\$ 184,132,917

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	Healthcare Trend Rates (Medical -5.00-6.50% , Pharmacy - 5.00-7.25% , Medicare Advantage - 4.00-5.00% , Administrative - 3.00%)		
	1% Decrease		1% Increase
Net OPEB liability	\$ 177,597,534	\$ 217,402,149	\$ 270,307,571

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina’s CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$146,051 for the year ended June 30, 2018.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2018, Board reported an asset of \$393,283 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 0.6435%.

\$146,051 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Year ended June 30	
2019	\$ 57,330
2020	57,330
2021	57,311
2022	21,537
2023	-
Thereafter	-

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

Sensitivity of the Board’s proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 334,348	\$ 393,283	\$ 452,352

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

Following is information related to the proportionate share and pension expense:

	RHBF	DIPNC	Total
OPEB Expense	\$ 12,201,619	\$ 208,775	\$ 12,410,394
OPEB Liability (Asset)	217,402,150	(393,283)	217,008,867
Proportionate share of the net OPEB liability (asset)	0.66310%	0.64350%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	-	107,831	107,831
Net difference between projected and actual earnings on plan investments	-	86,204	86,204
Changes in proportion and differences between Board contributions and proportionate share of contributions	7,115,840	-	7,115,840
Board contributions subsequent to the measurement date	6,311,492	146,051	6,457,543
Deferred of Inflows of Resources			
Differences between expected and actual experience	15,588,134	-	15,588,134
Changes of assumptions	59,871,559	-	59,871,559
Net difference between projected and actual earnings on plan investments	80,796	-	80,796
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	527	527

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2018, are as follows:

	<u>Vendors</u>	<u>Accrued Salaries & Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 232,372	\$ 1,003,254	\$ 1,235,626
Other Governmental	613,592	3,749,067	4,362,659
Total governmental activities	<u>\$ 845,964</u>	<u>\$ 4,752,321</u>	<u>\$ 5,598,285</u>
Business-type Activities:			
School Food Service	\$ 30	\$ 113,747	\$ 113,777
Child Care	2,758	-	2,758
Total business-type activities	<u>\$ 2,788</u>	<u>\$ 113,747</u>	<u>\$ 116,535</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Deferred Outflows and Inflows of Resources

The balance in deferred outflows and inflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions - Pension and OPEB	\$ 7,115,840	\$ 1,403,999
Changes of assumptions - Pension and OPEB	9,190,823	59,871,559
Difference between projected and actual earnings on plan investments - Pension and OPEB	7,959,299	80,796
Employer contributions subsequent to the measurement date - Pension and OPEB	17,703,474	-
Difference between expected and actual experience - Pension and OPEB	<u>1,368,964</u>	<u>17,491,353</u>
Totals	<u><u>\$ 43,338,400</u></u>	<u><u>\$ 78,847,707</u></u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit of \$3,150,000 for general liability and errors and omissions claims. Workers' compensation coverage is provided by Liberty Mutual Insurance Company up to \$100,000 per accident for employees to the extent they are paid from local or federal funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an 'all risk' perils contract. Building and contents are insured on a replacement

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers’ and State Employees’ Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board’s employees who have custody of the Board’s monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees who have access to funds are bonded under a \$10,000/person bond.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

Contingent Liabilities

At June 30, 2018, the Board was a defendant to various lawsuits. In the opinion of the Board’s management and the Board’s attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board’s financial positions.

Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into various lease agreements to lease equipment and vehicles. The leasing arrangements were made for various years and, at the conclusion of each of the leases, ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes; therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

At June 30, 2018, assets recorded under the capital leases were as follows:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 18,987,794	\$ 1,933,919	\$ 17,053,875

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 4,450,987
2020	4,351,012
2021	<u>63,823</u>
	8,865,822
Less: amount representing interest	<u>7,963</u>
Present value of the minimum lease payments	<u>\$ 8,857,859</u>

b. Installment Purchases

The Board is authorized to finance the purchase of school buses and other property under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on school bus financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Bank of America Public Capital Corp at total payments less than the purchase price. During the various years, the Board entered into installment purchase contracts to finance the purchase school buses and other property. The financing contracts require principal and interest payments of varying amounts due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 625,487	\$ --
2020	415,030	--
2021	<u>175,691</u>	--
	<u>\$ 1,216,208</u>	<u>\$ --</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

c. Long-Term Obligation Activity

The following is a summary of changes in the Board’s long-term obligations for the fiscal year ended June 30, 2018:

	Balance July 1, 2017, <u>Restated</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2018	Current Portion
Governmental activities:					
Installment purchases	\$ 1,528,300	\$ 702,771	\$ 1,014,863	\$ 1,216,208	\$ 625,487
Capital leases	716,226	13,094,410	4,952,777	8,857,859	4,444,017
Net pension liability	65,374,554	--	9,271,554	56,103,000	--
Net OPEB liability	269,631,830	--	59,973,980	209,657,850	--
Compensated absences	<u>9,747,815</u>	<u>7,835,353</u>	<u>7,058,708</u>	<u>10,524,460</u>	<u>7,058,708</u>
Total	<u>\$346,998,725</u>	<u>\$21,632,534</u>	<u>\$82,271,882</u>	<u>\$286,359,377</u>	<u>\$12,128,212</u>
Business-type activities:					
Net pension liability	\$ 2,356,008	--	283,686	\$ 2,072,322	\$ --
Net OPEB liability	9,959,606	--	2,215,306	7,744,300	--
Compensated absences	<u>218,847</u>	<u>378,669</u>	<u>365,586</u>	<u>231,930</u>	<u>231,930</u>
Total	<u>\$12,534,461</u>	<u>\$ 378,669</u>	<u>\$ 2,864,578</u>	<u>\$10,048,552</u>	<u>\$ 231,930</u>

Compensated absences are typically liquidated by the general and other governmental funds.

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 45,000</u>
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NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Fund Balance

The Board of Education has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Board of Education funds, Board of Education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (Continued)

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance – General Fund	\$ 6,347,054
Less:	
Stabilization by State Statute	318,492
Subsequent years expenditures	2,295,638
Scholarships	<u>123,230</u>
Remaining Fund Balance	<u>\$ 3,609,694</u>

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$263,110,878 and \$9,718,737, respectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

**IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Five Fiscal Years ***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net pension liability (asset)	0.733%	0.737%
Board's proportionate share of the net pension liability (asset)	\$ 58,175,322	\$ 67,730,562
Board's covered-employee payroll	\$ 102,838,697	\$ 98,459,836
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.57%	68.79%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%
	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability (asset)	0.757%	0.754%
Board's proportionate share of the net pension liability (asset)	\$ 27,883,682	\$ 8,837,119
Board's covered-employee payroll	\$ 100,923,997	\$ 96,688,155
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.63%	9.14%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%
	<u>2014</u>	
Board's proportion of the net pension liability (asset)	0.775%	
Board's proportionate share of the net pension liability (asset)	\$ 47,044,326	
Board's covered-employee payroll	\$ 98,880,344	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.58%	
Plan fiduciary net position as a percentage of the total pension liability	90.60%	

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information.

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Five Fiscal Years

	2018	2017
Contractually required contribution	\$ 11,245,931	\$ 10,263,302
Contributions in relation to the contractually required contribution	11,245,931	10,263,302
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 104,322,182	\$ 102,838,697
Contributions as a percentage of covered-employee payroll	10.78%	9.98%
	2016	2015
Contractually required contribution	\$ 9,009,075	\$ 9,234,546
Contributions in relation to the contractually required contribution	9,009,075	9,234,546
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 98,459,836	\$ 100,923,997
Contributions as a percentage of covered-employee payroll	9.15%	9.15%
	2014	
Contractually required contribution	\$ 8,402,201	
Contributions in relation to the contractually required contribution	8,402,201	
Contribution deficiency (excess)	<u>\$ -</u>	
Board's covered-employee payroll	\$ 96,688,155	
Contributions as a percentage of covered-employee payroll	8.69%	

This schedule is required supplementary information.

**IREDELL-STATESVILLE BOARD OF EDUCATION
 SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY
 RETIREE HEALTH BENEFIT FUND
 Last Two Fiscal Years***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.6631%	0.6427%
Board's proportionate share of the net OPEB liability (asset)	\$ 217,402,150	279,591,436
Board's covered-employee payroll	\$ 102,838,697	\$ 98,459,836
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	211.40%	283.96%
Plan Fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information.

**IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,311,492	\$ 5,974,928	\$ 5,513,751	\$ 5,540,727	\$ 5,221,160
Contributions in relation to the contractually required contribution	<u>6,311,492</u>	<u>5,974,928</u>	<u>5,513,751</u>	<u>5,540,727</u>	<u>5,221,160</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 104,322,182	\$ 102,838,697	\$ 98,459,836	\$ 100,923,997	\$ 96,688,155
Contributions as a percentage of covered-employee payroll	6.05%	5.81%	5.60%	5.49%	5.40%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 5,240,658	\$ 4,897,104	\$ 4,868,669	\$ 4,673,152	\$ 4,426,457
Contributions in relation to the contractually required contribution	<u>5,240,658</u>	<u>4,897,104</u>	<u>4,868,669</u>	<u>4,673,152</u>	<u>4,426,457</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 98,880,340	\$ 97,942,080	\$ 99,360,592	\$ 103,847,822	\$ 107,962,366
Contributions as a percentage of covered-employee payroll	5.30%	5.00%	4.90%	4.50%	4.10%

This schedule is required supplementary information.

**IREDELL-STATESVILLE BOARD OF EDUCATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB ASSET
 DISABILITY INCOME PLAN OF NORTH CAROLINA
 Last Two Fiscal Years***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.6435%	0.6534%
Board's proportionate share of the net OPEB asset	\$ 393,283	\$ 405,786
Board's covered-employee payroll	\$ 102,838,697	\$ 98,459,836
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.38%	0.41%
Plan Fiduciary net position as a percentage of the total OPEB asset	116.23%	116.06%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information.

**IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 146,051	\$ 390,787	\$ 403,685	\$ 413,788	\$ 425,428
Contributions in relation to the contractually required contribution	146,051	390,787	403,685	413,788	425,428
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 104,322,182	\$ 102,838,697	\$ 98,459,836	\$ 100,923,997	\$ 96,688,155
Contributions as a percentage of covered-employee payroll	0.14%	0.38%	0.41%	0.41%	0.44%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 435,073	\$ 509,299	\$ 516,675	\$ 540,009	\$ 561,404
Contributions in relation to the contractually required contribution	435,073	509,299	516,675	540,009	561,404
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 98,880,340	\$ 97,942,080	\$ 99,360,592	\$ 103,847,822	\$ 107,962,366
Contributions as a percentage of covered-employee payroll	0.44%	0.52%	0.52%	0.52%	0.52%

This schedule is required supplementary information.

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

Exhibit A-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Iredell County	\$ 36,145,170	\$ 36,145,170	\$ -
Other:			
Fines and forfeitures	679,831	768,853	89,022
Interest	130,600	150,767	20,167
Rental of school property	75,457	41,663	(33,794)
Other	166,756	143,667	(23,089)
Total	1,052,644	1,104,950	52,306
Total revenues	37,197,814	37,250,120	52,306
Expenditures:			
Instructional services:			
Regular instructional		11,561,492	
Special populations		858,667	
Alternative programs		587,319	
School leadership		3,280,406	
Co-curricular		845,070	
School-based support		3,691,727	
Total instructional services	21,595,957	20,824,681	771,276
System-wide support services:			
Support and development		601,244	
Special population support		22,837	
Alternative programs		4,569	
Technology support		1,360,056	
Operational support		10,186,370	
Financial and human resource		1,609,687	
Policy, leadership and public relations		856,596	
Total system-wide support services	14,927,190	14,641,359	285,831
Ancillary services	1,000	673	327
Non-programmed charges	4,157,100	4,146,532	10,568
Debt service:			
Principal	339,507	339,507	-
Total expenditures	41,020,754	39,952,752	1,068,002
Revenues over (under) expenditures	(3,822,940)	(2,702,632)	1,120,308
Appropriated fund balance	1,426,430	-	(1,426,430)

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Exhibit A-1 (Continued) Positive (Negative) Variance
Other financing sources (uses):			
Debt obligations issued	<u>2,396,510</u>	<u>2,396,510</u>	<u>-</u>
Revenues, other sources & appropriated fund balance under expenditures	<u>\$ -</u>	<u>(306,122)</u>	<u>\$ (306,122)</u>
Fund balance:			
Beginning of year, July 1		<u>6,653,176</u>	
End of year, June 30		<u>\$ 6,347,054</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Exhibit B-1			
Revenues:			
State of North Carolina:			
Public School Building Capital Fund - Lottery	\$ 2,015,995	\$ 315,997	\$ (1,699,998)
State appropriations - buses	807,150	807,150	-
	<u>2,823,145</u>	<u>1,123,147</u>	<u>(1,699,998)</u>
Iredell County:			
Middle School bond projects	1,800,000	1,800,000	-
General county revenues	10,416,279	7,494,649	(2,921,630)
	<u>12,216,279</u>	<u>9,294,649</u>	<u>(2,921,630)</u>
Other:			
State sales tax refund	-	87,435	87,435
Contributions and donations	22,210	22,210	-
Miscellaneous	10,000	10,028	28
	<u>32,210</u>	<u>119,673</u>	<u>87,463</u>
Total revenues	<u>15,071,634</u>	<u>10,537,469</u>	<u>(4,534,165)</u>
Expenditures:			
Current:			
Instructional services	9,749,000	9,749,000	-
System-wide support services	1,427,496	1,303,537	123,959
Capital outlay	10,308,548	6,146,854	4,161,694
Debt Service:			
Principal	4,013,987	4,013,987	-
Interest	24,374	24,374	-
Total expenditures	<u>25,523,405</u>	<u>21,237,752</u>	<u>4,285,653</u>
Revenues under expenditures	(10,451,771)	(10,700,283)	(248,512)
Other financing sources:			
Debt obligations issued	10,451,771	10,451,771	-
Net change in fund balance	<u>\$ -</u>	<u>(248,512)</u>	<u>\$ (248,512)</u>
Fund balance:			
Beginning of year, July 1		<u>1,947,690</u>	
End of year, June 30		<u>\$ 1,699,178</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FEDERAL GRANTS FUND
For the Year Ended June 30, 2018**

Exhibit C-1

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
U. S. Government	<u>\$ 12,600,357</u>	<u>\$ 9,415,647</u>	<u>\$ (3,184,710)</u>
Expenditures:			
Instructional services	9,715,704	8,476,672	1,239,032
System-wide supporting services	844,034	784,516	59,518
Ancillary services	-	-	-
Non-programmed charges	<u>2,040,619</u>	<u>154,459</u>	<u>1,886,160</u>
Total expenditures	<u>12,600,357</u>	<u>9,415,647</u>	<u>3,184,710</u>
Net change in fund balance	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
Fund balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u><u>\$ -</u></u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2018**

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Food sales	\$ 3,841,000	\$ 3,466,082	\$ (374,918)
Operating expenditures:			
Food costs:			
Purchase of food		3,091,461	
Salaries and benefits		5,366,516	
Utilities and telephone		22,153	
Contracted services		12,739	
Materials and supplies		488,182	
Travel		19,374	
Capital outlay		100,372	
Other		2,711	
Total expenditures	9,415,668	9,103,508	312,160
Operating loss	(5,574,668)	(5,637,426)	(62,758)
Nonoperating revenues:			
Federal reimbursements	5,034,250	4,773,121	(261,129)
State reimbursements	22,000	19,162	(2,838)
Federal commodities	466,418	513,777	47,359
Interest earned	5,500	12,317	6,817
Gain on disposal of capital assets	1,000	1,580	580
Other	500	370	(130)
Total nonoperating revenues	5,529,668	5,320,327	(209,341)
Revenues over (under) expenditures	(45,000)	(317,099)	(272,099)
Other financing sources:			
Operating transfer in	45,000	45,000	-
Revenues and other financing sources under expenditures	\$ -	(272,099)	\$ (272,099)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(79,135)	
Net OPEB asset		(370)	
Net pension liability		237,993	
Net OPEB liability		1,842,979	
Deferred outflows - pension		(189,213)	
Deferred inflows - pension		(2,194,374)	
Decrease in inventories		(4,946)	
Capital outlay		100,372	
Indirect cost		731,889	
Indirect cost not paid		(731,889)	
Increase in compensated absences payable		(7,491)	
Change in net position (full accrual)		\$ (566,284)	

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - CHILD CARE FUND
For the Year Ended June 30, 2018

Exhibit D-2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Child care fees	\$ 1,319,015	\$ 1,271,954	\$ (47,061)
Expenditures:			
Food purchases		45,165	
Salaries and benefits		1,112,996	
Utilities and telephone		8,964	
Contracted services		996	
Material and supplies		9,294	
Travel		3,652	
Field trips		10,520	
Other		1,903	
Total expenditures	<u>1,319,015</u>	<u>1,193,490</u>	<u>125,525</u>
Operating income	-	78,464	78,464
Nonoperating revenues:			
Interest and other	-	3,211	3,211
Revenues over expenditures	<u>\$ -</u>	81,675	<u>\$ 81,675</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase in compensated absences		\$ (5,592)	
Net OPEB asset		(74)	
Net pension liability		45,693	
Net OPEB liability		372,327	
Deferred outflows - pension		(36,658)	
Deferred inflows - pension		(443,490)	
Change in net position (full accrual)		<u>\$ 13,881</u>	

COMPLIANCE SECTION

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**Independent Auditor's Report On Internal Control Over Financial
Reporting And On Compliance And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance With
Government Auditing Standards**

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iredell-Statesville Board of Education (the "Board"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coffey, Lovins & Company, PLLC

Statesville, North Carolina

September 27, 2018

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**Independent Auditor's Report On Compliance for
Each Major Federal Program; Report on Internal Control
Over Compliance in Accordance with OMB Uniform Guidance
and The State Single Audit Implementation Act**

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Iredell-Statesville Board of Education (the "Board"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2018. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coffey, Louins & Company, PLLC

Statesville, North Carolina

September 27, 2018

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**Independent Auditor's Report On Compliance For
Each Major State Program; Report on Internal Control Over
Compliance In Accordance With OMB Uniform Guidance
and The State Single Audit Implementation Act**

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

Report on Compliance for Each Major State Program

We have audited Iredell-Statesville Board of Education (the "Board"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major state programs for the year ended June 30, 2018. The Board's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coffey, Lovins & Company, PLLC

Statesville, North Carolina

September 27, 2018

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027 84.027 84.027 84.173 84.173	U.S. Department of Education Special Education Cluster: Education of the Handicapped Special Needs Targeted Assistance Special Education – Risk Pool Preschool Handicapped Preschool Grants Targeted Assistance

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

yes no

Identification of major State programs:

Program Name

State Public School Fund

Vocational Education:
State Months of Employment

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

**Iredell-Statesville Board of Education
Corrective Action Plan
For the Year Ended June 30, 2018**

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None Reported

Section IV. State Award Findings and Questioned Costs

None Reported

**Iredell-Statesville Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018**

Findings: 2017
None

Findings: 2016
None

Findings: 2015
None

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
Cash Programs:			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Public Agriculture:			
National School Lunch Program -			
Non-cash (Commodities)	10.559		\$ 513,777
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		1,158,027
National School Lunch Program	10.555		3,493,101
After School Snack Program	10.555		54,582
Total Cash Assistance			<u>4,705,710</u>
Total Child Nutrition Cluster			5,219,487
Child and Adult Care Food Program	10.558		<u>67,411</u>
Total School Nutrition Program (Note 3)			<u>5,286,898</u>
Total U. S. Department of Agriculture			<u>5,286,898</u>
<u>U.S. Department of Education</u>			
Cash Assistance:			
Direct Program:			
Race to the Top - District	84.416		110,216
Elementary and Secondary Counseling Programs	84.215		208,192
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies -			
Educationally Deprived Children	84.010	PRC 050	4,403,057
Education for Homeless Children and Youth	84.196	PRC 026	7,577
English Language Acquisition Grant	84.365	PRC 104, 111	178,226
Student Support and Academic Enrichment	84.424	PRC 108	48,955
Improving Teacher Quality State Grant	84.367	PRC 103	496,929
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	3,770,923
Special Needs Targeted Assistance	84.027	PRC 118	5,750
Special Education - Risk Pool	84.027	PRC 114	87,071
Preschool Handicapped	84.173	PRC 049	85,058
Preschool Grants Targeted Assistance	84.173	PRC 119	35,108
Total Special Education Cluster			<u>3,983,910</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Title VI-B, State Improvement Grant	84.323	PRC 082	31,754
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States - Program Development	84.048	PRC 017	265,239
Total U. S. Department of Education			9,734,055
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	NONE		258,501
Total federal assistance			15,279,454
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			108,012,650
Driver Training - SPSF		PRC 012	449,668
School Technology Fund - SPSF Vocational Education		PRC 015	236,801
- State Months of Employment		PRC 013	6,439,393
- Program Support Funds		PRC 014	646,281
			115,784,793
Passed through Iredell County:			
Public School Building Capital Fund			315,997
Total N.C. Department of Public Instruction			116,100,790
<u>Division of School Food Service:</u>			
Kindergarten Breakfast Program			19,162
<u>N.C. Department of Health & Human Services</u>			
<u>Division of Public Health</u>			
Passed through Iredell County Health Department:			
School Nursing Funding Initiative			50,000
<u>NC Healthy Schools</u>			
CDC HIV Prevention Grant			4,771
Total N.C. Department of Health and Human Services			54,771
Non-Cash Assistance			
<u>N.C. Department of Public Instruction:</u>			
School buses			807,150

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Total State assistance			116,981,873
Total federal and State assistance			<u>\$ 132,261,327</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Iredell-Statesville Board of Education under the programs of the federal government and the State of NC for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Iredell-Statesville Board of Education, it is not intended to and does not present the financial position, changes in net positions or cash flows of Iredell-Statesville Board of Education.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Iredell-Statesville Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program.