

**Davie County  
Board of Education**

Financial Statements  
For the Year Ended  
June 30, 2016

# DAVIE COUNTY BOARD OF EDUCATION

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## TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Position .....	11
2 Statement of Activities .....	12
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds .....	13
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	14
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds .....	16
6 Statement of Net Position – Proprietary Fund.....	20
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	21
8 Statement of Cash Flows – Proprietary Fund .....	22
Notes to the Financial Statements .....	24
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability.....	48
Schedule of Contributions .....	49
Individual Fund Statements and Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	50
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund .....	52
C-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund .....	54
Compliance Report.....	55



ANDERSON SMITH & WIKE PLLC

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*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Davie County Board of Education  
Mocksville, 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 Davie County Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board'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 the 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 misstatements, whether due to fraud or error.

### ***Auditors' 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 auditors' 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 Davie County Board of Education as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grants Fund, and the Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 48 and 49, 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 an opinion on the financial statements that collectively comprise the Davie County Board of Education's basic financial statements. The individual non-major fund financial statements and schedules, 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 accompanying 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 accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic 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 22, 2016 on our consideration of Davie County Board of Education's internal control over financial reporting and 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 Davie County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

September 22, 2016  
Statesville, North Carolina  
(704) 562-5039

**DAVIE COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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This section of the Davie County 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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- The Board expended an average of \$8,134 of state, local, and federal dollars per student in fiscal year 2016.
- The Board experienced a decrease in enrollment from 6,295 in fiscal year 2015 to 6,265 in fiscal year 2016. This is a decrease of 30 students (or .5%).
- The Board is in the process of building a new high school which will open in the 2017-18 school year.
- The Board used \$760,842 of Lottery Public School Building Capital Funds (PSBCF) for construction of the new high school and \$25,500,499 of bond funds for the construction of the new high school.

***Overview of the Financial Statements***

The audited financial statements of the Davie County Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents 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 and liabilities. 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 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 type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund, and fiduciary fund. 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 and fiduciary 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

### ***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 and liabilities. 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 liabilities – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position is 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 Davie County's (the "County") 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. The school food service fund is 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.

**DAVIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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Davie County 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 a 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 Other Special Revenue Fund, and the Federal Grants Fund.

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

*Proprietary fund:* 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. Davie County Board of Education has one proprietary fund – an enterprise fund – the School Food Service 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. Assets exceeded liabilities by \$34.6 million as of June 30, 2016. The largest component of net position is net investment in capital assets, of \$41.8 million. It comprises 121% of the total net position.



**DAVIE COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

Following is a summary of the Statement of Net Position:

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>As of June 30, 2016 and 2015</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current assets	\$ 8,973,465	\$ 6,493,983	\$ 523,985	\$ 554,185	\$ 9,497,450	\$ 7,048,168
Capital assets	42,194,211	43,811,102	287,994	326,556	42,482,205	44,137,658
Total assets	51,167,676	50,305,085	811,979	880,741	51,979,655	51,185,826
Deferred outflows of resources	2,959,024	2,998,582	82,261	82,056	3,041,285	3,080,638
Current liabilities	4,543,858	4,082,285	41,202	85,387	4,585,060	4,167,672
Long-term liabilities	13,103,417	5,116,374	322,383	116,619	13,425,800	5,232,993
Total liabilities	17,647,275	9,198,659	363,585	202,006	18,010,860	9,400,665
Deferred inflows of resources	2,321,965	10,759,862	64,550	294,442	2,386,515	11,054,304
Net investment in						
capital assets	41,514,621	43,471,333	287,994	326,556	41,802,615	43,797,889
Restricted net position	2,191,601	1,891,619	-	-	2,191,601	1,891,619
Unrestricted net position	(9,548,762)	(12,017,806)	178,111	139,793	(9,370,651)	(11,878,013)
Total net assets	\$ 34,157,460	\$ 33,345,146	\$ 466,105	\$ 466,349	\$ 34,623,565	\$ 33,811,495

The net position of the Board's governmental activities increased approximately \$800,000 during the year, from \$33.3 million at June 30, 2015 to \$34.2 million at June 30, 2016, indicating an improvement in the financial condition of the Board. This increase is due to cost savings measures implemented during the year.

The net position of the Board's business-type activities essentially stayed constant at approximately \$466,000. This was anticipated as the Board's business-type activities try to break even.

**DAVIE COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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

<b>Table 2</b>						
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
<b>For the Fiscal Years Ended June 30, 2016 and 2015</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 522,036	\$ 411,226	\$ 1,341,905	\$ 1,076,639	\$ 1,863,941	\$ 1,487,865
Operating grants and contributions	38,162,949	38,522,176	2,154,708	2,031,609	40,317,657	40,553,785
Capital grants and contributions	243,490	82,233	-	-	243,490	82,233
<b>General revenues:</b>						
Other revenues	15,225,334	20,371,043	2,181	2,400	15,227,515	20,373,443
<b>Total revenues</b>	<b>54,153,809</b>	<b>59,386,678</b>	<b>3,498,794</b>	<b>3,110,648</b>	<b>57,652,603</b>	<b>62,497,326</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	44,276,159	49,703,710	-	-	44,276,159	49,703,710
System-wide support services	8,696,522	8,925,545	-	-	8,696,522	8,925,545
Ancillary services	24,574	23,259	-	-	24,574	23,259
Non-programmed charges	27,542	22,520	-	-	27,542	22,520
Interest	10,973	15,702	-	-	10,973	15,702
Unallocated depreciation	251,683	266,949	-	-	251,683	266,949
<b>Business-type activities:</b>						
Food service	-	-	3,553,080	3,472,958	3,553,080	3,472,958
<b>Total expenses</b>	<b>53,287,453</b>	<b>58,957,685</b>	<b>3,553,080</b>	<b>3,472,958</b>	<b>56,840,533</b>	<b>62,430,643</b>
Transfers in (out)	(54,042)	(58,579)	54,042	58,579	-	-
Increase (decrease) in net position	812,314	370,414	(244)	(303,731)	812,070	66,683
Beginning net position	33,345,146	32,974,732	466,349	770,080	33,811,495	33,744,812
Ending net position	<b>\$ 34,157,460</b>	<b>\$ 33,345,146</b>	<b>\$ 466,105</b>	<b>\$ 466,349</b>	<b>\$ 34,623,565</b>	<b>\$ 33,811,495</b>

Total governmental activities generated revenues of \$54.2 million while expenses in this category totaled \$53.3 million for the year ended June 30, 2016. Comparatively, revenues were \$59.4 million and expenses totaled \$59.0 million for the year ended June 30, 2015. The increase in net position stands at \$812,000 at June 30, 2016, compared to an increase of \$370,000 in 2015. Instructional services comprised 83% of total governmental-type expenses while system-wide support services made up 16% of those expenses for 2016. County funding comprised 19% of total governmental revenue in the current year. Much of the remaining 74% of total governmental revenue for 2016

**DAVIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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consists of restricted State and federal money. Business-type activities generated revenue of \$3.5 million and had expenses of \$3.55 million in 2016. Net position, after transfers, decreased marginally.

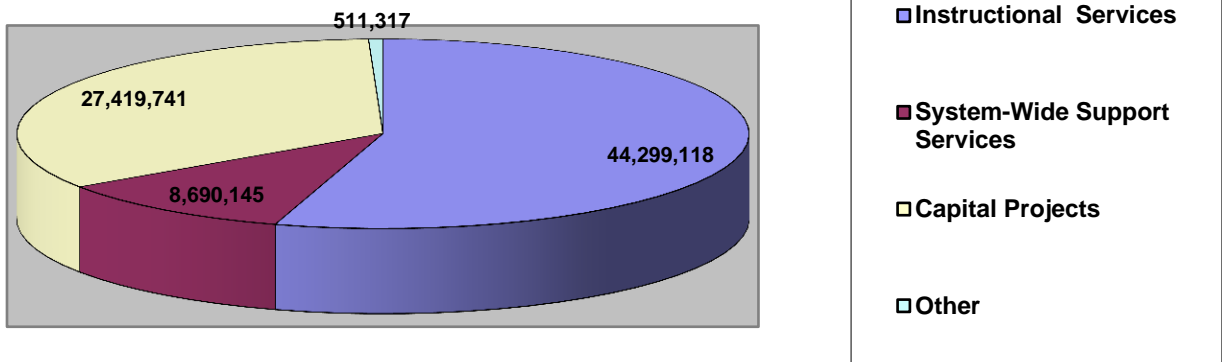
***Financial Analysis of the Board's Funds***

**Governmental Funds:** The focus of Davie County 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 \$4.4 million, a \$495,000 increase from last year. The General Fund reported a \$119,000 increase in fund balance.

**Proprietary Fund:** The Board's business-type fund, the School Food Service Fund, had a marginal decrease in net position in the current year.

**Categorization of Expenditures for Governmental Funds**



Expenditures are presented on the modified accrual basis of accounting.

***General Fund Budgetary Highlights***

Over the course of the year, the Board revised the budget several times to account for changes in expenditures.

**DAVIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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**Capital Assets**

Capital assets decreased by approximately \$1.7 million from the previous year. This was attributable to an excess of depreciation expense over capital additions for the year. The following is a summary of the capital assets, net of depreciation at year-end.

<b>Table 3</b>						
<b>Summary of Capital Assets</b>						
<b>As of June 30, 2016 and 2015</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Land	\$ 1,010,522	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522	\$ 1,010,522
Construction in progress	25,605	72,789	-	-	25,605	72,789
Buildings and improvements	36,504,010	38,245,996	-	-	36,504,010	38,245,996
Equipment and furniture	1,946,255	2,164,583	287,994	326,556	2,234,249	2,491,139
Vehicles	2,707,819	2,317,212	-	-	2,707,819	2,317,212
Total	<u>\$ 42,194,211</u>	<u>\$ 43,811,102</u>	<u>\$ 287,994</u>	<u>\$ 326,556</u>	<u>\$ 42,482,205</u>	<u>\$ 44,137,658</u>

**Debt Outstanding**

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 virtually all debt issued for school capital construction.

**Economic Factors**

The unemployment rate in Davie County at June 30, 2016 was 4.7% which is a 0.7% decrease over the 5.4% rate at June 30, 2015. The County's unemployment rate continues to be lower than the N.C. statewide which was 4.9% at June 30, 2016.

**Requests for Information**

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

Deborah A. Miller, Chief Financial Officer  
Davie County Board of Education  
220 Cherry Street  
Mocksville, NC 27028

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

**Exhibit 1**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,800,260	\$ 413,096	\$ 5,213,356
Due from other governments	4,114,379	88,633	4,203,012
Receivables (net)	8,620	21,325	29,945
Inventories	-	51,137	51,137
Internal balance	50,206	(50,206)	-
Capital assets:			
Land, improvements, and construction in progress	1,036,127	-	1,036,127
Other capital assets, net of depreciation	41,158,084	287,994	41,446,078
Total capital assets	42,194,211	287,994	42,482,205
Total assets	51,167,676	811,979	51,979,655
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	2,959,024	82,261	3,041,285
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	3,833,213	2,822	3,836,035
Accrued salaries and wages payable	710,645	-	710,645
Unavailable revenue	-	38,380	38,380
Long-term liabilities:			
Net pension liability	9,167,101	254,845	9,421,946
Due within one year	1,716,191	35,243	1,751,434
Due in more than one year	2,220,125	32,295	2,252,420
Total liabilities	17,647,275	363,585	18,010,860
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,321,965	64,550	2,386,515
<b>NET POSITION</b>			
Net investment in capital assets	41,514,621	287,994	41,802,615
Restricted for:			
Stabilization by State statute	106,241	-	106,241
School capital outlay	1,318,864	-	1,318,864
Individual schools activities	766,496	-	766,496
Unrestricted	(9,548,762)	178,111	(9,370,651)
Total net position	\$ 34,157,460	\$ 466,105	\$ 34,623,565

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

**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	
<b>Primary government:</b>							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 27,165,198	\$ 499,147	\$ 20,794,107	\$ -	\$ (5,871,944)	\$ -	\$ (5,871,944)
Special populations	7,254,637	-	6,824,699	-	(429,938)	-	(429,938)
Alternative programs	3,592,383	-	2,633,728	-	(958,655)	-	(958,655)
School leadership	2,882,682	-	1,811,574	-	(1,071,108)	-	(1,071,108)
Co-curricular	308,518	-	-	-	(308,518)	-	(308,518)
School-based support	3,072,741	-	2,101,291	-	(971,450)	-	(971,450)
System-wide support services:							
Support and development	364,458	-	243,538	-	(120,920)	-	(120,920)
Special populations	301,924	-	136,470	-	(165,454)	-	(165,454)
Alternative programs	219,880	-	80,452	-	(139,428)	-	(139,428)
Technology support	699,722	-	281,286	-	(418,436)	-	(418,436)
Operational support	5,188,205	22,889	3,001,315	243,490	(1,920,511)	-	(1,920,511)
Financial and human resource services	646,192	-	170,969	-	(475,223)	-	(475,223)
Accountability	133,189	-	-	-	(133,189)	-	(133,189)
System-wide pupil support services	374,580	-	-	-	(374,580)	-	(374,580)
Policy, leadership and public relations	768,372	-	83,520	-	(684,852)	-	(684,852)
Ancillary services	24,574	-	-	-	(24,574)	-	(24,574)
Non-programmed charges	27,542	-	-	-	(27,542)	-	(27,542)
Interest on long-term debt	10,973	-	-	-	(10,973)	-	(10,973)
Unallocated depreciation expense*	251,683	-	-	-	(251,683)	-	(251,683)
Total governmental activities	53,287,453	522,036	38,162,949	243,490	(14,358,978)	-	(14,358,978)
Business-type activities:							
School food service	3,553,080	1,341,905	2,154,708	-	-	(56,467)	(56,467)
Total primary government	\$ 56,840,533	\$ 1,863,941	\$ 40,317,657	\$ 243,490	(14,358,978)	(56,467)	(14,415,445)
General revenues:							
Unrestricted county appropriations - operating					10,282,445	-	10,282,445
Unrestricted county appropriations - capital					67,331	-	67,331
Unrestricted State appropriations - operating					582,105	-	582,105
Unrestricted State appropriations - capital					1,004,332	-	1,004,332
Investment earnings, unrestricted					14,497	2,181	16,678
Miscellaneous, unrestricted					3,274,624	-	3,274,624
Transfers					(54,042)	54,042	-
Total general revenues and transfers					15,171,292	56,223	15,227,515
Change in net position					812,314	(244)	812,070
Net position-beginning					33,345,146	466,349	33,811,495
Net position-ending					\$ 34,157,460	\$ 466,105	\$ 34,623,565

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

**DAVIE COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2016**

**Exhibit 3**

	Major Funds						Total
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,045,425	\$ -	\$ 766,496	\$ 1,327,493	\$ -	\$ 660,846	\$ 4,800,260
Receivables (net)	8,620	-	-	-	-	-	8,620
Due from other governments	25,750	589,080	-	3,439,390	38,494	21,665	4,114,379
Due from other funds	35,000	-	-	-	-	15,206	50,206
Total assets	<u>\$ 2,114,795</u>	<u>\$ 589,080</u>	<u>\$ 766,496</u>	<u>\$ 4,766,883</u>	<u>\$ 38,494</u>	<u>\$ 697,717</u>	<u>\$ 8,973,465</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 384,066	\$ -	\$ -	\$ 3,448,019	\$ -	\$ 1,128	\$ 3,833,213
Accrued salaries and wages payable	71,701	589,080	-	-	38,494	11,370	710,645
Total liabilities	<u>455,767</u>	<u>589,080</u>	<u>-</u>	<u>3,448,019</u>	<u>38,494</u>	<u>12,498</u>	<u>4,543,858</u>
Fund balances:							
Restricted:							
Stabilization by State statute	69,370	-	-	-	-	36,871	106,241
School capital outlay	-	-	-	1,318,864	-	-	1,318,864
Individual schools	-	-	766,496	-	-	-	766,496
Assigned:							
Special revenues	-	-	-	-	-	648,348	648,348
Unassigned:	1,589,658	-	-	-	-	-	1,589,658
Total fund balances	<u>1,659,028</u>	<u>-</u>	<u>766,496</u>	<u>1,318,864</u>	<u>-</u>	<u>685,219</u>	<u>4,429,607</u>
Total liabilities and fund balances	<u>\$ 2,114,795</u>	<u>\$ 589,080</u>	<u>\$ 766,496</u>	<u>\$ 4,766,883</u>	<u>\$ 38,494</u>	<u>\$ 697,717</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,194,211
Deferred outflows of resources related to pensions	2,959,024
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,936,316)
Net pension liability	(9,167,101)
Deferred inflows of resources related to pensions	(2,321,965)
Net position of governmental activities	<u>\$ 34,157,460</u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

**Exhibit 4**

	Major Funds						
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 35,553,630	\$ -	\$ 1,004,332	\$ -	\$ 582,105	\$ 37,140,067
Davie County	10,282,445	-	-	26,882,684	-	-	37,165,129
U.S. Government	-	-	-	-	2,717,403	75,443	2,792,846
Other	315,991	-	1,669,011	39,631	-	1,611,268	3,635,901
Total revenues	10,598,436	35,553,630	1,669,011	27,926,647	2,717,403	2,268,816	80,733,943
<b>EXPENDITURES</b>							
<b>Current:</b>							
Instructional services:							
Regular instructional	3,314,788	20,664,389	1,703,207	343,638	180,322	260,089	26,466,433
Special populations	261,550	5,498,160	-	6,241	1,301,723	486,058	7,553,732
Alternative programs	213,263	1,672,640	-	11,085	943,109	894,448	3,734,545
School leadership	1,199,078	1,811,574	-	-	-	1,181	3,011,833
Co-curricular	311,733	-	-	4,528	-	6,080	322,341
School-based support	1,034,283	2,092,470	-	6,647	8,656	68,178	3,210,234
System-wide support services:							
Support and development	132,392	243,538	-	4,452	-	405	380,787
Special populations	108,704	27,570	-	-	106,863	70,186	313,323
Alternative programs	19,123	-	-	-	78,947	130,089	228,159
Technology support	177,739	238,538	-	98,318	41,948	173,692	730,235
Operational support	2,366,461	2,996,220	-	-	5,000	52,864	5,420,545
Financial and human resource services	471,260	170,969	-	2,995	-	29,919	675,143
Accountability	139,157	-	-	-	-	-	139,157
Policy, leadership and public relations	713,929	83,520	-	5,347	-	-	802,796
Ancillary services:							
Community	-	-	-	-	-	25,674	25,674
Non-programmed charges	15,718	-	-	-	50,835	12,000	78,553
<b>Capital outlay</b>	-	-	-	27,419,741	-	-	27,419,741
<b>Debt service</b>							
Principal	-	-	-	396,117	-	-	396,117
Interest	-	-	-	10,973	-	-	10,973
Total expenditures	10,479,178	35,499,588	1,703,207	28,310,082	2,717,403	2,210,863	80,920,321
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers to other funds	-	(54,042)	-	-	-	-	(54,042)
Installment purchase obligations issued	-	-	-	735,938	-	-	735,938
Total other financing sources (uses)	-	(54,042)	-	735,938	-	-	681,896
Net change in fund balance	119,258	-	(34,196)	352,503	-	57,953	495,518
Fund balances-beginning	1,539,770	-	800,692	966,361	-	627,266	3,934,089
Fund balances-ending	\$ 1,659,028	\$ -	\$ 766,496	\$ 1,318,864	\$ -	\$ 685,219	\$ 4,429,607

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

Page 14



**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

**Exhibit 4**  
**(Continued)**

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

Net changes in fund balances - total governmental funds	\$ 495,518
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,597,647)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	2,959,024
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 issuance costs, 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.	(339,821)
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	(804,393)
Compensated absences	118,877
Loss on disposal of assets	<u>(19,244)</u>
Total changes in net position of governmental activities	<u>\$ 812,314</u>

**DAVIE COUNTY 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, 2016**

**Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	10,282,445	10,282,445	10,282,445	-
U.S. Government	-	-	-	-
Other	243,333	254,519	315,991	61,472
Total revenues	10,525,778	10,536,964	10,598,436	61,472
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	3,588,953	3,505,491	3,314,788	190,703
Special populations	254,913	270,079	261,550	8,529
Alternative programs	212,276	217,445	213,263	4,182
School leadership	1,203,312	1,241,612	1,199,078	42,534
Co-curricular	317,945	324,868	311,733	13,135
School-based support	1,125,924	1,119,674	1,034,283	85,391
System-wide support services				
Support and development	129,841	133,086	132,392	694
Special populations	108,592	108,842	108,704	138
Alternative programs	19,495	19,286	19,123	163
Technology support	162,786	193,426	177,739	15,687
Operational support	2,448,258	2,459,650	2,366,461	93,189
Financial and human resource services	525,566	515,792	471,260	44,532
Accountability	142,927	142,982	139,157	3,825
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	755,390	755,131	713,929	41,202
Ancillary services				
Community	100	100	-	100
Non-programmed charges	18,000	18,000	15,718	2,282
Total expenditures	11,014,278	11,025,464	10,479,178	546,286
Revenues under expenditures	(488,500)	(488,500)	119,258	607,758
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	(488,500)	(488,500)	119,258	607,758
Appropriated fund balance	488,500	488,500	-	(488,500)
Net change in fund balance	\$ -	\$ -	119,258	\$ 119,258
Fund balances, beginning of year			1,539,770	
Fund balances, end of year			\$ 1,659,028	

**DAVIE COUNTY 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, 2016**

**Exhibit 5 (continued)**

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 37,448,657	\$ 37,397,002	\$ 35,553,630	\$ (1,843,372)
Davie County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>37,448,657</u>	<u>37,397,002</u>	<u>35,553,630</u>	<u>(1,843,372)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	21,737,346	21,593,390	20,664,389	929,001
Special populations	5,664,184	5,702,847	5,498,160	204,687
Alternative programs	1,935,583	2,007,251	1,672,640	334,611
School leadership	2,025,837	2,007,611	1,811,574	196,037
Co-curricular	-	-	-	-
School-based support	2,066,011	2,112,786	2,092,470	20,316
System-wide support services				
Support and development	261,597	257,447	243,538	13,909
Special populations	30,220	30,770	27,570	3,200
Alternative programs	-	-	-	-
Technology support	237,273	240,658	238,538	2,120
Operational support	3,208,984	3,106,354	2,996,220	110,134
Financial and human resource services	116,284	171,680	170,969	711
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	101,446	103,529	83,520	20,009
Ancillary services				
Community	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>37,384,765</u>	<u>37,334,323</u>	<u>35,499,588</u>	<u>1,834,735</u>
Revenues over expenditures	63,892	62,679	54,042	(8,637)
Other financing uses:				
Transfers to other funds	<u>(63,892)</u>	<u>(62,679)</u>	<u>(54,042)</u>	<u>8,637</u>
Revenues over expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

**DAVIE COUNTY 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, 2016**

**Exhibit 5 (continued)**

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	-	-	-	-
U.S. Government	3,052,689	3,128,651	2,717,403	(411,248)
Other	-	-	-	-
Total revenues	<u>3,052,689</u>	<u>3,128,651</u>	<u>2,717,403</u>	<u>(411,248)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	190,521	193,468	180,322	13,146
Special populations	1,342,289	1,397,903	1,301,723	96,180
Alternative programs	996,518	995,586	943,109	52,477
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	10,400	10,400	8,656	1,744
System-wide support services				
Support and development	-	-	-	-
Special populations	124,470	126,202	106,863	19,339
Alternative programs	95,074	97,065	78,947	18,118
Technology support	41,955	41,955	41,948	7
Operational support	5,000	5,000	5,000	-
Financial and human resource services	1,500	1,500	-	1,500
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Non-programmed charges	244,962	259,572	50,835	208,737
Total expenditures	<u>3,052,689</u>	<u>3,128,651</u>	<u>2,717,403</u>	<u>411,248</u>
Revenues under expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

**DAVIE COUNTY 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, 2016**

**Exhibit 5 (continued)**

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 542,226	\$ 582,105	\$ 582,105	\$ -
Davie County	-	-	-	-
U.S. Government	74,000	70,935	75,443	4,508
Other	1,160,907	1,563,069	1,611,268	48,199
Total revenues	1,777,133	2,216,109	2,268,816	52,707
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	291,162	364,767	260,089	104,678
Special populations	404,739	496,918	486,058	10,860
Alternative programs	1,006,239	1,313,322	894,448	418,874
School leadership	-	1,181	1,181	-
Co-curricular	5,675	6,175	6,080	95
School-based support	63,975	85,888	68,178	17,710
System-wide support services				
Support and development	-	500	405	95
Special populations	49,019	73,515	70,186	3,329
Alternative programs	147,624	133,179	130,089	3,090
Technology support	171,110	205,115	173,692	31,423
Operational support	50,000	66,570	52,864	13,706
Financial and human resource services	30,000	30,000	29,919	81
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	30,932	30,541	25,674	4,867
Non-programmed charges	8,000	14,400	12,000	2,400
Total expenditures	2,258,475	2,822,071	2,210,863	611,208
Revenues under expenditures	(481,342)	(605,962)	57,953	663,915
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	(481,342)	(605,962)	57,953	663,915
Appropriated fund balance	481,342	605,962	-	(605,962)
Net change in fund balance	\$ -	\$ -	57,953	\$ 57,953
Fund balances, beginning of year			627,266	
Fund balances, end of year			\$ 685,219	

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2016**

**Exhibit 6**

	<b>School Food Service</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 413,096
Due from other governments	88,633
Accounts receivable (net)	21,325
Inventories	51,137
Total current assets	<u>574,191</u>
Noncurrent assets:	
Capital assets, net	<u>287,994</u>
Total assets	<u>862,185</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>82,261</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,822
Due to other funds	50,206
Compensated absences	35,243
Unavailable revenues	38,380
Total current liabilities	<u>126,651</u>
Noncurrent liabilities:	
Net pension liability	254,845
Compensated absences	32,295
Total noncurrent liabilities	<u>287,140</u>
Total liabilities	<u>413,791</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>64,550</u>
<b>NET POSITION</b>	
Net investment in capital assets	287,994
Unrestricted	178,111
Total net position	<u><u>\$ 466,105</u></u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**POSITION - PROPRIETARY FUND**  
**For the Year Ended June 30, 2016**

**Exhibit 7**

	<b>School Food Service</b>
<b>OPERATING REVENUES</b>	
Food sales	<u>\$ 1,341,905</u>
<b>OPERATING EXPENSES</b>	
Food cost:	
Purchase of food	1,518,753
Salaries and benefits	1,542,750
Supplies and materials	170,785
Repairs and maintenance	22,871
Indirect costs	189,503
Depreciation	66,878
Travel	11,411
Contracted services	9,825
Workshop expenses	7,313
Other	<u>12,991</u>
Total operating expenses	<u>3,553,080</u>
Operating loss	<u>(2,211,175)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	1,925,213
Federal commodities	200,976
Fresh fruit and vegetable grant	21,851
State reimbursements	6,668
Interest earned	<u>2,181</u>
Total nonoperating revenues	<u>2,156,889</u>
Loss before transfers	(54,286)
Transfers from other funds	<u>54,042</u>
Change in net position	(244)
Total net position - beginning	<u>466,349</u>
Total net position - ending	<u><u>\$ 466,105</u></u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2016**

**Exhibit 8**

	<u>School Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,332,022
Cash paid for goods and services	(1,756,091)
Cash paid to employees for services	<u>(1,554,781)</u>
Net cash used by operating activities	<u>(1,978,850)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal and State reimbursements	1,963,856
Increase in due to other funds	<u>(6,392)</u>
Net cash provided by noncapital financing activities	<u>1,957,464</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(28,316)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>2,181</u>
Net decrease in cash and cash equivalents	(47,521)
Balances-beginning of the year	<u>460,617</u>
Balances-end of the year	<u><u>\$ 413,096</u></u>



**DAVIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2016**

**Exhibit 8**  
**(Continued)**

Reconciliation of operating loss to net cash used by operating activities	
Operating loss	<u>\$ (2,211,175)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	66,878
Donated commodities consumed	200,976
Salaries paid by State Public School Fund	54,042
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(9,270)
(Increase) decrease in inventories	(11,783)
Increase (decrease) in accounts payable	(1,832)
(Increase) decrease in deferred outflows	(205)
Increase (decrease) in net pension liability	174,847
Increase (decrease) in deferred inflows	(229,892)
Increase (decrease) in unavailable revenues	(613)
Increase (decrease) in compensated absences	<u>(10,823)</u>
Total adjustments	<u>232,325</u>
Net cash used by operating activities	<u><u>\$ (1,978,850)</u></u>

**Noncash investing, capital, and financing activities:**

The School Food Service Fund received donated commodities with a value of \$200,976 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund contributed \$54,042 to the School Food Service Fund during the fiscal year to provide assistance with the payment of administrative wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Davie County 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 Davie County 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 in Davie County, North Carolina. 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, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon 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 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. All expenses are considered to be operating expenses.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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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.

*Federal Grants Fund.* The Federal Grants Fund includes appropriations from the federal government, generally the U.S. Department of Education, which are passed-through the North Carolina Department of Public Instruction for the current operating expenditures of the 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.

*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, sales tax refunds, gifts and grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received from prekindergarten programs and other special programs.

*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 Davie County appropriations, restricted sales tax moneys, proceeds of Davie County bonds issued for public school construction, as well as certain State assistance.

The Board reports the following major enterprise fund:

*School Food Service Fund.* The School Food Service Fund is used to account for the food service 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.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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*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 as expenditures 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 are 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. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. Amendments that alter the County appropriation or transfer funds to or from the Capital Outlay Fund also require the approval of the Davie County Board of Commissioners. During the year, several 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.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2016.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Assets, Liabilities, 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.

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 determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. 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.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Capital Assets

The Board's capital assets are recorded at original cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 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 1982 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. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. 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.

Davie 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	50
Modular Units	20
Improvements	20
Equipment and Furniture	5 – 10
Vehicles	10

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. The Board carries certain capital assets for which Davie County carries the offsetting debt.

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 - a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This 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 has several items that meet this criterion - unearned grant revenue in the General Fund and pension related deferrals.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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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, 2016 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.

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/Fund Balances

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 represent 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 Balances

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

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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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 only be used for school capital outlay. [G.S. 159-18 through 22]

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.

*Assigned fund balance* – portion of fund balance that the 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. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly 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.



**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

---

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 a 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 \$29,727,853 consists of several elements as follows:

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)	\$ 74,528,310
Less Accumulated Depreciation	32,334,099
Net capital assets	42,194,211
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(286,486)
Contributions made to the pension plan in current fiscal year	2,959,024
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:	
Compensated absences	(3,256,726)
Installment purchases	(679,590)
Net pension liability	(9,167,101)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(1,042,301)
Difference between projected and actual earnings on plan investments	(993,178)
Total adjustment	<u>\$ 29,727,853</u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

---

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 \$316,796 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 858,851
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(2,456,498)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	2,959,024
New debt issued during the year is recorded as a source of funds on the fund statements; it has no affect on the statement of activities - it only affects the government-wide statement of net position	(735,938)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	396,117
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	(804,393)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	118,877
Loss on disposal of assets	<u>(19,244)</u>
Total adjustment	<u>\$ 316,796</u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS

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, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$1,967,630 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$2,573,603 and \$432,090 respectively. Of these balances, \$460,098 was covered by federal depository insurance and \$2,545,595 as covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30 2016, the Board had \$3,245,726 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate risk or credit risk.

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Accounts Receivable

Receivables at the government-wide level at June 30, 2016, were as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 35,000	\$ 25,750	\$ 8,620
Other Government Funds	15,206	4,088,629	-
Total	<u>\$ 50,206</u>	<u>\$ 4,114,379</u>	<u>\$ 8,620</u>
Business-type activities:			
School Food Service	<u>\$ (50,206)</u>	<u>\$ 88,633</u>	<u>\$ 21,325</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 25,750	Davie County appropriations
Federal Grants Fund	38,494	Federal grant funds
State Public School Fund	589,080	Operating funds from DPI
Other Special Revenue Fund	21,665	Federal and State funds
Capital Outlay Fund	3,439,390	Construction funds from Davie County
Total	<u>\$ 4,114,379</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 50,206</u>	

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases and transfers	Retirements and transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522
Construction in progress	72,789	60,309	107,493	25,605
Total capital assets not being depreciated	1,083,311	60,309	107,493	1,036,127
Capital assets being depreciated:				
Buildings and improvements	61,591,061	107,493	39,850	61,658,704
Equipment and furniture	5,204,695	33,355	-	5,238,050
Vehicles	6,025,069	765,187	194,827	6,595,429
Total capital assets being depreciated	72,820,825	906,035	234,677	73,492,183
Less accumulated depreciation for:				
Buildings and improvements	23,345,065	1,830,235	20,606	25,154,694
Equipment and furniture	3,040,112	251,683	-	3,291,795
Vehicles	3,707,857	374,580	194,827	3,887,610
Total accumulated depreciation	30,093,034	2,456,498	215,433	32,334,099
Total capital assets being depreciated, net	42,727,791			41,158,084
Governmental activity capital assets, net	\$ 43,811,102			\$ 42,194,211

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,584,546	\$ 28,316	\$ -	\$ 1,612,862
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,257,990</u>	<u>66,878</u>	<u>-</u>	<u>1,324,868</u>
School Food Service capital assets, net:	<u>\$ 326,556</u>			<u>\$ 287,994</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,830,235
System-wide support services	374,580
Unallocated depreciation	<u>251,683</u>
Total	<u>\$ 2,456,498</u>

Liabilities

Pension Plan 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](http://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

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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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.

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, 2016, was 9.15% 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 \$3,041,285 for the year ended June 30, 2016.

*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, 2016, the Board reported a liability of \$9,421,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

---

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, 2015 and at June 30, 2014, the Board's proportion was .26%.

For the year ended June 30, 2016, the Board recognized pension expense of \$2,209,881. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,071,277
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,020,788
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	294,450
Board contributions subsequent to the measurement date	3,041,285	-
Total	<u>\$ 3,041,285</u>	<u>\$ 2,386,515</u>

\$3,041,285 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (1,320,761)
2017	(1,320,761)
2018	(1,270,584)
2019	1,525,591
2020	--
Thereafter	--
Total	<u>\$ (2,386,515)</u>



**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

---

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0%
Salary increases	4.25% to 9.10%, including inflation and productivity factor
Investment rate of return	7.25%, 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.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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, 2015 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2015 to be effective July 1, 2015. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. 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.

*Sensitivity of the Board's proportionate share of the net pension asset 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease ✓ (6.25%)	Discounted Rate (7.25%)	1% Increase ✓ (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 28,357,457	\$ 9,421,946	\$ (6,647,019)

*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**

**Post-employment Healthcare Benefits**

*Plan Description.* The post-employment healthcare benefits are provided through a multiple-employer cost-sharing plans defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the "Plan"). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees 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 and after October 1, 2006 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 total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, 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 fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,858,738, \$1,844,007, and \$1,745,870, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

## **2. Other Employment Benefits**

In addition to providing pension and postemployment healthcare benefits, the Board provides death benefits and disability benefits, in accordance with State statutes, to certain employees.

### **Death Benefits**

Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

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. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit 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. 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 accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* 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 the Teachers' and State Employees' Retirement System of North Carolina, 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 the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. 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 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. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$136,086, \$137,713, and \$142,256, respectively. These contributions represented 0.41%, 0.41%, and 0.44% of covered payroll, respectively.

Accounts Payable

Accounts payable at June 30, 2016, are as follows:

	Vendors	Salaries and Benefits
Governmental Activities		
General	\$ 384,066	\$ 71,701
Other Governmental	3,449,147	638,944
Total-governmental activities	<u>\$ 3,833,213</u>	<u>\$ 710,645</u>
Business-type Activities		
School Food Service	<u>\$ 2,822</u>	<u>\$ -</u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Unavailable Revenues

The balance in unavailable revenues at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	\$ <u>38,380</u>

Deferred Inflows of Resources

The balance in deferred 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	\$ -	\$ 294,450
Difference between projected and actual earnings on plan investments	-	1,020,788
Board contributions subsequent to measurement date	3,041,285	
Difference between expected and actual experience	<u>-</u>	<u>1,071,277</u>
Totals	<u>\$ 3,041,285</u>	<u>\$ 2,386,515</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 \$2,550,000 for general liability and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through self-insured fund, to the extent employees are paid from State funds. 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, insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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the event of a catastrophic event. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing 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 up to a \$5 million lifetime limit. 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 moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

Long-Term Obligations

a. Installment Purchases

The Board is authorized by State law G.S. 115C-47(28a) to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. On October 12, 2005, the Board entered into such a contract to reduce the energy costs. The financing contract requires principal payments for 11 years beginning in the fiscal year 2005-2006, and ending in the fiscal year 2018, with an interest rate of 3.75%.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party financing arrangements with various companies. At June 30, 2016, there are remaining annual payments due on three such agreements. Two of the agreements are funded by the State. These financing contract require annual payments ranging from \$21,627 to \$83,352 over the next three years.

The future minimum payments of the installment purchases as of June 30, 2016, including interest, are as follows:

**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 326,372	\$ 8,031
2018	254,891	2,442
2019	98,327	725
Total	<u>\$ 679,590</u>	<u>\$ 11,198</u>

**b. 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, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Maturities
Governmental activities:					
Installment purchases	\$ 339,769	\$ 735,938	\$ (396,117)	\$ 679,590	\$ 326,372
Net pension liability	2,923,393	6,243,708		9,167,101	-
Compensated absences	3,375,603	2,305,592	(2,424,469)	3,256,726	1,389,819
Total	<u>\$ 6,638,765</u>	<u>\$ 9,285,238</u>	<u>\$ (2,820,586)</u>	<u>\$ 13,103,417</u>	<u>\$ 1,716,191</u>
Business-type activities:					
Net pension liability	\$ 79,998	\$ 174,847	\$ -	\$ 254,845	\$ -
Compensated absences	78,361	62,878	(73,701)	67,538	35,243
Total	<u>\$ 158,359</u>	<u>\$ 237,725</u>	<u>\$ (73,701)</u>	<u>\$ 322,383</u>	<u>\$ 35,243</u>

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

**Internal Balances**

Internal balances at June 30, 2016 consist of \$15,206 payable from the School Food Service Fund to the Other Special Revenue Fund and a \$35,000 payable from the School Food Service Fund to the General Fund. Both of these balances are for the reimbursement of operating expenses and are expected to be paid within the following year.

**Transfers to/from other Funds**

During the year ended June 30, 2016, the State Public School Fund transferred \$54,042 to the School Food Service Fund to pay for administrative costs.



**DAVIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Fund Balance

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	\$ 1,659,028
Less:	
Stabilization by State statute	<u>(69,370)</u>
Remaining fund balance	<u>\$ 1,589,658</u>

**NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

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.

**DAVIE COUNTY BOARD OF EDUCATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Three Fiscal Years\***

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	<b>2016</b>	<b>2015</b>	<b>2014</b>
Board's proportion of the net pension liability (asset)	0.256%	0.256%	0.258%
Board's proportionate share of the net pension liability (asset)	\$ 9,421,946	\$ 3,003,391	\$ 15,638,945
Board's covered-employee payroll	\$ 33,668,172	\$ 32,347,120	\$ 33,209,058
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.98%	9.28%	47.09%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**DAVIE COUNTY BOARD OF EDUCATION**  
**Schedule of Board Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Three Fiscal Years**

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	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,041,285	\$ 3,080,638	\$ 2,810,965
Contributions in relation to the contractually required contribution	<u>3,041,285</u>	<u>3,080,638</u>	<u>2,810,965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u></u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 33,238,086	\$ 33,668,172	\$ 32,347,120
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2016**

**Exhibit A-1**

	Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>			
Davie County			
County appropriation	\$ 10,282,445	\$ 10,282,445	\$ -
Other :			
Fines and forfeitures		266,581	
Interest income		8,614	
Miscellaneous		40,796	
Total other	254,519	315,991	61,472
Total revenues	10,536,964	10,598,436	61,472
<b>Expenditures:</b>			
Instructional services:			
Regular instructional	3,505,491	3,314,788	190,703
Special populations	270,079	261,550	8,529
Alternative programs	217,445	213,263	4,182
School leadership	1,241,612	1,199,078	42,534
Co-curricular	324,868	311,733	13,135
School-based support	1,119,674	1,034,283	85,391
Total instructional services	6,679,169	6,334,695	344,474
System-wide support services:			
Support and development	133,086	132,392	694
Special populations support and development	108,842	108,704	138
Alternative programs	19,286	19,123	163
Technology support	193,426	177,739	15,687
Operational support	2,459,650	2,366,461	93,189
Financial and human resource services	515,792	471,260	44,532
Accountability	142,982	139,157	3,825
Policy, leadership and public relations	755,131	713,929	41,202
Total system-wide support services	4,328,195	4,128,765	199,430

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2016**

**Exhibit A-1**  
**(Continued)**

	Budget	Actual	Positive (Negative) Variance
Ancillary services:			
Community	100	-	100
Non-Programmed charges			
Payments to other governments	18,000	15,718	2,282
Total expenditures	11,025,464	10,479,178	546,286
Revenues over (under) expenditures	(488,500)	119,258	607,758
Appropriated fund balance	488,500	-	(488,500)
Revenues and appropriated fund balance over (under) expenditures	\$ -	119,258	\$ 119,258
Fund balances:			
Beginning of year, July 1		1,539,770	
End of year, June 30		\$ 1,659,028	

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2016**

			<b>Exhibit B-1</b>
	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 262,791	\$ 243,490	\$ (19,301)
State appropriations - lottery proceeds	889,914	760,842	(129,072)
Total State of North Carolina	1,152,705	1,004,332	(148,373)
Davie County:			
County appropriations		1,382,185	
County bond proceeds - high school		25,500,499	
Total Davie County	37,073,845	26,882,684	(10,191,161)
Other:			
Interest earned	4,599	5,883	1,284
Other	-	33,748	33,748
Total other	4,599	39,631	35,032
Total revenues	38,231,149	27,926,647	(10,304,502)
Expenditures:			
Instructional services	408,245	372,139	36,106
System-wide support services	117,713	111,112	6,601
Capital Outlay:			
New High School		26,261,341	
Other capital outlay		1,158,400	
Total Capital Outlay	37,458,193	27,419,741	10,038,452
Debt Service			
Principal		396,117	
Interest		10,973	
Total Debt Service	407,090	407,090	-
Total expenditures	38,391,241	28,310,082	10,081,159

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL OUTLAY FUND (Continued)**  
**For the Year Ended June 30, 2016**

<b>Exhibit B-1 (Continued)</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues under expenditures	(160,092)	(383,435)	(223,343)
Other financing sources:			
Installment purchase obligations issued	<u>-</u>	<u>735,938</u>	<u>735,938</u>
Revenues and other financing sources over (under) expenditures	(160,092)	352,503	512,595
Appropriated fund balance	<u>149,119</u>	<u>-</u>	<u>(149,119)</u>
Revenues, other sources and appropriated fund balance over (under) expenditures	<u>\$ (10,973)</u>	352,503	<u>\$ 363,476</u>
Fund balance:			
Beginning of year, July 1		<u>966,361</u>	
End of year, June 30		<u>\$ 1,318,864</u>	

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-**  
**GAAP) - SCHOOL FOOD SERVICE FUND**  
**For the Year Ended June 30, 2016**

**Exhibit C-1**

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 1,350,778	\$ 1,341,905	\$ (8,873)
Operating expenditures:			
Business support services		3,564,263	
Capital outlay		28,316	
Total operating expenditures	3,634,809	3,592,579	42,230
Operating loss	(2,284,031)	(2,250,674)	33,357
Nonoperating revenues:			
Federal reimbursements		1,925,213	
Federal commodities		200,976	
Fresh fruit and vegetable grant		21,851	
State reimbursements		6,668	
Interest earned		2,181	
Total nonoperating revenues	2,214,031	2,156,889	(57,142)
Revenues over (under) expenditures before other financing sources	(70,000)	(93,785)	(23,785)
Other financing sources:			
Transfer in	-	54,042	54,042
Fund balance appropriated	70,000	-	(70,000)
Revenues over (under) expenditures	\$ -	\$ (39,743)	\$ (39,743)
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ (39,743)	
Depreciation		(66,878)	
Contributions to the pension plan in current fiscal year		205	
Capital outlay		28,316	
(Increase) decrease in inventories		11,783	
Net pension liability		(174,847)	
Deferred outflows - pension		205	
Deferred inflows - pension		229,892	
Increase (decrease) in compensated absences		10,823	
Change in net position (full accrual)		\$ (244)	



## ***COMPLIANCE SECTION***



ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

**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***

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Davie County Board of Education  
Mocksville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Davie County Board of Education, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Davie County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 22, 2016.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Davie County Board of Education'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 over financial reporting. 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 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 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 Davie County Board of Education'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.

*Anderson Smith & Wike PLLC*

**September 22, 2016**  
**Statesville, North Carolina**



ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

**Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Davie County Board of Education  
Mocksville, North Carolina

*Report on Compliance for Each Major Federal Program*

We have audited the Davie County Board of Education's 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 Davie County Board of Education's major federal programs for the year ended June 30, 2016. The Davie County Board of Education's major federal programs are identified in the summary of auditors' 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Davie County Board of Education'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; 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 Davie County Board of Education'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 Davie County Board of Education's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the Davie County Board of Education 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, 2016.

### *Report on Internal control Over Compliance*

Management of the Davie County Board of Education 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 Davie County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 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 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 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.

*Anderson Smith & Wike PLLC*

**September 22, 2016**  
**Statesville, North Carolina**



ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

**Report on Compliance with Requirements Applicable to Each Major State  
Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and  
the State Single Audit Implementation Act**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Davie County Board of Education  
Mocksville, North Carolina

*Report on Compliance for Each Major State Program*

We have audited the Davie County Board of Education's 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 Davie County Board of Education's major state programs for the year ended June 30, 2016. The Davie County Board of Education's major state programs are identified in the summary of auditors' 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Davie County Board of Education'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 Davie County Board of Education'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 Davie County Board of Education's compliance.

#### *Opinion on Each Major State Program*

In our opinion, the Davie County Board of Education 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, 2016.

#### *Report on Internal Control over Compliance*

Management of the Davie County Board of Education 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 Davie County Board of Education'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.

*Anderson Smith & Wike PLLC*

**September 22, 2016**  
**Statesville, North Carolina**

**Davie County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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Section I. Summary of Auditors' Results

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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(s) 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(s) identified that are not considered to be material weaknesses? ☐yes ☒none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

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





**Davie County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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**Section II. Financial Statement Findings**

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Finding: None Reported

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**Section III. Federal Award Findings and Questioned Costs**

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Finding: None Reported

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**Section IV. State Award Findings and Questioned Costs**

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Finding: None Reported

**DAVIE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

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Section II. Financial Statement Findings

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Finding: None Reported

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Section III. Federal Award Findings and Questioned Costs

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Finding: None Reported

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Section IV. State Award Findings and Questioned Costs

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Finding: None Reported

**Davie County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

**Finding:** 2015  
**Status:** None reported

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):	10.555		\$ 200,976
Cash Assistance:			
School Breakfast Program	10.553		480,982
National School Lunch Program	10.555		1,354,633
Summer Food Service Program for Children	10.559		89,598
Cash Assistance Subtotal			<u>1,925,213</u>
Total Child Nutrition Cluster:			<u>2,126,189</u>
Fresh Fruit and Vegetable Grant	10.582		21,851
Total School Nutrition Program (Note 3):			<u>2,148,040</u>
Total U.S. Department of Agriculture			<u>2,148,040</u>
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	1,046,043
Title VI-B, Education of the Handicapped	84.323	PRC 082	4,154
Race to the Top - ARRA	84.395	PRC 160	41,948
Teacher Quality Enhancement	84.367	PRC 103	119,040
English Language Acquisition Grants	84.365	PRC 104 & 111	30,257
<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			
- Grants to States	84.027	PRC 060	1,217,293
- Targeted Assistance	84.027	PRC 118	9,723
- Targeted Assistance for Preschool	84.027	PRC 119	6,366
- Title VI-B - EC Risk Pool	84.027	PRC 114	136,058
- Preschool Handicapped	84.173	PRC 049	42,456
Total Special Education Cluster:			<u>1,411,896</u>
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	64,065
Total U.S. Department of Education			<u>2,717,403</u>

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	NONE		75,443
Total federal assistance			4,940,886
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			33,369,217
Driver Training - SPSF		PRC 012	81,854
School Technology Fund - SPSF		PRC 015	74,302
Vocational Education			
- State Months of Employment		PRC 013	1,918,042
- Program Support Funds		PRC 014	99,022
Passed through Davie County:			
Public School Capital Fund - Lottery			760,842
Total N.C. Department of Public Instruction			36,303,279
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			243,490
Textbooks - Noncash			11,193
Total N.C. Department of Public Instruction - Noncash			254,683
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
NC Pre-Kindergarten Program			582,105
<u>N.C. Department of Agriculture</u>			
State Breakfast Funds			6,668
Total State assistance			37,146,735
Total federal and State assistance			\$ 42,087,621

**DAVIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures

Notes to the Schedule of Expenditures of Federal and State Awards

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Davie County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US 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 Davie County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Davie County 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 as to reimbursement.

Davie County 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