

**Davie County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2015

DAVIE COUNTY BOARD OF EDUCATION

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	14
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	16
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds	19
6 Statement of Net Position – Proprietary Fund.....	23
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	24
8 Statement of Cash Flows – Proprietary Fund	25
Notes to the Financial Statements.....	27
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability.....	51
Schedule of Contributions	52
Individual Fund Statements and Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	53
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund	55
C-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund	57
Compliance Report.....	58



ANDERSON SMITH & WIKE PLLC

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, 2015, 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, 2015, 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 51 and 52, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 November 4, 2015 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

November 4, 2015
Statesville, North Carolina
(704) 562-5039

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board expended an average of \$8,135 of state, local, and federal dollars per student in fiscal year 2015.
- The Board experienced a decrease in enrollment from 6,370 in fiscal year 2014 to 6,295 in fiscal year 2015. This is a decrease of 75 students (or 1.2%).
- The Board used \$150,034 of Lottery Public School Building Capital Funds (PSBCF) for various projects at the schools and \$610,086 for 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.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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, 2015**

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 \$33.8 million as of June 30, 2015. The largest component of net position is net investment in capital assets, of \$43.8 million. It comprises 130% of the total net position.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2015 and 2014						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 6,493,983	\$ 4,996,108	\$ 554,185	\$ 905,148	\$ 7,048,168	\$ 5,901,256
Capital assets	43,811,102	47,450,748	326,556	341,055	44,137,658	47,791,803
Total assets	<u>50,305,085</u>	<u>52,446,856</u>	<u>880,741</u>	<u>1,246,203</u>	<u>51,185,826</u>	<u>53,693,059</u>
Deferred outflows of resources	2,998,582	-	82,056	-	3,080,638	-
Current liabilities	4,082,285	2,469,026	85,387	82,141	4,167,672	2,551,167
Long-term liabilities	5,116,374	2,595,218	116,619	52,331	5,232,993	2,647,549
Total liabilities	<u>9,198,659</u>	<u>5,064,244</u>	<u>202,006</u>	<u>134,472</u>	<u>9,400,665</u>	<u>5,198,716</u>
Deferred inflows of resources	10,759,862	-	294,442	-	11,054,304	-
Net investment in						
capital assets	43,471,333	44,983,189	326,556	341,055	43,797,889	45,324,244
Restricted net position	1,891,619	1,373,209	-	-	1,891,619	1,373,209
Unrestricted net position	(12,017,806)	(896,643)	139,793	770,676	(11,878,013)	(125,967)
Total net assets	<u>\$ 33,345,146</u>	<u>\$ 45,459,755</u>	<u>\$ 466,349</u>	<u>\$ 1,111,731</u>	<u>\$ 33,811,495</u>	<u>\$ 46,571,486</u>

The net position of the Board's governmental activities decreased \$12.2 million during the year, from \$45.5 million at June 30, 2014 to \$33.3 million at June 30, 2015, indicating a decline in the financial condition of the Board. This decline is mainly attributable to the recording of pension related accounts due to the implementation of GASB 68.

The net position of the Board's business-type activities decreased \$.6 million from \$1.1 million at June 30, 2014 to \$.5 million at June 30, 2015. This decrease is also primarily due to the recording of pension related accounts due to the implementation of GASB 68.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2015 and 2014						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 411,226	\$ 442,855	\$ 1,076,639	\$ 1,111,334	\$ 1,487,865	\$ 1,554,189
Operating grants and contributions	38,522,176	37,628,614	2,031,609	2,048,373	40,553,785	39,676,987
Capital grants and contributions	82,233	103,106	-	-	82,233	103,106
General revenues:						
Other revenues	20,371,043	14,580,199	2,400	2,756	20,373,443	14,582,955
Total revenues	<u>59,386,678</u>	<u>52,754,774</u>	<u>3,110,648</u>	<u>3,162,463</u>	<u>62,497,326</u>	<u>55,917,237</u>
Expenses:						
Governmental activities:						
Instructional services	49,703,710	45,155,322	-	-	49,703,710	45,155,322
System-wide support services	8,925,545	9,628,539	-	-	8,925,545	9,628,539
Ancillary services	23,259	26,559	-	-	23,259	26,559
Non-programmed charges	22,520	33,277	-	-	22,520	33,277
Interest	15,702	20,110	-	-	15,702	20,110
Unallocated depreciation	266,949	283,861	-	-	266,949	283,861
Business-type activities:						
Food service	-	-	3,472,958	3,382,876	3,472,958	3,382,876
Total expenses	<u>58,957,685</u>	<u>55,147,668</u>	<u>3,472,958</u>	<u>3,382,876</u>	<u>62,430,643</u>	<u>58,530,544</u>
Transfers in (out)	(58,579)	(43,437)	58,579	43,437	-	-
Increase (decrease) in net position	370,414	(2,436,331)	(303,731)	(176,976)	66,683	(2,613,307)
Beginning net position	45,459,755	47,896,086	1,111,731	1,288,707	46,571,486	49,184,793
Net position, restatement	(12,485,023)	-	(341,651)	-	(12,826,674)	-
Ending net position	<u>\$ 33,345,146</u>	<u>\$ 45,459,755</u>	<u>\$ 466,349</u>	<u>\$ 1,111,731</u>	<u>\$ 33,811,495</u>	<u>\$ 46,571,486</u>

Total governmental activities generated revenues of \$59.4 million while expenses in this category totaled \$59.0 million for the year ended June 30, 2015. Comparatively, revenues were \$52.8 million and expenses totaled \$55.1 million for the year ended June 30, 2014. The increase in net position stands at \$370,000 at June 30, 2015, compared to a decrease of \$300,000 in 2014. Instructional services comprised 84% of total governmental-type expenses while system-wide support

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

services made up 15% of those expenses for 2015. County funding comprised 26% of total governmental revenue in the current year. In 2014, county funding was also 20%. Much of the remaining 74% of total governmental revenue for 2015 consists of restricted State and federal money. This revenue also represented 80% of total revenue in 2014. Business-type activities generated revenue of \$3.11 million and had expenses of \$3.47 million in 2015. Net position, after transfers, decreased in the business-type activities by \$300,000 during 2015.

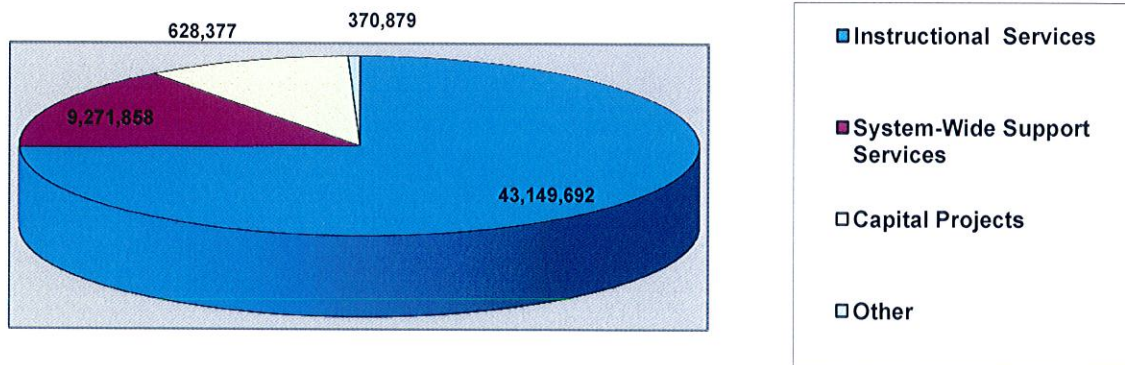
Financial Analysis of the Board's Funds

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 \$3.9 million, a \$82,000 decrease from last year. The General Fund reported a \$586,000 decrease in fund balance.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, had a decrease in net position in the current year of \$300,000.

Categorization of Expenditures for Governmental Funds



Expenditures are presented on the modified accrual basis of accounting.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

General Fund Budgetary Highlights

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

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.

Table 3						
Summary of Capital Assets						
As of June 30, 2015 and 2014						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Land	\$ 1,010,522	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522	\$ 1,010,522
Construction in progress	72,789	109,276	-	-	72,789	109,276
Buildings and improvements	38,245,996	39,866,824	-	-	38,245,996	39,866,824
Equipment and furniture	2,164,583	2,036,053	326,556	341,055	2,491,139	2,377,108
Vehicles	2,317,212	2,505,516	-	-	2,317,212	2,505,516
Total	<u>\$ 43,811,102</u>	<u>\$ 45,528,191</u>	<u>\$ 326,556</u>	<u>\$ 341,055</u>	<u>\$ 44,137,658</u>	<u>\$ 45,869,246</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, 2015 was 5.4% which is a 0.4% decrease over the 5.8% rate at June 30, 2014. The County's unemployment rate continues to be lower than the N.C. statewide which was 6.1% at June 30, 2015.

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. Smink, 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, 2015

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,056,974	\$ 460,617	\$ 4,517,591
Due from other governments	2,377,478	98,757	2,476,235
Receivables (net)	2,933	12,055	14,988
Inventories	-	39,354	39,354
Internal balance	56,598	(56,598)	-
Capital assets:			
Land, improvements, and construction in progress	1,083,311	-	1,083,311
Other capital assets, net of depreciation	42,727,791	326,556	43,054,347
Total capital assets	43,811,102	326,556	44,137,658
Total assets	50,305,085	880,741	51,185,826
DEFERRED OUTFLOWS OF RESOURCES	2,998,582	82,056	3,080,638
LIABILITIES			
Accounts payable and accrued expenses	1,888,693	4,654	1,893,347
Accrued salaries and wages payable	671,201	-	671,201
Unavailable revenue	-	38,993	38,993
Long-term liabilities:			
Net pension liability	2,923,393	79,998	3,003,391
Due within one year	1,522,391	41,740	1,564,131
Due in more than one year	2,192,981	36,621	2,229,602
Total liabilities	9,198,659	202,006	9,400,665
DEFERRED INFLOWS OF RESOURCES	10,759,862	294,442	11,054,304
NET POSITION			
Net investment in capital assets	43,471,333	326,556	43,797,889
Restricted for:			
Stabilization by State statute	124,566	-	124,566
School capital outlay	966,361	-	966,361
Individual schools activities	800,692	-	800,692
Unrestricted	(12,017,806)	139,793	(11,878,013)
Total net position	\$ 33,345,146	\$ 466,349	\$ 33,811,495

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 32,604,258	\$ 390,454	\$ 20,839,453	\$ -
Special populations	7,253,465	-	6,754,825	-
Alternative programs	3,571,209	-	2,664,863	-
School leadership	2,844,717	-	1,987,718	-
Co-curricular	312,213	-	-	-
School-based support	3,117,848	-	2,124,480	-
System-wide support services:				
Support and development	355,058	-	205,437	-
Special populations	327,497	-	199,627	-
Alternative programs	229,237	-	75,084	-
Technology support	668,396	-	232,868	-
Operational support	5,440,740	20,772	3,094,542	82,233
services	632,401	-	168,946	-
Accountability	129,153	-	-	-
System-wide pupil support services	331,247	-	-	-
Policy, leadership and public relations	811,816	-	174,333	-
Ancillary services	23,259	-	-	-
Non-programmed charges	22,520	-	-	-
Interest on long-term debt	15,702	-	-	-
Unallocated depreciation expense*	266,949	-	-	-
Total governmental activities	<u>58,957,685</u>	<u>411,226</u>	<u>38,522,176</u>	<u>82,233</u>
Business-type activities:				
School food service	3,472,958	1,076,639	2,031,609	-
Total primary government	<u>\$ 62,430,643</u>	<u>\$ 1,487,865</u>	<u>\$ 40,553,785</u>	<u>\$ 82,233</u>

General revenues:

Unrestricted county appropriations - operating
Unrestricted county appropriations - capital
Unrestricted State appropriations - operating
Unrestricted State appropriations - capital
Investment earnings, unrestricted
Miscellaneous, unrestricted

Transfers

Total general revenues and transfers
Change in net position
Net position-beginning, as previously reported
Restatement
Net position - beginning, as restated
Net position-ending

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (11,374,351)	\$ -	\$ (11,374,351)
(498,640)	-	(498,640)
(906,346)	-	(906,346)
(856,999)	-	(856,999)
(312,213)	-	(312,213)
(993,368)	-	(993,368)
(149,621)	-	(149,621)
(127,870)	-	(127,870)
(154,153)	-	(154,153)
(435,528)	-	(435,528)
(2,243,193)	-	(2,243,193)
(463,455)	-	(463,455)
(129,153)	-	(129,153)
(331,247)	-	(331,247)
(637,483)	-	(637,483)
(23,259)	-	(23,259)
(22,520)	-	(22,520)
(15,702)	-	(15,702)
(266,949)	-	(266,949)
(19,942,050)	-	(19,942,050)
-	(364,710)	(364,710)
(19,942,050)	(364,710)	(20,306,760)
9,507,445	-	9,507,445
6,147,041	-	6,147,041
559,894	-	559,894
842,353	-	842,353
7,008	2,400	9,408
3,307,302	-	3,307,302
(58,579)	58,579	-
20,312,464	60,979	20,373,443
370,414	(303,731)	66,683
45,459,755	1,111,731	46,571,486
(12,485,023)	(341,651)	(12,826,674)
32,974,732	770,080	33,744,812
\$ 33,345,146	\$ 466,349	\$ 33,811,495

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

DAVIE COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

Exhibit 3

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
ASSETS				
Cash and cash equivalents	\$ 1,915,442	\$ -	\$ 800,692	\$ 590,694
Receivables (net)	2,933	-	-	-
Due from other governments	16,054	554,047	-	1,726,710
Due from other funds	20,000	-	-	-
Total assets	\$ 1,954,429	\$ 554,047	\$ 800,692	\$ 2,317,404
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 341,468	\$ -	\$ -	\$ 1,351,043
Accrued salaries and wages payable	73,191	554,047	-	-
Total liabilities	414,659	554,047	-	1,351,043
Fund balances:				
Restricted:				
Stabilization by State statute	38,987	-	-	-
School capital outlay	-	-	-	966,361
Individual schools	-	-	800,692	-
Assigned:				
Subsequent year's expenditures	488,500	-	-	-
Special revenues	-	-	-	-
Unassigned:	1,012,283	-	-	-
Total fund balances	1,539,770	-	800,692	966,361
Total liabilities and fund balances	\$ 1,954,429	\$ 554,047	\$ 800,692	\$ 2,317,404

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.
Deferred outflows of resources related to pensions
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.
Net pension liability
Deferred inflows of resources related to pensions
Net position of governmental activities

	Major Fund		Total
Federal Grants Fund	Other Special Revenue Fund		Governmental Funds
\$ -	\$ 750,146	\$	4,056,974
-	-		2,933
31,686	48,981		2,377,478
-	36,598		56,598
<u>\$ 31,686</u>	<u>\$ 835,725</u>	<u>\$</u>	<u>6,493,983</u>

\$ -	\$ 196,182	\$	1,888,693
31,686	12,277		671,201
<u>31,686</u>	<u>208,459</u>		<u>2,559,894</u>

-	85,579		124,566
-	-		966,361
-	-		800,692
-	-		488,500
-	541,687		541,687
-	-		1,012,283
-	627,266		3,934,089
<u>\$ 31,686</u>	<u>\$ 835,725</u>		

43,811,102

2,998,582

(3,715,372)

(2,923,393)

(10,759,862)

\$ 33,345,146

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Exhibit 4

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
REVENUES				
State of North Carolina	\$ -	\$ 35,770,701	\$ -	\$ 842,353
Davie County	9,507,445	-	-	6,229,274
U.S. Government	-	-	-	-
Other	249,722	-	1,607,678	76,880
Total revenues	9,757,167	35,770,701	1,607,678	7,148,507
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	3,411,484	20,607,515	1,620,875	474,268
Special populations	205,766	5,400,679	-	-
Alternative programs	206,121	1,654,811	-	-
School leadership	965,968	1,987,718	-	-
Co-curricular	318,128	-	-	-
School-based support	1,001,010	2,116,993	-	-
System-wide support services:				
Support and development	162,611	203,929	-	-
Special populations	87,517	75,952	-	-
Alternative programs	19,939	-	-	-
Technology support	299,393	232,868	-	-
Operational support	2,389,388	3,088,378	-	92,753
Financial and human resource services	458,762	168,946	-	-
Accountability	134,101	-	-	-
Policy, leadership and public relations	668,580	174,333	-	-
Ancillary services:				
Community	-	-	-	-
Non-programmed charges	14,826	-	-	-
Capital outlay	-	-	-	5,850,200
Debt service				
Principal	-	-	-	205,233
Interest	-	-	-	15,702
Total expenditures	10,343,594	35,712,122	1,620,875	6,638,156
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(58,579)	-	-
Net change in fund balance	(586,427)	-	(13,197)	510,351
Fund balances-beginning	2,126,197	-	813,889	456,010
Fund balances-ending	\$ 1,539,770	\$ -	\$ 800,692	\$ 966,361

	Major Fund	
Federal Grants Fund	Other Special Revenue Fund	Total Governmental Funds
\$ -	\$ 559,894	\$ 37,172,948
-	-	15,736,719
2,868,633	65,873	2,934,506
-	1,608,225	3,542,505
<u>2,868,633</u>	<u>2,233,992</u>	<u>59,386,678</u>
282,795	212,183	26,609,120
1,318,154	569,344	7,493,943
983,205	835,994	3,680,131
-	-	2,953,686
-	6,044	324,172
7,288	111,782	3,237,073
1,468	609	368,617
120,388	52,772	336,629
73,088	142,919	235,946
-	161,738	693,999
6,000	72,461	5,648,980
-	28,917	656,625
-	-	134,101
-	-	842,913
-	24,149	24,149
76,247	8,000	99,073
-	-	5,850,200
-	-	205,233
-	-	15,702
<u>2,868,633</u>	<u>2,226,912</u>	<u>59,410,292</u>
-	-	(58,579)
-	7,080	(82,193)
-	620,186	4,016,282
<u>\$ -</u>	<u>\$ 627,266</u>	<u>\$ 3,934,089</u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ (82,193)
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.	(1,717,089)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	2,998,582
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.	205,233
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	(1,198,232)
Compensated absences	<u>164,113</u>
Total changes in net position of governmental activities	<u>\$ 370,414</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, 2015

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	9,507,445	9,507,445	9,507,445	-
U.S. Government	-	-	-	-
Other	249,955	270,127	249,722	(20,405)
Total revenues	9,757,400	9,777,572	9,757,167	(20,405)
Expenditures:				
Current:				
Instructional services				
Regular instructional	3,480,793	3,446,513	3,411,484	35,029
Special populations	221,786	207,086	205,766	1,320
Alternative programs	146,750	207,852	206,121	1,731
School leadership	1,002,037	969,818	965,968	3,850
Co-curricular	330,295	320,924	318,128	2,796
School-based support	912,726	1,024,001	1,001,010	22,991
System-wide support services				
Support and development	165,295	165,325	162,611	2,714
Special populations	105,522	97,590	87,517	10,073
Alternative programs	24,858	20,618	19,939	679
Technology support	302,148	301,385	299,393	1,992
Operational support	2,484,778	2,472,341	2,389,388	82,953
Financial and human resource services	493,108	464,163	458,762	5,401
Accountability	150,122	137,122	134,101	3,021
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	694,122	702,774	668,580	34,194
Ancillary services				
Community	60	60	-	60
Non-programmed charges	18,000	15,000	14,826	174
Total expenditures	10,532,400	10,552,572	10,343,594	208,978
Revenues under expenditures	(775,000)	(775,000)	(586,427)	188,573
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	(775,000)	(775,000)	(586,427)	188,573
Appropriated fund balance	775,000	775,000	-	(775,000)
Net change in fund balance	\$ -	\$ -	(586,427)	\$ (586,427)
Fund balances, beginning of year			2,126,197	
Fund balances, end of year			\$ 1,539,770	

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

Page 19

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, 2015

Exhibit 5 (continued)

	State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	\$ 37,216,291	\$ 37,359,310	\$ 35,770,701	\$ (1,588,609)
Davie County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	37,216,291	37,359,310	35,770,701	(1,588,609)
Expenditures:				
Current:				
Instructional services				
Regular instructional	21,588,480	21,564,295	20,607,515	956,780
Special populations	5,571,426	5,560,007	5,400,679	159,328
Alternative programs	1,921,541	1,921,186	1,654,811	266,375
School leadership	2,010,069	2,059,216	1,987,718	71,498
Co-curricular	-	-	-	-
School-based support	2,188,858	2,216,407	2,116,993	99,414
System-wide support services				
Support and development	223,458	223,500	203,929	19,571
Special populations	55,682	78,982	75,952	3,030
Alternative programs	-	-	-	-
Technology support	216,030	233,907	232,868	1,039
Operational support	3,049,358	3,092,772	3,088,378	4,394
Financial and human resource services	171,372	171,372	168,946	2,426
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	169,657	177,656	174,333	3,323
Ancillary services				
Community	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	37,165,931	37,299,300	35,712,122	1,587,178
Revenues over expenditures	50,360	60,010	58,579	(1,431)
Other financing uses:				
Transfers to other funds	(50,360)	(60,010)	(58,579)	1,431
Revenues over expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

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, 2015

Exhibit 5 (continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	-	-	-	-
U.S. Government	3,083,389	3,327,136	2,868,633	(458,503)
Other	-	-	-	-
Total revenues	<u>3,083,389</u>	<u>3,327,136</u>	<u>2,868,633</u>	<u>(458,503)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	241,935	297,912	282,795	15,117
Special populations	1,192,475	1,410,077	1,318,154	91,923
Alternative programs	1,054,906	1,064,512	983,205	81,307
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	11,000	11,000	7,288	3,712
System-wide support services				
Support and development	1,539	1,468	1,468	-
Special populations	132,199	123,421	120,388	3,033
Alternative programs	82,374	83,374	73,088	10,286
Technology support	41,956	41,956	-	41,956
Operational support	13,000	6,000	6,000	-
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Non-programmed charges	312,005	287,416	76,247	211,169
Total expenditures	<u>3,083,389</u>	<u>3,327,136</u>	<u>2,868,633</u>	<u>458,503</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, 2015

Exhibit 5 (continued)

	Other Special Revenue Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	\$ 542,226	\$ 559,962	\$ 559,894	\$ (68)
Davie County	-	-	-	-
U.S. Government	74,000	65,873	65,873	-
Other	1,160,907	1,581,091	1,608,225	27,134
Total revenues	1,777,133	2,206,926	2,233,992	27,066
Expenditures:				
Current:				
Instructional services				
Regular instructional	291,162	294,736	212,183	82,553
Special populations	404,739	585,901	569,344	16,557
Alternative programs	1,006,239	1,203,442	835,994	367,448
School leadership	-	-	-	-
Co-curricular	5,675	6,045	6,044	1
School-based support	63,975	115,605	111,782	3,823
System-wide support services				
Support and development	-	665	609	56
Special populations	49,019	53,669	52,772	897
Alternative programs	147,624	148,099	142,919	5,180
Technology support	171,110	171,110	161,738	9,372
Operational support	50,000	80,063	72,461	7,602
Financial and human resource services	30,000	30,000	28,917	1,083
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	30,932	30,933	24,149	6,784
Non-programmed charges	8,000	8,000	8,000	-
Total expenditures	2,258,475	2,728,268	2,226,912	501,356
Revenues under expenditures	(481,342)	(521,342)	7,080	528,422
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	(481,342)	(521,342)	7,080	528,422
Appropriated fund balance	481,342	521,342	-	(521,342)
Net change in fund balance	\$ -	\$ -	7,080	\$ 7,080
Fund balances, beginning of year			620,186	
Fund balances, end of year			\$ 627,266	

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

Page 22

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2015

Exhibit 6

	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 460,617
Due from other governments	98,757
Accounts receivable (net)	12,055
Inventories	39,354
Total current assets	<u>610,783</u>
Noncurrent assets:	
Capital assets, net	<u>326,556</u>
Total assets	<u>937,339</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>82,056</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,654
Due to other funds	56,598
Compensated absences	41,740
Unavailable revenues	38,993
Total current liabilities	<u>141,985</u>
Noncurrent liabilities:	
Net pension liability	79,998
Compensated absences	36,621
Total noncurrent liabilities	<u>116,619</u>
Total liabilities	<u>258,604</u>
DEFERRED INFLOWS OF RESOURCES	<u>294,442</u>
NET POSITION	
Net investment in capital assets	326,556
Unrestricted	139,793
Total net position	<u>\$ 466,349</u>

**DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2015**

Exhibit 7

	<u>School Food Service</u>
OPERATING REVENUES	
Food sales	\$ 1,076,639
OPERATING EXPENSES	
Food cost:	
Purchase of food	1,397,318
Salaries and benefits	1,548,080
Supplies and materials	162,182
Repairs and maintenance	72,260
Indirect costs	185,215
Depreciation	67,295
Travel	11,461
Contracted services	10,775
Workshop expenses	9,053
Other	9,319
Total operating expenses	<u>3,472,958</u>
Operating loss	<u>(2,396,319)</u>
NONOPERATING REVENUES	
Federal reimbursements	1,806,306
Federal commodities	189,304
Fresh fruit and vegetable grant	27,948
State reimbursements	8,051
Interest earned	2,400
Total nonoperating revenues	<u>2,034,009</u>
Loss before transfers	(362,310)
Transfers from other funds	<u>58,579</u>
Change in net position	<u>(303,731)</u>
Total net position - beginning, as previously reported	1,111,731
Restatement	<u>(341,651)</u>
Total net position - beginning, as restated	<u>770,080</u>
Total net position - ending	<u><u>\$ 466,349</u></u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2015

Exhibit 8

	<u>School Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,069,716
Cash paid for goods and services	(1,616,653)
Cash paid to employees for services	<u>(1,555,582)</u>
Net cash used by operating activities	<u>(2,102,519)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State reimbursements	<u>1,796,533</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(52,796)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>2,400</u>
Net decrease in cash and cash equivalents	(356,382)
Balances-beginning of the year	<u>816,999</u>
Balances-end of the year	<u><u>\$ 460,617</u></u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2015

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities	
Operating loss	<u>\$ (2,396,319)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	67,295
Pension expense	32,789
Donated commodities consumed	189,304
Salaries paid by State Public School Fund	58,579
Changes in assets, deferred outflows of resources and liabilities:	
Increase in accounts receivable	(8,939)
Decrease in inventories	4,128
Increase in accounts payable	2,334
Increase in due to other funds	45,164
Increase in deferred outflows of resources for pension plan contributions in the current fiscal year	(82,056)
Increase in unavailable revenues	2,016
Decrease in compensated absences	<u>(16,814)</u>
Total adjustments	<u>293,800</u>
Net cash used by operating activities	<u><u>\$ (2,102,519)</u></u>

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$189,304 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund contributed \$58,579 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, 2015**

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, 2015**

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, 2015

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, 2015.

**DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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 fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. 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, 2015**

Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. 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, 2015**

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, 2015 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, 2015**

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, 2015

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 \$29,411,057 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 73,904,136
Less Accumulated Depreciation	<u>30,093,034</u>
Net capital assets	43,811,102
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(201,347)
Contributions made to the pension plan in current fiscal year	2,998,582
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	(3,375,603)
Installment purchases	(339,769)
Net pension liability	(2,923,393)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(9,876,425)
Difference between projected and actual earnings on plan investments	<u>(682,090)</u>
Total adjustment	<u>\$ 29,411,057</u>

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 \$452,607 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 671,886
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.	(2,388,975)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	2,998,582
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.	205,233
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	(1,198,232)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>164,113</u>
Total adjustment	<u>\$ 452,607</u>

**DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$1,750,811 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$2,403,599 and \$462,090, respectively. Of these balances, \$358,495 was covered by federal depository insurance and \$2,507,194 as covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30 2015, the Board had \$2,766,780 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, 2015. 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, 2015**

Accounts Receivable

Receivables at the government-wide level at June 30, 2015, were as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 20,000	\$ 16,054	\$ 2,933
Other Government Funds	36,598	2,361,424	-
Total	<u>\$ 56,598</u>	<u>\$ 2,377,478</u>	<u>\$ 2,933</u>
Business-type activities:			
School Food Service	<u>\$ (56,598)</u>	<u>\$ 98,757</u>	<u>\$ 12,055</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 16,054	Davie County appropriations
Federal Grants Fund	31,686	Federal grant funds
State Public School Fund	554,047	Operating funds from DPI
Other Special Revenue Fund	48,981	Federal grants
Capital Outlay Fund	1,726,710	Construction funds from Davie County
Total	<u>\$ 2,377,478</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 98,757</u>	

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Retirements and transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522
Construction in progress	109,276	169,823	206,310	72,789
Total capital assets not being depreciated	1,119,798	169,823	206,310	1,083,311
Capital assets being depreciated:				
Buildings and improvements	61,421,110	169,951	-	61,591,061
Equipment and furniture	4,833,085	395,479	23,869	5,204,695
Vehicles	5,882,126	142,943	-	6,025,069
Total capital assets being depreciated	72,136,321	708,373	23,869	72,820,825
Less accumulated depreciation for:				
Buildings and improvements	21,554,286	1,790,779	-	23,345,065
Equipment and furniture	2,797,032	266,949	23,869	3,040,112
Vehicles	3,376,610	331,247	-	3,707,857
Total accumulated depreciation	27,727,928	2,388,975	23,869	30,093,034
Total capital assets being depreciated, net	44,408,393			42,727,791
Governmental activity capital assets, net	\$ 45,528,191			\$ 43,811,102

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,535,850	\$ 52,796	\$ 4,100	\$ 1,584,546
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,194,795</u>	<u>67,295</u>	<u>4,100</u>	<u>1,257,990</u>
School Food Service capital assets, net:	<u>\$ 341,055</u>			<u>\$ 326,556</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,790,779
System-wide support services	331,247
Unallocated depreciation	<u>266,949</u>
Total	<u>\$ 2,388,975</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.

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

**DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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

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, 2015, 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 \$3,080,638 for the year ended June 30, 2015.

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, 2015, the Board reported a liability of \$3,003,391 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .26%.

For the year ended June 30, 2015, the Board recognized pension expense of \$1,231,021. At June 30, 2015, 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	\$ -	\$ 700,074
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,147,360
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	206,870
Board contributions subsequent to the measurement date	3,080,638	-
Total	<u>\$ 3,080,638</u>	<u>\$ 11,054,304</u>

\$3,080,638 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	\$ 2,776,139
2017	2,776,139
2018	2,776,139
2019	2,725,887
2020	--
Thereafter	--

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Actuarial Assumptions. The total pension liability in the December 31, 2013 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, 2013 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, 2014 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, 2015

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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, 2014 to be effective July 1, 2014. 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:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discounted</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 21,560,421	\$ 3,003,391	\$ (12,665,318)

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, 2015

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, 2015, 2014, and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,844,007, \$1,745,870, and \$1,763,281, respectively. These contributions represented 5.49%, 5.40%, and 5.30% 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, 2015**

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 the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$137,713 \$142,256, and \$146,386, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

Accounts Payable

Accounts payable at June 30, 2015, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 341,468	\$ 73,191
Other Governmental	<u>1,547,225</u>	<u>598,010</u>
Total-governmental activities	<u>\$ 1,888,693</u>	<u>\$ 671,201</u>
Business-type Activities		
School Food Service	<u>\$ 4,654</u>	<u>\$ -</u>

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Unavailable Revenues

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

	Unavailable Revenue
Prepaid lunch balances (School Food Service Fund)	<u>\$ 38,993</u>

Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 206,870
Difference between projected and actual earnings on plan investments	-	10,147,360
Board contributions subsequent to measurement date	3,080,638	
Difference between expected and actual experience	-	700,074
Totals	<u>\$ 3,080,638</u>	<u>\$ 11,054,304</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

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 a 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 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 exceeded coverage in any of the past three fiscal years.

Contingent Liabilities

As of the date of our report, the Board was a defendant to various legal claims. The Board's management and the Board's attorney have been unable to determine the amount of loss, if any, the Board will incur as a result of these legal matters.

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 2017, 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

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

purchase Thomas Built Buses through third party financing arrangements with various companies. At June 30, 2015, there are remaining annual payments due on two such agreements. These financing contract require annual payments ranging from \$20,874 to \$82,233 over the next three years.

The future minimum payments of the installment purchases as of June 30, 2015, including interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 131,000	\$ 10,973
2017	137,500	5,927
2018	71,269	1,016
Total	<u>\$ 339,769</u>	<u>\$ 17,916</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, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Maturities
Governmental activities:					
Installment purchases	\$ 545,002	\$ -	\$ (205,233)	\$ 339,769	\$ 131,000
Net pension liability	15,222,386	-	(12,298,993)	2,923,393	-
Compensated absences	3,539,716	2,202,964	(2,367,077)	3,375,603	1,391,391
Total	<u>\$19,307,104</u>	<u>\$ 2,202,964</u>	<u>\$ (14,871,303)</u>	<u>\$ 6,638,765</u>	<u>\$ 1,522,391</u>
Business-type activities:					
Net pension liability	\$ 416,559	\$ -	\$ (336,561)	\$ 79,998	\$ -
Compensated absences	95,175	72,501	(89,315)	78,361	41,740
Total	<u>\$ 511,734</u>	<u>\$ 72,501</u>	<u>\$ (425,876)</u>	<u>\$ 158,359</u>	<u>\$ 41,740</u>

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

Internal Balances

Internal balances at June 30, 2015 consist of \$36,598 payable from the School Food Service Fund to the Other Special Revenue Fund and a \$20,000 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.

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Transfers to/from other Funds

During the year ended June 30, 2015, the State Public School Fund transferred \$58,579 to the School Food Service Fund to pay for administrative costs.

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	\$ 1,539,770
Less:	
Stabilization by State statute	(38,987)
Appropriated Fund Balance in 2014 budget	<u>(488,500)</u>
Remaining fund balance	<u>\$ 1,012,283</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.

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$12,485,023 and \$341,651, respectively.

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

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.258%	0.256%
Board's proportionate share of the net pension liability (asset)	\$ 3,003,391	\$ 15,638,945
Board's covered-employee payroll	\$ 32,347,120	\$ 33,209,058
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.28%	47.09%
Plan fiduciary net position as a percentage of the total pension liability	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 Two Fiscal Years

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

Exhibit A-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Davie County			
County appropriation	9,507,445	9,507,445	-
Other :			
Fines and forfeitures		202,987	
Interest income		6,517	
Miscellaneous		40,218	
Total other	270,127	249,722	(20,405)
Total revenues	9,777,572	9,757,167	(20,405)
Expenditures:			
Instructional services:			
Regular instructional	3,446,513	3,411,484	35,029
Special populations	207,086	205,766	1,320
Alternative programs	207,852	206,121	1,731
School leadership	969,818	965,968	3,850
Co-curricular	320,924	318,128	2,796
School-based support	1,024,001	1,001,010	22,991
Total instructional services	6,176,194	6,108,477	67,717
System-wide support services:			
Support and development	165,325	162,611	2,714
Special populations support and development	97,590	87,517	10,073
Alternative programs	20,618	19,939	679
Technology support	301,385	299,393	1,992
Operational support	2,472,341	2,389,388	82,953
Financial and human resource services	464,163	458,762	5,401
Accountability	137,122	134,101	3,021
Policy, leadership and public relations	702,774	668,580	34,194
Total system-wide support services	4,361,318	4,220,291	141,027

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, 2015

Exhibit A-1
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Ancillary services:			
Community	<u>60</u>	<u>-</u>	<u>60</u>
Non-Programmed charges			
Payments to other governments	<u>15,000</u>	<u>14,826</u>	<u>174</u>
Total expenditures	<u>10,552,572</u>	<u>10,343,594</u>	<u>208,978</u>
Revenues over (under) expenditures	<u>(775,000)</u>	<u>(586,427)</u>	<u>188,573</u>
Appropriated fund balance	<u>775,000</u>	<u>-</u>	<u>(775,000)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(586,427)</u>	<u>\$ (586,427)</u>
Fund balances:			
Beginning of year, July 1		<u>2,126,197</u>	
End of year, June 30		<u>\$ 1,539,770</u>	

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, 2015

	Exhibit B-1		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 320,276	\$ 82,233	\$ (238,043)
State appropriations - lottery proceeds	1,159,211	760,120	(399,091)
Total State of North Carolina	<u>1,479,487</u>	<u>842,353</u>	<u>(637,134)</u>
Davie County:			
County appropriations	<u>6,207,798</u>	<u>6,229,274</u>	<u>21,476</u>
Other:			
Interest earned	152	491	339
Insurance proceeds	21,564	46,450	24,886
Other	22,730	29,939	7,209
Total other	<u>44,446</u>	<u>76,880</u>	<u>32,434</u>
Total revenues	<u>7,731,731</u>	<u>7,148,507</u>	<u>(583,224)</u>
Expenditures:			
Instructional services	476,916	474,268	2,648
System-wide support services	110,470	92,753	17,717
Capital Outlay:			
New High School		5,219,528	
Other capital outlay		630,672	
Total Capital Outlay	<u>6,966,390</u>	<u>5,850,200</u>	<u>1,116,190</u>
Debt Service			
Principal		205,233	
Interest		15,702	
Total Debt Service	<u>221,702</u>	<u>220,935</u>	<u>767</u>
Total expenditures	<u>7,775,478</u>	<u>6,638,156</u>	<u>1,137,322</u>

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, 2015

Exhibit B-1 (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues under expenditures	(43,747)	510,351	554,098
Appropriated fund balance	<u>43,747</u>	<u>-</u>	<u>(43,747)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	510,351	<u>\$ 510,351</u>
Fund balance:			
Beginning of year, July 1		<u>456,010</u>	
End of year, June 30		<u>\$ 966,361</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, 2015

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 1,198,432	\$ 1,076,639	\$ (121,793)
Operating expenditures:			
Business support services		3,467,616	
Capital outlay		52,796	
Total operating expenditures	3,631,012	3,520,412	110,600
Operating loss	(2,432,580)	(2,443,773)	(11,193)
Nonoperating revenues:			
Federal reimbursements		1,806,306	
Federal commodities		189,304	
Fresh fruit and vegetable grant		27,948	
State reimbursements		8,051	
Interest earned		2,400	
Total nonoperating revenues	2,097,580	2,034,009	(63,571)
Revenues over (under) expenditures before other financing sources	(335,000)	(409,764)	(74,764)
Other financing sources:			
Transfer in	20,000	58,579	38,579
Fund balance appropriated	315,000	-	(315,000)
Revenues over (under) expenditures	\$ -	\$ (351,185)	\$ (351,185)
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ (351,185)	
Depreciation		(67,295)	
Contributions to the pension plan in current fiscal year		82,056	
Capital outlay		52,796	
Decrease in inventories		(4,128)	
Pension expense		(32,789)	
Decrease in compensated absences		16,814	
Change in net position (full accrual)		\$ (303,731)	

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, 2015, 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 November 4, 2015.

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

*November 4, 2015
Statesville, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; In Accordance with OMB
Circular A-133; 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 OM) *Circular A-133 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, 2015. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

November 4, 2015
Statesville, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133; 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, 2015. 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 and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

November 4, 2015
Statesville, North Carolina

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: 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 Section 510(a) of Circular A-133? ☐ yes ☒ no

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027	Special Education Cluster:
84.173	Education of the Handicapped
	Education of the Handicapped - Preschool
84.010	Title I

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

\$ 300,000

Auditee qualified as low-risk auditee?

 yes X no

State Awards

Internal control over major State programs:

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

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

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

 yes X no

Identification of major State programs:

Program Name
State Public School Fund
Vocational Education – State Months of Employment
Public School Capital Fund - Lottery

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Davie County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015**

Finding: 2014
Status: None reported

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<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		189,304
Cash Assistance:			
School Breakfast Program	10.553		465,851
National School Lunch Program	10.555		1,291,191
Summer Food Service Program for Children	10.559		49,264
Cash Assistance Subtotal			<u>1,806,306</u>
Total Child Nutrition Cluster:			<u>1,995,610</u>
Fresh Fruit and Vegetable Grant	10.582		<u>27,948</u>
Total U.S. Department of Agriculture			<u>2,023,558</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	1,090,449
Title VI-B, Education of the Handicapped	84.323	PRC 082	15,991
Race to the Top - ARRA	84.395	PRC 154 & 159	77,259
Teacher Quality Enhancement	84.367	PRC 103	146,253
English Language Acquisition Grants	84.365	PRC 104	31,479
<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	1,246,520
- Targeted Assistance	84.027	PRC 118	17,650
- Targeted Assistance for Preschool	84.027	PRC 119	10,762
- Title VI-B - EC Risk Pool	84.027	PRC 114	120,069
- Preschool Handicapped	84.173	PRC 049	45,925
Total Special Education Cluster:			<u>1,440,926</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 & 058	66,276
Total U.S. Department of Education			<u>2,868,633</u>

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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		65,873
Total federal assistance			4,958,064
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			33,569,089
Driver Training - SPSF		PRC 012	107,249
School Technology Fund - SPSF		PRC 015	104,910
Vocational Education			
- State Months of Employment		PRC 013	1,886,842
- Program Support Funds		PRC 014	92,101
Passed through Davie County:			
Public School Capital Fund - Lottery			760,120
Total N.C. Department of Public Instruction			36,520,311
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			82,233
Textbooks - Noncash			10,510
Total N.C. Department of Public Instruction - Noncash			92,743
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
NC Pre-Kindergarten Program			559,894
<u>N.C. Department of Agriculture</u>			
State Breakfast Funds			8,051
Total State assistance			37,180,999
Total federal and State assistance			\$ 42,139,063

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Davie County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.