

Vance County Board of Education
(Henderson, North Carolina)

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

**For the Fiscal Year Ended
JUNE 30, 2018**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Vance County Board of Education
Henderson, North Carolina

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

PREPARED BY

Jennifer Bennett, Finance Officer

Vance County Schools Finance Office

VANCE COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i - vii
Board Members and Principal Officers	viii
Organizational Chart	ix
School District Map	x

FINANCIAL SECTION

Independent Auditors' Report.....	1 - 3
Management Discussion and Analysis	4 - 10
Basic Financial Statements	
Government-wide Financial Statements	
1 Statement of Net Position (Deficit).....	11
2 Statement of Activities	12
Fund Financial Statements	
3 Balance Sheet – Governmental Funds	13
3 Reconciliation of the Balance Sheet to the Statement of Net Position	13
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds	16 - 19
7 Statement of Net Position – Proprietary Fund Type	20
8 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund Type	21
9 Statement of Cash Flows – Proprietary Fund Type.....	22
Notes to the Financial Statements.....	23 - 45

VANCE COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Required Supplementary Information

Schedule of the Board's Proportionate Share of the Net Pension Liability	46
Schedule of Board's Contributions	47
Schedule of the Proportionate Share of the Net OPEB Liability - Retiree Health Benefit Fund.....	48
Schedule of Board Contributions - Retiree Health Benefit Fund	49
Schedule of the Proportionate Share of the Net OPEB Asset - Disability Income Plan of North Carolina	50
Schedule of Board Contributions – Disability Income Plan of North Carolina.....	51

Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund	52
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund	53

STATISTICAL SECTION (UNAUDITED)

Financial Trends

Government-wide – Net Position (Deficit) by Component.....	54
Government-wide – Expenses, Program Revenues, and Net (Expense) Revenue.....	55 - 56
Government-wide – General Revenues and Total Change in Net Position (Deficit).....	57 - 58
Governmental Funds – Fund Balances	59
Governmental Funds – Revenues by Source	60
Governmental Funds – Expenditures by Function per Pupil and in Total	61
Governmental Funds – Other Financing Sources (Uses) and Net Change in Fund Balances.....	62
Proprietary Funds – Revenues by Source and Net Transfers	63
Proprietary Funds – Expenses by Category	64
Debt by Type.....	65

VANCE COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS (continued)

STATISTICAL SECTION (UNAUDITED) (continued)

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property for Vance County	66
Direct and Overlapping Property Tax Rates for Vance County	67
Principal Property Tax Payers for Vance County	68
Property Tax Levies and Collections for Vance County	69

Debt Capacity

Ratio of Outstanding Debt by Type for Vance County	70
Ratio of Net General Bonded Debt Outstanding for Vance County	71
Direct and Overlapping Governmental Activities Debt for Vance County	72
Legal Debt Margin for Vance County	73

Demographics and Economics

Principal Employers for Vance County	74
Demographic and Economic Statistics for Vance County	75

Operations

Employees by Function	76
Operating Indicators	77
Capital Assets	78

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with <i>Government Auditing Standards</i>	79 - 80
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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

81 - 82

Independent Auditors' Report on Compliance for Each Major State Program on Internal Control Over Compliance Required by the Uniform Guidance

and the State Single Audit Implementation Act	83 - 85
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VANCE COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS (continued)

COMPLIANCE SECTION (continued)

Schedule of Findings and Questioned Costs.....	86 - 88
Corrective Action Plan.....	89
Summary Schedule of Prior Year's Audit Findings	90
Schedule of Expenditures of Federal and State Awards.....	91 - 93



Introductory Section

VANCE COUNTY SCHOOLS

LETTER OF TRANSMITTAL

TO THE MEMBERS OF THE VANCE COUNTY BOARD OF EDUCATION AND CITIZENS OF VANCE COUNTY, NORTH CAROLINA

December 21, 2018

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Vance County Board of Education (Board), operating as “Vance County Schools,” for the fiscal year ended June 30, 2018, is herewith submitted. The accuracy, completeness and clarity of the financial report are the responsibility of the Board. The accompanying financial report has been prepared in accordance with Generally Accepted Accounting Principles. We believe the data presented in this financial report is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain a complete understanding of the Board’s financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory section, which is unaudited, contains this transmittal letter, a list of the Board members and principal officials and the organizational chart. The Financial section includes the auditor’s opinion, management’s discussion and analysis, the basic financial statements and the combining and individual fund financial statements and schedules arranged by fund type. The Statistical section includes several tables of unaudited data providing a ten-year financial history of the Board. Finally, the Compliance section includes reports and schedules required by Government Auditing Standards, US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of North Carolina’s Single Audit Implementation Act.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Vance County Board of Education’s MD&A can be found immediately following the report of the independent auditors.

PROFILE OF REPORTING ENTITY

The Board, a local education agency empowered by the North Carolina General Statutes, has responsibility and control over all activities related to public school education in Vance County, North Carolina with the exception of the public Charter School entities located within. The seven members of the Board are elected officials of Vance County and have the authority to designate management. They have the ability to significantly influence operations and are primarily accountable for fiscal matters. The Board is recognized as a separate governmental reporting entity under definition by the Governmental Accounting Standards Board. The Board has limited

borrowing authority, cannot levy taxes and is required to maintain accounting records in a uniform state format established by the State's General Assembly. The Board receives government funding from local, state, and federal sources and must comply with established legal requirement of each funding entity.

Vance County Schools has an enrollment of 5,922 which was a decrease of 155 students from the prior fiscal year. Vance County has 2 charter schools that reside within the county limits that comprise 84.5% of the total Vance students attending charter schools. There are 1,561 charter school students attending 12 different charter schools in the surrounding counties. It is projected, as the resident charter schools continue to expand grade levels that Vance County schools will lose enrollment in FY 2018-19. The projection for FY 2018-19 is 5,580. The charter schools will have completed their grade level expansion with the FY 2019-2020 school year. It should be noted that the district has lost 926 students since FY 2012-2013 while the charter school population has grown by 849 students over that same period. As such the Board made some critical decisions related to school facilities and school consolidations in FY 2017-18 effective with the 2018-2019 school year that will be highlighted later in this letter.

ECONOMIC CONDITION AND FUTURE OUTLOOK

The US Census has created the community classification, the Micropolitan Area. Micropolitan areas have a core city or cities with a population of 10,000 to 50,000 and include a central county that contains a core city. Vance County, population currently at 44,911, is classified as a micropolitan area, serving as a regional hub for health care, professional services and shopping for neighboring counties. We would also consider our area rural-urban in that we have much of the concerns in our city center (Henderson) as urban areas while still being primarily a rural county geographically.

Vance County's economy has transitioned from a predominately agricultural and textile manufacturing community prior to 2005 to a more diverse economy of retail sales, tourism, health-care and transportation-related businesses. Vance County has two industrial parks with remaining capacity to attract new industry and a planned expansion in progress. Mako Medical Laboratories expanded their North Carolina operations, investing over \$15 million into a new site in Vance County which will create 126 new jobs in the county. The local economy continues to recover at a slower rate than other areas in North Carolina. Unemployment rates hold steady at 5.9% which is higher than the overall state average of 4.2%.

Vance County is the home of Kerr Lake. In the 1950's Kerr Lake, the largest man-made lake east of the Mississippi river; was built as a means of flood control for eastern North Carolina. Since that time it has become one of the State's largest parks and tourist attractions. Interstate 85 provides a major transportation corridor from Montgomery, Alabama through Atlanta, Georgia, to Charlotte, North Carolina, and on through Vance County to Richmond, Virginia, terminated at Interstate 95. Because of this corridor Vance County offers an exceptional location for distribution operations, warehouse facilities, truck terminal, and other transportation-related businesses.

Vance County understands the obstacles and challenges they face in creating a new economic future. The community knows that education and life-long learning opportunities are critical to their future. The Board of County Commissioners has responded to the needs of the county's school children by adopting the 2018-2019 fiscal budget in which \$7.2 million is appropriated for

general fund expenditures, \$1.2 million for teacher supplements, and \$1.3 million of capital funds. In recent years the county has provided extra capital funds to help with the safety of our schools and students and recurring funds for technology for our teachers and students.

MAJOR INITIATIVES

The Board of Education in Vance County adopted a Strategic Roadmap in August 2016 which outlines six Strategic Priorities. These priorities align with the Board's Vision, Mission, and Belief statements as well as the North Carolina State Board of Education's five goals. The Board completed Master Board Training in June 2018 and continues to educate themselves to be effective leaders for the school district and the community.

The Board's Mission statement reads as "The Vance County School System is committed to providing a world-class education, focused on preparing ALL students for success, life-long learning and living as contributing, productive global citizens."

The Boards Belief Statements are:

1. Excellence is an attitude, a belief and an action embedded in everything we do.
2. Educators set high expectations that drive learning and coursework to be rigorous, engaging, and aligned with college and career readiness.
3. Student achievement and success should not be predictable by race, ethnicity, gender, or socio economic status.
4. Educators believe in and share the responsibility for the development of the whole child.
5. All stakeholders share responsibility for promoting a culture of integrity, honor and respect.
6. Effective family and community partnerships are a cornerstone of the educational experience.

The Boards Strategic Priorities are:

1. Every Vance County Schools' student receives a personalized education in order to graduate from high school prepared for work, further education and citizenship.
2. Every Vance County Schools' student, every day has excellent educators.
3. Vance County Schools will establish and maintain up-to-date financial, business, and technology systems to serve our students, parents and educators.
4. Vance County Schools will promote student health, safety, and responsibility.
5. Vance County Schools' families, businesses, and community stakeholders are engaged and valued partners with our schools.
6. Every Vance County Schools' student has a healthy and safe learning environment consistent with the system's instructional goals.

Expectations and accountability has been raised for students, staff and leadership. The administration is working to improve student achievement throughout the school system with an emphasis on modern learning environments and skills. Administration has revised the district's *Instructional Framework* to define what teaching and learning looks like in the district's classrooms. It emphasizes a commitment to the students and their academic, social and emotional needs. Staff is committed to providing the knowledge, skills, and opportunities for our

students to compete in an ever-changing global community. The district's website has expanded its social media outreach and other data tools to allow the community to engage with the district and examine how our schools are doing and how they are meeting the Board's priorities. Leadership continues to develop more transparency with the community in relation to the schools data and performance.

Vance County Schools showed substantial improvements for the 2017-2018 school year based on accountability data released on September 5, 2018 by the N.C. Department of Public Instruction. Six Vance County Schools improved their School Performance Grade (SPG) by one letter grade in 2017-2018 and nine schools either met or exceeded student growth standards. The district has one "A" school, three "B" schools, six "C" schools and five "D" schools based on the state's definitions. Those six schools improving by a letter grade were Pinkston Street Elementary, L.B. Yancey Elementary, Carver Elementary, E.M. Rollins Elementary, Henderson Middle School and Southern Vance High School. The 2017-2018 results also show that the district's grade level proficiency grew by 2.2 percent, continuing the steady trend to closing the gap in grade level proficiency between local students and students across North Carolina. For a third consecutive year, Vance County Early College High School earned a SPG of "A" and exceeded growth expectations. Based on the outstanding performance of students at the school, they earned an overall proficiency rating of 91 percent in end-of-course testing in Biology, English II and Math I. For the Biology and English II testing, Early College students were more than 94 percent proficient. The school's overall proficiency rating was five points higher than in 2016-2017, another major milestone for the district.

The four-year cohort graduation rate for the district also improved to 82.1 percent in 2017-2018 from 81.9 percent in 2016-2017. The dropout rate fell to 2%. The district has an alternative program AdVance Academy which provides mostly online course work on a flexible schedule from 8 am to 8 pm to help students who are academically behind stay engaged in learning and to get back on course to graduation.

The Board has received a Golden Leaf grant for \$200,000 to help in training the district's teachers on modern learning initiatives and technology and the FY 2017-18 year saw that training expanding to providing teacher-leader coaches in this work and the creation of model learning classrooms for the schools. They received another Golden Leaf grant for the FY 2018-2019 school year of \$400,000 which provided Vance Virtual Laboratories or "V2", located in the Middle and High schools' media centers, feature approximately 24 digital learning stations each for students to engage in interactive three-dimensional instruction using special computer software applications in a wide range of subject areas including science, health and geography. That grant required a partnership with the county and matching funds of \$90,000 which shows the continued strength of the community towards the school district. "Vance Virtual" has the largest number of zSpace digital learning stations of any school system on the East Coast of the United States and one of the largest deployments of the stations in the nation.

The largest initiative by our Board of Education was to consolidate our two comprehensive middle schools and two comprehensive high schools to one middle and one high school. The board took this action in March of 2018 to be effective with the beginning of the FY 2018-2019 school year. This action became acutely necessary to the Board as the enrollment of the district continues to decline and to ensure the district can effectively maintain its facility footprint within district resources available. The action will have educational benefits as well as operational and fiscal benefits as it is hoped to provide more opportunities for both the middle and high

school students with enhanced programs and opportunities that did not exist at the small separate campuses.

The Board and administration work with the County Commissioners to establish a five-year capital improvement plan (CIP) each year to help ensure preventive maintenance and other key elements for our facilities are funded. In recent years the CIP has provided funds for school safety measures that included bus camera systems, school digital camera systems, access door control systems and identification systems for visitors. The CIP has included separate funding for technology to help ensure our teachers all have current laptop equipment for their work and our students have access to current technology in the classrooms. The county commissioners have been working with the school district to ensure our buildings stay current and are well maintained with the limited funding available. We have several buildings that are close to 100 years old that will be taken off-line soon and others due for HVAC replacements, etc., that are in the overall CIP within the next few years. With the declining enrollment, however, there is no need for any new facilities at this time.

RELEVANT FINANCIAL POLICIES

The Board of Education completely updated all of their policies in 2017-2018. They have comprehensive financial policies which meet all applicable federal and North Carolina statutory requirements.

In accordance with North Carolina School Budget and Fiscal Control Act, all governmental units are required to adopt a balanced budget by July 1 of each year. The Board approves the annual budget by fund and purpose code on a modified accrual basis which is the legal level of budgetary control. The budget is then allocated by line item for internal management by the finance (business) department. Staffing and Non-Instructional funding is allocated based on formulas to each school site within the total resources available and approved by the Board. The final budget amount as amended for the fiscal year is reflected in the financial and individual statement sections of this report. Also as required by state statutes, an encumbrance system is used to record encumbrances when obligations are incurred. The encumbrance system helps to ensure that budgeted amounts are not exceeded.

When establishing and evaluating its financial accounting system, the Board ensures that adequate internal accounting controls are in place. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets and the reliability of financial records. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits to be derived. We believe that the Vance County Board of Education adequately safeguards the assets and provides reasonable assurance of proper recording of financial transactions through its internal controls.

The school system invests cash in only fully guaranteed sources. The majority of these investments are deposited in the North Carolina State Treasurer's Short Term Investment Fund (STIF), where interest rates are significantly higher than those offered by commercial banking institutions. Special Revenue Funds are not under the depository control of the school system and therefore are not available for investment by the system. The Board follows state statute and guidance as it pertains to the use and investment of cash instruments.

The Board carries various forms of insurance including, but not limited to, general liability, automobile liability with comprehensive and collision, hazard and theft insurance on property and contents, and blanket finance and forgery bonds, student accident, data protection, workers compensation, and unfortunately active shooter protection. The Board participates in the North Carolina School Boards Insurance Trust for general and professional liability insurance. The Division of Insurance for the State Board of Education provides the Vance County Schools with hazard and theft insurance on all buildings and contents. Other agencies handle the other insurance needs for the district.

INDEPENDENT AUDIT

The state statutes require an annual audit by independent certified public accountant and the Board has selected the firm of Dixon Hughes Goodman LLP. In addition to meeting the requirements set forth in state statutes, the auditor designed their audit to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the North Carolina Single Audit Implementation Act. The auditors conducted the engagement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

FINANCIAL REPORTING AWARDS

The Board has not submitted for any financial reporting awards since fiscal year 2005-2006, due to a change in management and expertise. The Board is currently committed to financial excellence in reporting and budgeting and will be submitting their financial reports for consideration beginning with the fiscal year 2017-2018 reporting cycle.

ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efforts and dedication of the staff, finance department, county finance officer, and our independent audit firm, Dixon Hughes Goodman, LLP. We would like to express our appreciation to all of the employees who contributed in the development of this report, and to the Vance County government in providing information from their financial statements for the statistical data section.

Also, we would like to thank the members of the Vance County Board of Education for their interest and dedication in the planning and conducting of the financial operations of the school system.

Respectfully submitted,



Anthony D. Jackson, PhD
Superintendent
Vance County Schools



Jennifer S. Bennett
Finance Officer/Asst. Superintendent
Vance County Schools

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Vance County Board of Education

Darlynn P. Oxendine, Chairperson District 2

Dorothy W. Gooche, Vice-Chairperson District 3

Gloria J. White District 1

Edward B. Wilson District 4

Clementine Hunter District 5

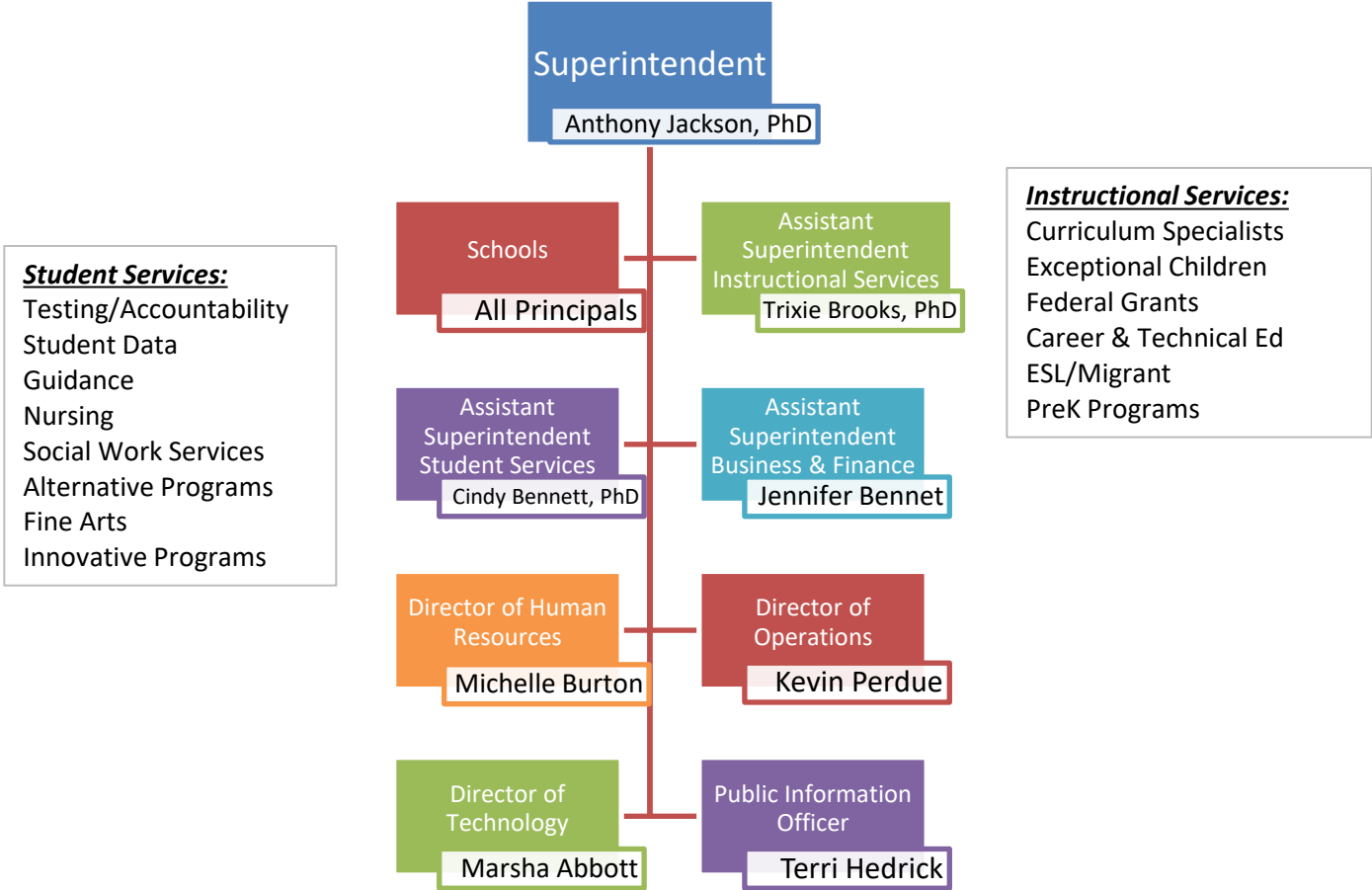
Margaret A. Ellis District 6

Ruth M. Hartness District 7

Dr. Anthony D. Jackson, Superintendent

Jerry Stainback, Board Attorney

VANCE COUNTY BOARD OF EDUCATION
















VANCE COUNTY SCHOOL DISTRICT

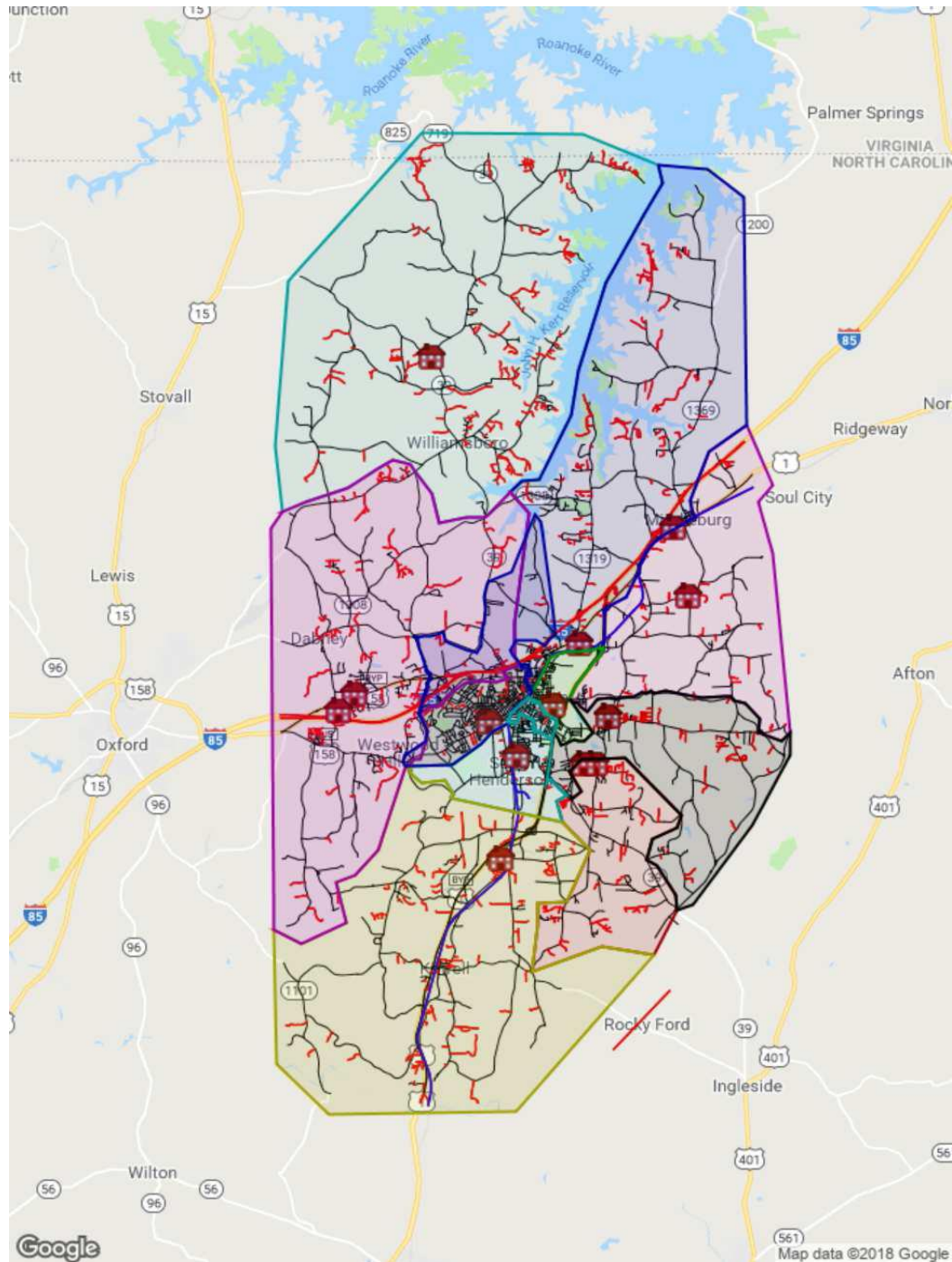
Boundaries

-  NEW HOPE ELEMENTARY
-  E.M. ROLLINS ELEMENTARY
-  CARVER ELEMENTARY
-  E.O. YOUNG ELEMENTARY
-  PINKSTON ELEMENTARY
-  CLARK ELEMENTARY
-  AYCOCK ELEMENTARY
-  L.B. YANCEY ELEMENTARY
-  ZEB VANCE ELEMENTARY
-  DABNEY ELEMENTARY
-  E.M. ROLLINS ATT AREA
-  CLARK ELEM CITY STREETS

Legend:

Schools

-  304 - AYCOCK ELEMENTARY
-  308 - CARVER ELEMENTARY
-  311 - CLARKE ELEMENTARY
-  314 - DABNEY ELEMENTARY
-  316 - VANCE COUNTY MIDDLE SCHOOL
-  340 - NEW HOPE ELEMENTARY
-  346 - E.O. YOUNG JR. ELEMENTARY
-  356 - PINKSTON STREET ELEMENTARY
-  360 - E.M. ROLLINS ELEMENTARY (YEAR ROUND)
-  370 - VANCE COUNTY HIGH SCHOOL
-  376 - LELIA B. YANCEY ELEMENTARY
-  380 - ZEB VANCE ELEMENTARY
-  382 - VANCE GRANVILLE COMMUNITY COLLEGE





Financial Section



Independent Auditors' Report

Board of Education
Vance County Schools
Henderson, North Carolina

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 Board of Education of Vance County Schools, North Carolina ("Board"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 opinion.

Opinion

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 Board as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Other Restricted, and Federal Grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principal

As discussed in Note 5 to the financial statements, the financial statements as of and for the year ended June 30, 2017 were restated due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in 2018. Our opinion is not modified with respect to these changes.

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 Schedules of Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of Board Contributions on pages 46 through 51, 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 Board's basic financial statements. The individual fund schedules and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund 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 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 fund 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
October 22, 2018**

Board of Education of Vance County Schools Management's Discussion and Analysis

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

Financial Highlights

- State funds for the district comprised 72% of the overall district operating revenues. Federal funds comprised 9%.
- Local funding for the district comprises 16% of the operating revenues and remained relatively flat. Charter School growth was 235 as they continue their grade level expansions. Overall the total students served by the public schools in Vance County increased by 80 students in FY 2017-18. That combination actually decreased overall per-pupil funding for the public schools by \$10 per-pupil. There continues to be a shift in those local funds moving to the charter schools to align directly with the students served by each school.
- Fund Balance in the General Fund for the district decreased by \$460 thousand, leaving an unassigned fund balance of \$380 thousand. The appropriation of the fund balance was necessary to cover recurring staffing not covered by state or federal funds. The district has begun to resize its staffing to align closer to its revenues and student numbers. It has also consolidated its secondary schools to optimize its facility usage to ensure more effective and efficient use of operational resources for its facilities.
- There is a decrease in the unrestricted net position primarily due to the necessary presentation in the financial statements of the board's proportionate share of the state's pension & OPEB liabilities. This had a \$101.7 million negative impact on the Board's overall net position.

Overview of the Financial Statements

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

- Independent Auditors' Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Supplemental section that presents budgetary statements for the governmental and proprietary 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 (Deficit) and the Statement of Activities. The Statement of Net Position (Deficit) includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, obligations to creditors, and deferred inflows of resources. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

Board of Education of Vance County Schools Management's Discussion and Analysis

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 (Deficit) includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position (deficit) and how they have changed. Net position (deficit) - the difference between the total of the Board's assets and deferred outflows of resources and the total of the liabilities and deferred inflows of resources - is one way to measure the unit's financial health or position.

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

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

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

The Board 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 – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) 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 fund 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 Restricted Fund, and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5, and 6 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board's only proprietary fund is an enterprise fund, School Food Service.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

**Board of Education of Vance County Schools
Management's Discussion and Analysis**

Financial Analysis of the Board as a Whole

The net position or deficit is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$62.6 million as of June 30, 2018. The largest positive component of net deficit is net investment in capital assets of \$36.7 million. Restricted and unrestricted net position (deficit) amounted to \$2.1 million and (\$101.3) million, respectively. The Board's overall financial position has deteriorated in the current year, as the net deficit increased by \$4.2 million. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components has a \$101.7 million negative effect to the Board's overall net deficit.

Following is a summary of the Statement of Net Position (Deficit):

**Table 1
Condensed Statement of Net Position (Deficit)
as of June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 6,083,863	\$ 7,466,849	\$ 1,182,302	\$ 1,103,927	\$ 7,266,165	\$ 8,570,776
Capital assets	42,902,164	43,980,726	133,096	153,049	43,035,260	44,133,775
Total assets	48,986,027	51,447,575	1,315,398	1,256,976	50,301,425	52,704,551
Deferred outflows of resources	11,232,992	16,434,741	489,950	707,002	11,722,942	17,141,743
Current liabilities	3,643,814	3,787,759	84,170	90,451	3,727,984	3,878,210
Long-term liabilities	90,962,184	118,244,691	3,701,912	4,858,777	94,664,096	123,103,468
Total liabilities	94,605,998	122,032,450	3,786,082	4,949,228	98,392,080	126,981,678
Deferred inflows of resources	25,091,088	1,155,877	1,094,399	49,623	26,185,487	1,205,500
Invested in capital assets, net of related debt	36,549,684	37,813,364	133,096	153,049	36,682,780	37,966,413
Restricted net position	2,093,229	2,692,933	5,255	5,665	2,098,484	2,698,598
Unrestricted net deficit	(98,120,980)	(95,812,308)	(3,213,484)	(3,193,587)	(101,334,464)	(99,005,895)
Total net deficit	\$ (59,478,067)	\$ (55,306,011)	\$ (3,075,133)	\$ (3,034,873)	\$ (62,553,200)	\$ (58,340,884)

The net deficit of the Board's governmental activities increased from \$55.3 million at June 30, 2017 to \$59.5 million at June 30, 2018, a decrease of \$4.2 million. The Board's net investment in capital assets decreased by \$1.3 million during the year primarily due to depreciation of \$2 million in excess of capital additions of \$829 thousand. Restricted and unrestricted combined net deficit increased by a total of \$2.9 million as a result of the changes in the proportionate share of the Teachers' and State Employees' Retirement System plan net pension liability as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources. Restrictions to net position are related to stabilization by state statute, reserves for school

**Board of Education of Vance County Schools
Management's Discussion and Analysis**

capital outlay, and reserves for individual schools. The Board does not believe there are any other restrictions, commitments, or other limitations that will significantly affect fund resources for future use.

The net deficit of business-type activities increased \$40 thousand from \$3 million at June 30, 2017 to \$3.1 million at June 30, 2018. This increase is primarily related to a decrease in federal reimbursements & food sales in the school food service fund which were in excess of the decrease in operating expenses.

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2018 & 2017**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 467,859	\$ 658,154	\$ 253,855	\$ 330,566	\$ 721,714	\$ 988,720
Operating grants and contributions	46,552,745	46,334,918	4,188,487	4,338,495	50,741,232	50,673,413
Capital grants and contributions	492,466	1,112,288	-	-	492,466	1,112,288
General revenues:						
Unrestricted state and federal appropriations	4,508,097	5,865,990	13,348	15,215	4,521,445	5,881,205
Unrestricted county appropriations	9,897,440	10,046,882	-	-	9,897,440	10,046,882
Other revenues	380,503	626,568	-	229	380,503	626,797
Total revenues	62,299,110	64,644,800	4,455,690	4,684,505	66,754,800	69,329,305
Expenses:						
Governmental activities:						
Instructional services	48,842,016	49,919,515	-	-	48,842,016	49,919,515
System-wide support services	14,137,528	17,709,188	-	-	14,137,528	17,709,188
Ancillary services	110,806	172,813	-	-	110,806	172,813
Non-programmed charges	1,662,302	1,323,294	-	-	1,662,302	1,323,294
Interest on long-term debt	216,882	-	-	-	216,882	-
Unallocated depreciation expense	1,501,632	1,476,621	-	-	1,501,632	1,476,621
Business-type activities:						
School food service	-	-	4,495,950	4,597,797	4,495,950	4,597,797
Total expenses	66,471,166	70,601,431	4,495,950	4,597,797	70,967,116	75,199,228
Transfers in (out)	-	8,887	-	(8,887)	-	-
Increase (decrease) in net position	(4,172,056)	(5,947,744)	(40,260)	77,821	(4,212,316)	(5,869,923)
Net position, beginning previously reported	(55,306,011)	37,379,204	(3,034,873)	670,538	(58,340,884)	38,049,742
Restatement	-	(86,737,471)	-	(3,783,232)	-	(90,520,703)
Net deficit, beginning restated	(55,306,011)	(49,358,267)	(3,034,873)	(3,112,694)	(58,340,884)	(52,470,961)
Net deficit, ending	\$ (59,478,067)	\$ (55,306,011)	\$ (3,075,133)	\$ (3,034,873)	\$ (62,553,200)	\$ (58,340,884)

During the year ended June 30, 2018, governmental activities generated revenues of \$62.3 million and incurred expenses of \$66.5 million. Overall, revenues decreased by \$2.3 million when compared to the prior year, while

Board of Education of Vance County Schools Management's Discussion and Analysis

expenses decreased \$4.1 million. The decrease in revenues is primarily the result of a decrease in state appropriations of \$1.2 million recognized in the State Public School Fund and a decrease in county appropriations of \$500 thousand recognized in the Capital Outlay Fund. Primary sources of revenue were funding from the State of North Carolina, Vance County, and the United States government, which respectively comprised 72.4%, 15.8%, and 8.6% of revenues. As would be expected, the major component of the Board's expenses was instructional services, which accounted for 73.6% of total expenses during the most recent fiscal year. Of the remaining expenses, 17.7% was attributable to system-wide support services.

Business-type activities generated revenue of \$4.5 million and incurred expenses of \$4.5 million, resulting in a slight increase in net deficit of \$40 thousand. This represents an increase of \$118 thousand over the prior year decrease in net deficit of \$78 thousand. Federal reimbursements were down \$150 thousand, food sales were down \$77 thousand, and operating expenses decreased \$102 thousand. These decreases are primarily related to a slight decrease in participation in the school food service program.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$4.9 million at June 30, 2018, an \$843 thousand decrease compared to the prior year. Overall, total revenues decreased by \$2.3 million, or 3.6%, compared to the prior year while total expenditures decreased by \$6.8 million, or 9.6%. The decrease in total expenditures was primarily attributable to decreases in expenditures for furnishings and equipment incurred in the capital projects fund.

For the fiscal year ended June 30, 2018, the Board's General Fund and Other Restricted Fund experienced a net change in fund balance of \$(232) thousand and \$278 thousand, respectively. Specifically related to the General Fund, County revenues remained unchanged when compared to the prior year. Expenditures in the General Fund decreased by \$743 thousand due to decreases and reallocations of personnel costs. The Other Restricted Fund recognized increased total revenues of \$72 thousand when compared to the prior year. During the same period, the Board experienced a decrease in expenditures of \$297 thousand.

The Board's Individual Schools Fund and Capital Outlay Fund had a net change in fund balance of \$(21) thousand and \$(869) thousand, respectively. In comparison to the prior year, the Individual Schools Fund's results were relatively consistent. Revenues in the Capital Outlay Fund decreased by \$779 thousand, or 27.1%. County capital project revenues are dependent on the Board's ongoing construction activity, financing arrangements with the County, and the general availability of funds from the County. Capital Outlay Fund expenditures decreased by \$4.2 million in the current year primarily related to a decrease in expenditures incurred on an energy savings project from the prior year.

Proprietary Funds: The School Food Service Fund incurred a net loss of \$40 thousand during the year ended June 30, 2018 compared to a net income of \$77 thousand during the prior year, a decrease of approximately \$181 thousand. As previously mentioned, the decrease is related to decreases in federal reimbursements and food sales in excess of the decrease in operating expenses.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the General Fund budget several times to account for changes in expectations of expenditures. Total budgeted revenues increased by \$14 thousand as a result of increased fines & forfeitures revenue from the county. Total expenditures increased \$656 thousand in the current year as a result of expected increases in system-wide support services. The Board budgeted to use \$600 thousand in fund balance during the year. However, the General Fund experienced a decrease in fund balance of only \$232 thousand after the decrease in reserve for inventories. This increase, in comparison to appropriated fund balance, was primarily due to a positive variance in actual system-wide support costs incurred when compared to the budget.

**Board of Education of Vance County Schools
Management’s Discussion and Analysis**

Capital Assets

During the fiscal year ended June 30, 2018, capital assets, net of accumulated depreciation, decreased by \$1.1 million for governmental activities and decreased by \$20 thousand for business-type activities, compared to the prior year. For governmental and business-type activities, the decrease was a result of depreciation expense in excess of capital acquisitions in the current year. Total depreciation charges for the year ended June 30, 2018 was \$2 million for governmental activities. Total depreciation charges for the year ended June 30, 2018 was \$33 thousand for business-type activities. For more detailed information, please see Capital Assets in Note 3 in the accompanying notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,699,567	\$ 3,699,567	\$ -	\$ -	\$ 3,699,567	\$ 3,699,567
Construction in progress	1,207,119	1,127,197	-	-	1,207,119	1,127,197
Buildings and improvements	35,578,717	37,011,966	-	-	35,578,717	37,011,966
Equipment and furniture	243,432	226,601	133,096	153,049	376,528	379,650
Vehicles	2,173,329	1,915,395	-	-	2,173,329	1,915,395
Total	\$ 42,902,164	\$ 43,980,726	\$ 133,096	\$ 153,049	\$ 43,035,260	\$ 44,133,775

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. During the year ended June 30, 2018, the Board issued installment purchase obligations in the amount of \$678 thousand for new school buses and made payments on obligations of \$492 thousand. For more detailed information, please see Long-Term Obligations in Note 3 in the accompanying notes to the financial statements.

Economic Factors

The Board experienced a 2.6% decrease in student average daily membership as compared to the previous fiscal year. As noted above the charter schools in the county continue to grow and as a result there is a shift in students. The Charter School portion of local funds as a result grew to 20.9% of the local appropriation which is an increase of 2.9% from the prior year. Likewise, local funds available for the Board of Education decreased by that same percentage. With that shift the Board continues to adjust resources so that they can remain steadfast in its commitment to provide 21st century education to all students and to prepare them for lifelong learning and productive citizenship.

Local funding is a major source of income for the Board; therefore Vance County’s economic outlook directly affects that of the schools. Vance County’s unemployment rate saw a very slight increase from the prior year June 2017 rate of 5.7% to the current rate for June 2018 of 5.9%. However, that is still well above the state average of 4.2%. Annual taxable sales for the fiscal year totaled \$427.6 million compared to the prior year figure of \$436.3 million.

The Board is appropriated local funding through the Vance County General Fund. The General Fund contains the majority of revenue and expenditures for operations of Vance County government. All general ad valorem tax proceeds are directed into this Fund. The county budget for fiscal year 2017-2018 was based on an ad valorem tax rate of \$0.89 per \$100 of value. The estimated tax base value is \$2,600,810,867 with an estimated collection rate of 96.39%. The Board funding represents 20.09% of the total general fund budget for fiscal year 2017-2018,

**Board of Education of Vance County Schools
Management's Discussion and Analysis**

as compared to 19.12% in the previous fiscal year. The Board and Vance County Board of Commissioners collaboratively work together in developing a plan to address the capital improvement and facility needs of the school system.

Requests for Information

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

Jennifer Bennett, Assistant Superintendent of Finance and Business Operations
Board of Education of Vance County Schools
1724 Graham Avenue
Henderson, NC 27536

Board of Education of Vance County Schools
Statement of Net Position (Deficit)
June 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,066,508	\$ 883,288	\$ 4,949,796
Cash and cash equivalents - restricted	211,086	-	211,086
Due from other governments	1,046,947	170,670	1,217,617
Receivables (net)	225,911	3,699	229,610
Net OPEB asset	120,487	5,255	125,742
Inventories	117,209	119,390	236,599
Prepays	295,715	-	295,715
Capital assets:			
Land and construction in progress	4,906,686	-	4,906,686
Other capital assets, net of depreciation	37,995,478	133,096	38,128,574
Total capital assets	<u>42,902,164</u>	<u>133,096</u>	<u>43,035,260</u>
 Total assets	 <u>48,986,027</u>	 <u>1,315,398</u>	 <u>50,301,425</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>11,232,992</u>	 <u>489,950</u>	 <u>11,722,942</u>
LIABILITIES			
Accounts payable and accrued expenses	146,428	527	146,955
Accrued salaries and wages payable	923,193	4,334	927,527
Unearned revenue	-	2,244	2,244
Long-term liabilities:			
Due within one year	2,574,193	77,065	2,651,258
Due in more than one year	90,962,184	3,701,912	94,664,096
 Total liabilities	 <u>94,605,998</u>	 <u>3,786,082</u>	 <u>98,392,080</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>25,091,088</u>	 <u>1,094,399</u>	 <u>26,185,487</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	36,549,684	133,096	36,682,780
Restricted for:			
Stabilization by state statute	395,791	-	395,791
School capital outlay	1,418,623	-	1,418,623
Individual schools	158,328	-	158,328
DIPNC OPEB Plan	120,487	5,255	125,742
Unrestricted	<u>(98,120,980)</u>	<u>(3,213,484)</u>	<u>(101,334,464)</u>
 Total net deficit	 <u>\$ (59,478,067)</u>	 <u>\$ (3,075,133)</u>	 <u>\$ (62,553,200)</u>

The notes to the basic financial statements are an integral part of this statement.

**Board of Education of Vance County Schools
Statement of Activities
For the Fiscal Year Ended June 30, 2018**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 27,755,554	\$ -	\$ 22,164,585	\$ -	\$ (5,590,969)	\$ -	\$ (5,590,969)
Special populations	6,298,915	-	5,798,829	-	(500,086)	-	(500,086)
Alternative programs	5,711,375	-	4,664,699	-	(1,046,676)	-	(1,046,676)
School leadership	4,309,640	-	3,301,066	-	(1,008,574)	-	(1,008,574)
Co-curricular	335,620	-	66	-	(335,554)	-	(335,554)
School based support	4,430,912	418,846	3,888,264	-	(123,802)	-	(123,802)
System-wide support services:							
Support and development	378,268	-	298,348	-	(79,920)	-	(79,920)
Special populations support and development	301,689	-	282,834	-	(18,855)	-	(18,855)
Alternative programs and services support and development	470,339	-	273,961	-	(196,378)	-	(196,378)
Technology support services	608,356	-	161,599	-	(446,757)	-	(446,757)
Operational support services	9,840,137	49,013	4,587,254	492,466	(4,711,404)	-	(4,711,404)
Financial and human resource	1,336,538	-	263,907	-	(1,072,631)	-	(1,072,631)
Accountability	214,060	-	78,927	-	(135,133)	-	(135,133)
System-wide pupil support	-	-	-	-	-	-	-
Policy, leadership, and public relations	988,141	-	489,725	-	(498,416)	-	(498,416)
Ancillary services	110,806	-	103,637	-	(7,169)	-	(7,169)
Non-programmed charges	1,662,302	-	195,044	-	(1,467,258)	-	(1,467,258)
Interest on long-term debt	216,882	-	-	-	(216,882)	-	(216,882)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	1,501,632	-	-	-	(1,501,632)	-	(1,501,632)
Total governmental activities	66,471,166	467,859	46,552,745	492,466	(18,958,096)	-	(18,958,096)
Business-type activities:							
School food service	4,495,950	253,855	4,188,487	-	-	(53,608)	(53,608)
Total primary government	\$ 70,967,116	\$ 721,714	\$ 50,741,232	\$ 492,466	\$ (18,958,096)	\$ (53,608)	\$ (19,011,704)
General revenues:							
Unrestricted county appropriations - operating					8,432,442	-	8,432,442
Unrestricted county appropriations - capital					1,464,998	-	1,464,998
Unrestricted State and Federal appropriations - operating					4,508,097	-	4,508,097
Unrestricted Federal appropriations - capital					-	13,348	13,348
Investment earnings, unrestricted					2,088	-	2,088
Miscellaneous, unrestricted					378,415	-	378,415
Total general revenues					14,786,040	13,348	14,799,388
Change in net position (deficit)					(4,172,056)	(40,260)	(4,212,316)
Net position, beginning, previously reported					31,431,460	748,359	32,179,819
Restatement					(86,737,471)	(3,783,232)	(90,520,703)
Net deficit, beginning, restated					(55,306,011)	(3,034,873)	(58,340,884)
Net deficit, ending					\$ (59,478,067)	\$ (3,075,133)	\$ (62,553,200)

The notes to the basic financial statements are an integral part of this statement.

**Board of Education of Vance County Schools
Balance Sheet
Governmental Funds
June 30, 2018**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Other Restricted	
ASSETS							
Cash and cash equivalents	\$ 446,643	\$ -	\$ -	\$ 1,285,045	\$ 158,328	\$ 2,176,492	\$ 4,066,508
Receivables (net)	156	-	-	-	-	225,755	225,911
Due from other governments	15,668	849,399	59,693	-	-	122,187	1,046,947
Due from other funds	-	-	-	-	-	32,025	32,025
Inventories	117,209	-	-	-	-	-	117,209
Prepays	295,715	-	-	-	-	-	295,715
Cash and cash equivalents - restricted	-	-	-	211,086	-	-	211,086
Total assets	\$ 875,391	\$ 849,399	\$ 59,693	\$ 1,496,131	\$ 158,328	\$ 2,556,459	\$ 5,995,401
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenditures	\$ 32,698	\$ -	\$ -	\$ 77,508	\$ -	\$ 36,222	\$ 146,428
Accrued salaries and wages payable	-	849,399	59,693	-	-	14,101	923,193
Due to other funds	32,025	-	-	-	-	-	32,025
Total liabilities	64,723	849,399	59,693	77,508	-	50,323	1,101,646
Fund balances:							
Nonspendable:							
Inventories	117,209	-	-	-	-	-	117,209
Prepays	295,715	-	-	-	-	-	295,715
Restricted:							
Stabilization by state statute	15,824	-	-	-	-	379,967	395,791
School capital outlay	-	-	-	1,418,623	-	-	1,418,623
Individual schools	-	-	-	-	158,328	-	158,328
Assigned:							
Other special programs	-	-	-	-	-	2,126,169	2,126,169
Unassigned	381,920	-	-	-	-	-	381,920
Total fund balances	810,668	-	-	1,418,623	158,328	2,506,136	4,893,755
Total liabilities and fund balances	\$ 875,391	\$ 849,399	\$ 59,693	\$ 1,496,131	\$ 158,328	\$ 2,556,459	

Amounts reported for governmental activities in the Statement of Net Position (Deficit) (Exhibit 1) are different because:

Net OPEB asset	120,487
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,902,164
Deferred outflows of resources related to pensions	9,142,407
Deferred outflows of resources related to OPEB	2,090,585
Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(9,825,677)
Net pension liability	(17,856,002)
Net OPEB liability	(65,854,698)
Deferred inflows of resources related to pensions	(938,531)
Deferred inflows of resources related to OPEB	(24,152,557)
Net deficit of governmental activities	\$ (59,478,067)

**Board of Education of Vance County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018**

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Other Restricted	
Revenues:							
Intergovernmental:							
State of North Carolina	\$ -	\$ 43,902,399	\$ -	\$ 492,466	\$ -	\$ 822,541	\$ 45,217,406
Vance County:							
Local Current Expense	7,202,442	-	-	-	-	-	7,202,442
Other	-	-	-	1,464,998	-	1,230,000	2,694,998
U.S. Government	-	-	5,307,452	-	-	56,663	5,364,115
Other	283,807	-	-	96,696	418,846	1,215,844	2,015,193
Total revenues	7,486,249	43,902,399	5,307,452	2,054,160	418,846	3,325,048	62,494,154
Expenditures:							
Current:							
Instructional services:							
Regular instructional	96,486	24,756,706	292,240	-	439,388	1,197,767	26,782,587
Special populations	20,169	4,640,335	1,158,494	-	-	234,896	6,053,894
Alternative programs	11,511	1,712,329	2,952,370	-	-	862,344	5,538,554
School leadership	166,099	3,830,650	105,824	-	-	13,995	4,116,568
Co-curricular	323,020	66	-	-	-	5,783	328,869
School-based support	123,103	3,773,015	220,921	-	-	139,904	4,256,943
System-wide support services:							
Support and development	63,176	295,235	3,113	-	-	-	361,524
Special populations support and development	4,942	171,621	111,213	-	-	954	288,730
Alternative programs and services support and development	146,838	46,558	227,403	-	-	31,016	451,815
Technology support services	98,947	165,051	-	-	-	338,178	602,176
Operational support services	3,437,498	3,603,920	11,547	-	-	111,297	7,164,262
Financial and human resource	1,002,559	259,956	3,951	-	-	27,717	1,294,183
Accountability	125,936	78,927	-	-	-	-	204,863
Policy, leadership, and public relations	442,459	489,725	-	-	-	22,079	954,263
Ancillary services	3,232	78,305	25,332	-	-	-	106,869
Nonprogrammed charges	1,602,033	-	195,044	-	-	60,269	1,857,346
Debt service:							
Principal	-	-	-	492,466	-	-	492,466
Interest	-	-	-	216,882	-	-	216,882
Capital outlay:							
Real property and buildings	-	-	-	644,267	-	-	644,267
Furnishings and equipment	-	-	-	1,516,726	-	-	1,516,726
Buses and motor vehicles	-	-	-	730,760	-	-	730,760
Total expenditures	7,668,008	43,902,399	5,307,452	3,601,101	439,388	3,046,199	63,964,547
Revenues over (under) expenditures	(181,759)	-	-	(1,546,941)	(20,542)	278,849	(1,470,393)
Other financing sources:							
Installment purchase obligations issued	-	-	-	677,584	-	-	677,584
Net change in fund balances	(181,759)	-	-	(869,357)	(20,542)	278,849	(792,809)
Fund balances:							
Beginning of year	1,042,663	-	-	2,287,980	178,870	2,227,287	5,736,800
Decrease in reserve for inventories	(50,236)	-	-	-	-	-	(50,236)
End of year	\$ 810,668	\$ -	\$ -	\$ 1,418,623	\$ 158,328	\$ 2,506,136	\$ 4,893,755

Board of Education of Vance County Schools
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement
of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (792,809)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(50,236)
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.	(1,078,562)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	3,517,820
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	2,019,973
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.	(185,118)
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	(4,646,465)
Net OPEB expense	(3,078,685)
Compensated absences	122,026
	<hr/>
Change in net position (deficit) of governmental activities	<u><u>\$ (4,172,056)</u></u>

Board of Education of Vance County Schools
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Vance County	7,202,440	7,226,100	7,202,442	(23,658)
U.S. Government	-	-	-	-
Other	204,000	194,846	283,807	88,961
Total revenues	<u>7,406,440</u>	<u>7,420,946</u>	<u>7,486,249</u>	<u>65,303</u>
Expenditures:				
Current:				
Instructional services	853,254	811,123	740,388	70,735
System-wide support services	4,996,656	5,653,097	5,322,355	330,742
Ancillary services	3,038	3,234	3,232	2
Nonprogrammed charges	1,553,492	1,553,492	1,602,033	(48,541)
Total expenditures	<u>7,406,440</u>	<u>8,020,946</u>	<u>7,668,008</u>	<u>352,938</u>
Revenues over (under) expenditures	-	(600,000)	(181,759)	418,241
Fund balance appropriated	-	600,000	-	(600,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(181,759)	<u>\$ (181,759)</u>
Fund balances:				
Beginning of year			1,042,663	
Decrease in reserve for inventories			<u>(50,236)</u>	
End of year			<u>\$ 810,668</u>	

Board of Education of Vance County Schools
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Other Restricted			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 807,862	\$ 811,510	\$ 822,541	\$ 11,031
Vance County	1,230,000	1,230,000	1,230,000	-
U.S. Government	60,000	60,000	56,663	(3,337)
Other	438,000	1,002,130	1,215,844	213,714
Total revenues	<u>2,535,862</u>	<u>3,103,640</u>	<u>3,325,048</u>	<u>221,408</u>
Expenditures:				
Current:				
Instructional services	2,601,374	2,768,920	2,454,689	314,231
System-wide support services	434,988	776,692	531,241	245,451
Ancillary services	-	-	-	-
Nonprogrammed charges	-	60,300	60,269	31
Total expenditures	<u>3,036,362</u>	<u>3,605,912</u>	<u>3,046,199</u>	<u>559,713</u>
Revenues over (under) expenditures	(500,500)	(502,272)	278,849	781,121
Fund balance appropriated	<u>500,500</u>	<u>502,272</u>	-	<u>(502,272)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	278,849	<u>\$ 278,849</u>
Fund balances:				
Beginning of year			2,227,287	
Decrease in reserve for inventories			<u>-</u>	
End of year			<u>\$ 2,506,136</u>	

Board of Education of Vance County Schools
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 44,246,841	\$ 46,330,058	\$ 43,902,399	\$ (2,427,659)
Vance County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>44,246,841</u>	<u>46,330,058</u>	<u>43,902,399</u>	<u>(2,427,659)</u>
Expenditures:				
Current:				
Instructional services	40,176,768	41,286,437	38,713,101	2,573,336
System-wide support services	3,981,068	4,958,316	5,110,993	(152,677)
Ancillary services	89,005	85,305	78,305	7,000
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>44,246,841</u>	<u>46,330,058</u>	<u>43,902,399</u>	<u>2,427,659</u>
Revenues over (under) expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Decrease in reserve for inventories			-	
End of year			<u>\$ -</u>	

Board of Education of Vance County Schools
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Vance County	-	-	-	-
U.S. Government	7,095,226	7,382,384	5,307,452	(2,074,932)
Other	-	-	-	-
Total revenues	<u>7,095,226</u>	<u>7,382,384</u>	<u>5,307,452</u>	<u>(2,074,932)</u>
Expenditures:				
Current:				
Instructional services	6,493,346	6,645,802	4,729,849	1,915,953
System-wide support services	348,181	356,678	357,227	(549)
Ancillary services	20,328	38,233	25,332	12,901
Nonprogrammed charges	233,371	341,671	195,044	146,627
Total expenditures	<u>7,095,226</u>	<u>7,382,384</u>	<u>5,307,452</u>	<u>2,074,932</u>
Revenues over (under) expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Decrease in reserve for inventories			-	
End of year			<u>\$ -</u>	

**Board of Education of Vance County Schools
Statement of Net Position (Deficit)
Proprietary Fund
June 30, 2018**

Exhibit 7

	<u>Enterprise</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 883,288
Due from other governments	170,670
Receivables	3,699
OPEB asset	5,255
Inventories	119,390
Total current assets	<u>1,182,302</u>
Noncurrent assets:	
Capital assets:	
Furniture, equipment and vehicles, net	<u>133,096</u>
Total assets	<u>1,315,398</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>489,950</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	527
Accrued salaries and wages payable	4,334
Unearned revenue	2,244
Compensated absences	77,065
Total current liabilities	<u>84,170</u>
Noncurrent liabilities:	
Net pension liability	778,826
Net OPEB liability	2,872,387
Compensated absences	50,699
Total noncurrent liabilities	<u>3,701,912</u>
Total liabilities	<u>3,786,082</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,094,399</u>
NET POSITION (DEFICIT)	
Investment in capital assets	133,096
DIPNC OPEB plan	5,255
Unrestricted	<u>(3,213,484)</u>
Total net position	<u>\$ (3,075,133)</u>

The notes to the basic financial statements are an integral part of this statement.

Board of Education of Vance County Schools
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

Exhibit 8

	<u>Enterprise</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating revenues:	
Food sales	\$ 253,855
Operating expenses:	
Food cost:	
Purchase of food	1,556,616
Donated commodities	271,907
Salaries and benefits	2,411,194
Contracted services	9,389
Materials and supplies	158,097
Repairs and maintenance	37,085
Depreciation	33,551
Other	18,111
Total operating expenses	<u>4,495,950</u>
Operating loss	<u>(4,242,095)</u>
Nonoperating revenues:	
Federal reimbursements	3,916,580
Federal commodities	271,907
Contributed capital	13,348
Total nonoperating revenues	<u>4,201,835</u>
Change in net position	<u>(40,260)</u>
Total net position, beginning	748,359
Restatement	<u>(3,783,232)</u>
Total net deficit, beginning, restated	<u>(3,034,873)</u>
Total net deficit, ending	<u><u>\$ (3,075,133)</u></u>

**Board of Education of Vance County Schools
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018**

Exhibit 9

	<u>Enterprise Major Fund School Food Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 254,344
Cash paid for goods and services	(1,786,712)
Cash paid to employees for services	<u>(2,312,644)</u>
Net cash used by operating activities	<u>(3,845,012)</u>
Cash flows from noncapital financing activities:	
Federal and State grants and reimbursements	<u>3,889,985</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(250)</u>
Net increase in cash and cash equivalents	44,723
Cash and cash equivalents, beginning of year	<u>838,565</u>
Cash and cash equivalents, end of year	<u>\$ 883,288</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,242,095)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	33,551
Donated commodities consumed	271,907
Changes in assets and liabilities:	
Decrease in accounts receivable	1,358
Decrease in net OPEB asset	410
Increase in inventories	(8,825)
Increase in accounts payable and accrued expenses	53
Decrease in accrued salaries and wages payable	(290)
Increase in unearned revenues	489
Increase in deferred inflows of resources	1,044,776
Decrease in deferred outflows of resources	217,052
Decrease in net pension liability	(152,793)
Decrease in net OPEB liability	(1,008,191)
Decrease in compensated absences payable	<u>(2,414)</u>
Total adjustments	<u>397,083</u>
Net cash used by operating activities	<u>\$ (3,845,012)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$271.907 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

During the fiscal year, capital assets valued at \$13,348 were contributed to the School Food Service fund. The receipt of these items are reflected as nonoperating revenue on Exhibit 8.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Board of Education of Vance County Schools conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Board of Education of Vance County Schools (“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 Vance County, North Carolina (“County”). The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position (Deficit) and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities on revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. 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.

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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

Federal Grants Fund. The Federal Grants Fund is used to account for federal grant monies administered through the Department of Public Instruction.

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 Restricted Fund. The Other Restricted Fund is used to account for activities designated for specific purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local sources and the U.S. Government.

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.

C. 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.

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 sixty 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

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

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.

D. 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 purpose level for all annually budgeted funds. The Board has authorized the superintendent to transfer appropriations within a fund between sub-functions and objects of expenditure within a function without limitations and without a report to the Board. Amounts may be transferred between purposes of the same fund or between funds with a report on such transfers being required at the next meeting of the Board. All amendments must be approved by the governing board. 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.

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

(1) 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. The STIF consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operation procedures. 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.

(2) 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. Certain assets of the Capital Outlay Fund are classified as restricted assets because their use is restricted by the energy savings installment purchase obligation.

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

(3) 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. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

(4) Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expensed when used.

(5) Capital Assets

Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Vance 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 paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings	30 to 50
Building improvements	10 to 25
Equipment and furniture	3 to 10
Vehicles	6

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.

(5) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) 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 (deficit) that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has several items that meets this criterion – pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The Statement of Net Position (Deficit) 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 (deficit) that applies to a future period and so will not be recognized as revenue until then. The Board has a couple items that meets this criterion - pension and OPEB related deferrals.

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

(6) 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.

(7) Compensated Absences

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

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.

(8) Net Position (Deficit)

Net position (deficit) 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. For purposes of net position classification, expenditures are to be spent from restricted net position first, followed by unrestricted net position (deficit).

(9) Fund Balance

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaids, which are not spendable resources.

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 intends to use for specific purposes.

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Other special programs – portion of fund balance that includes carry over funding for the applicable state and federal programs accounted for in the Other Restricted Fund activities as well as a portion of the fund balance that will be used by Other Restricted Fund activities, as determined by the governing body.

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

The Board has a revenue spending policy 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, 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.

F. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position (Deficit).

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position (deficit) – governmental activities* as reported in the government-wide Statement of Net Position (Deficit). The net adjustment of \$(64,371,822) 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)	\$ 97,345,970
Less accumulated depreciation	<u>(54,443,806)</u>
Net capital assets	42,902,164
Net OPEB asset	120,487
Pension related deferred outflows of resources	9,142,407
OPEB related deferred outflows of resources	2,090,585
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:	
Installment financing	(6,352,480)
Compensated absences	(3,473,197)
Net pension liability	(17,856,002)
Net OPEB liability	(65,854,698)
Deferred inflows of resources related to pensions	(938,531)
Deferred inflows of resources related to OPEB	<u>(24,152,557)</u>
Total adjustment	<u>\$ (64,371,822)</u>

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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 (deficit) of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$3,379,247) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 908,582
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the Statement of Activities but not in the fund statements.	(1,987,144)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the Statement of Activities	(677,584)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of Net Position (Deficit) in the government-wide statements	492,466
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	3,517,820
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	2,019,973
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	(4,646,465)
OPEB expense	(3,078,685)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	122,026
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>(50,236)</u>
Total adjustment	<u>\$ (3,379,247)</u>

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

G. *Defined Benefit Pension Plans and OPEB Plans*

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

2. *Stewardship, Compliance, and Accountability*

(1) Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2018, the Board reported expenditures within various funds that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance. At the legal level of budgetary control, the General Fund exceeded the amounts appropriated in the budget ordinance by \$48,541. The State Public School Fund exceeded the amounts appropriated in the budget ordinance by \$152,677. These violations occurred because the Board was not appropriately monitoring expenditures against the budget. See additional detail on Schedule 9 and 10.

3. *Detail Notes on all Funds*

A. *Assets*

(1) Deposits

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

At June 30, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$5,095,887 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,068,945 and \$148,219, respectively. Of these balances, \$500,000 was covered by federal depository insurance and \$4,717,164 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. At June 30, 2018, the Board's petty cash totaled \$89.

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

(2) Investments

At June 30 2018, the Board had \$64,906 invested with the State Treasurer in the Short Term Investment Fund (STIF).

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of 1.4 years as of June 30, 2018.

Credit Risk. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

Concentration of Credit Risk. The Board places no limit on the amount the Board may invest in any one issuer.

(3) Receivables

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

	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 15,668	\$ 156	\$ 15,824
Other governmental activities	<u>1,031,279</u>	<u>225,755</u>	<u>1,257,034</u>
Total	<u>\$ 1,046,947</u>	<u>\$ 225,911</u>	<u>\$ 1,272,858</u>
Business-type activities:			
School Food Service	<u>\$ 170,670</u>	<u>\$ 3,699</u>	<u>\$ 174,369</u>

Due from other governments consists of the following:

Governmental activities:

General Fund	\$ 15,668	Local government fines and forfeitures
Other Restricted Fund	122,187	Federal grant funds and reimbursements
State Public School Fund	849,399	Operating funds from DPI
Federal Grants Fund	<u>59,693</u>	Federal grant funds
	<u>\$ 1,046,947</u>	

Business-type activities:

School Food Service Fund	<u>\$ 170,670</u>	Federal funds
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Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

(4) Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,699,567	\$ -	\$ -	\$ 3,699,567
Construction in progress	1,127,197	79,922	-	1,207,119
Total capital assets not being depreciated	<u>4,826,764</u>	<u>79,922</u>	<u>-</u>	<u>4,906,686</u>
Capital assets being depreciated:				
Buildings and improvements	81,686,488	-	-	81,686,488
Equipment and furniture	1,616,504	62,592	-	1,679,096
Vehicles	<u>8,307,632</u>	<u>766,068</u>	<u>-</u>	<u>9,073,700</u>
Total capital assets being depreciated	<u>91,610,624</u>	<u>828,660</u>	<u>-</u>	<u>92,439,284</u>
Less accumulated depreciation for:				
Buildings and improvements	44,674,522	1,433,249	-	46,107,771
Equipment and furniture	1,389,903	45,761	-	1,435,664
Vehicles	<u>6,392,237</u>	<u>508,134</u>	<u>-</u>	<u>6,900,371</u>
Total accumulated depreciation	<u>52,456,662</u>	<u>1,987,144</u>	<u>-</u>	<u>54,443,806</u>
Total capital assets being depreciated, net	<u>39,153,962</u>			<u>37,995,478</u>
Governmental activity capital assets, net	<u>\$ 43,980,726</u>			<u>\$ 42,902,164</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and Vehicles	\$ 1,380,849	\$ 13,598	\$ -	\$ 1,394,447
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>1,227,800</u>	<u>33,551</u>	<u>-</u>	<u>1,261,351</u>
School Food Service capital assets, net	<u>\$ 153,049</u>			<u>\$ 133,096</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,501,632
Operational support services	<u>485,512</u>
Total	<u>\$ 1,987,144</u>

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Liabilities

(1) Pension Plan and Other Postemployment Obligations

(a) Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, 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. 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. 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 at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,671,257 for the year ended June 30, 2018.

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

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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

At June 30, 2018, the Board reported a liability of \$18,634,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2018 and June 30, 2017, the Board's proportion was 0.23% and 0.25%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$4,854,978. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 403,969	\$ 609,643
Changes of assumptions	2,944,022	-
Net difference between projected and actual earnings on pension plan investments	2,521,924	-
Changes in proportions and differences between Board contributions and proportionate share of contributions	-	369,824
Board contributions subsequent to the measurement date	<u>3,671,257</u>	-
Total	<u>\$ 9,541,172</u>	<u>\$ 979,467</u>

The Board reported \$3,671,257 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 865,007
2020	3,435,242
2021	1,599,500
2022	<u>(1,009,301)</u>
	<u>\$ 4,890,448</u>

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

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

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

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

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

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

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

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

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

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

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Board's proportionate share of the net pension liability	\$ 38,358,190	\$ 18,634,828	\$ 2,109,165

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 Postemployment Healthcare Benefits

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

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

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

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

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

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. Contributions to the RHBF plan from the board were \$2,060,400 for the year ended June 30, 2018.

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

At June 30, 2018, Board reported a liability of \$68,727,085 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018, the Board's proportion was 0.21%.

The Board report \$2,060,400 as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (5,042,481)
2020	(5,042,481)
2021	(5,042,481)
2022	(5,042,481)
2023	<u>(5,036,096)</u>
	<u>\$ (25,206,020)</u>

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Inflation	2.75 percent
Salary increases	3.5 to 8.10 percent, including 3.5 percent inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation
Healthcare cost trend rate - medical	5.0 to 6.50 percent
Healthcare cost trend rate - prescription drug	5.0 to 7.25 percent
Healthcare cost trend rate - Medicare advantage	4.0 to 5.0 percent
Healthcare cost trend rate - administrative	3.0 percent

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

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

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 81,987,465	\$68,727,085	\$58,209,722

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

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00-7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 56,143,699	\$ 68,727,085	\$ 85,452,014

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

(c) Other Postemployment Disability Benefits

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

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$47,679 for the year ended June 30, 2018.

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

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

At June 30, 2018, Board reported an asset of \$125,742 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018, the Board's proportion was 0.21%.

The Board reported \$47,679 as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

<u>Year ended June 30:</u>	
2019	\$ 22,271
2020	22,271
2021	22,264
2022	<u>6,885</u>
	<u>\$ 73,691</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including 3.5 percent inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including inflation

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

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 106,899	\$ 125,742	\$ 144,628

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

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

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

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

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 3,142,277	\$ 70,691	\$ 3,212,968
OPEB liability (asset)	68,727,085	(125,742)	68,601,343
Proportionate share of the net OPEB liability (asset)	0.2096%	0.2057%	
Deferred of outflows and resources			
Differences between expected and actual experience	-	34,476	34,476
Net difference between projected and actual earnings on plan investments	-	27,562	27,562
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	11,653	11,653
Board contributions subsequent to the measurement date	2,060,400	47,679	2,108,079
Deferred inflows of resources			
Differences between expected and actual experience	4,927,858	-	4,927,858
Changes of assumptions	18,927,125	-	18,927,125
Net difference between projected and actual earnings on plan investments	25,542	-	25,542
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,325,495	-	1,325,495

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

(2) Payables

Payables as of June 30, 2018 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Totals</u>
Governmental activities:			
General	\$ 32,698	\$ -	\$ 32,698
Other governmental	<u>113,730</u>	<u>923,193</u>	<u>1,036,923</u>
Total governmental activities	<u>\$ 146,428</u>	<u>\$ 923,193</u>	<u>\$ 1,069,621</u>
Business-type activities:			
School Food Service	<u>\$ 527</u>	<u>\$ 4,334</u>	<u>\$ 4,861</u>

(3) Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience (Pension & OPEB)	\$ 438,445	\$ 5,537,501
Changes of assumptions (Pension & OPEB)	2,944,022	18,927,125
Difference between projected and actual earnings on plan investments (Pension & OPEB)	2,549,486	25,542
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	11,653	1,695,319
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>5,779,336</u>	<u>-</u>
Totals	<u>\$ 11,722,942</u>	<u>\$ 26,185,487</u>

(4) Unearned Revenue

The balance in unearned revenue at year-end is composed of the following elements:

Prepayments of meals (School Food Service Fund)	<u>\$ 2,244</u>
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(5) 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 \$850,000 per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,550,000 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. Workers' compensation coverage provides employers' liability insurance of \$1 million per claim for bodily injury incurred in the course of employment. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all-risk" perils contract. 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 maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption, and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board owned property in flood zones.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits 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 monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

(6) Contingent Liabilities

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

(7) Long-Term Obligations

(a) Installment Purchases

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 monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. During the fiscal years ended June 30, 2018, June 30, 2017 and June 30, 2016, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contracts require principal-only payments, due at the beginning of each contract year.

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. In July 2016, the Board entered into such a contract to reduce the energy costs throughout the school system. The financing contract requires payments for twenty years beginning in the fiscal year 2018 with an interest rate equal to 3.85%

Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

The future minimum payments due under these installment purchase contracts as of June 30, 2018 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2019	\$ 977,362	\$ 212,382
2020	476,680	189,946
2021	383,093	182,068
2022	218,558	173,841
2023	228,217	165,426
Thereafter	<u>4,068,570</u>	<u>1,253,275</u>
	<u>\$ 6,352,480</u>	<u>\$ 2,176,938</u>

(8) Long-Term Obligation Activity

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

	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
	<u>Restated</u>				
Governmental activities:					
Compensated absences	\$ 3,595,223	\$ 1,987,880	\$ 2,109,906	\$ 3,473,197	\$ 1,596,831
Net pension liability	21,700,381	-	3,844,379	17,856,002	-
Net OPEB liability	88,969,310	-	23,114,612	65,854,698	-
Installment purchases	<u>6,167,362</u>	<u>677,584</u>	<u>492,466</u>	<u>6,352,480</u>	<u>977,362</u>
	<u>\$120,432,276</u>	<u>\$ 2,665,464</u>	<u>\$29,561,363</u>	<u>\$93,536,377</u>	<u>\$ 2,574,193</u>
Business-type activities:					
Compensated absences	\$ 130,178	\$ 108,972	\$ 111,386	\$ 127,764	\$ 77,065
Net pension liability	931,619	-	152,793	778,826	-
Net OPEB liability	<u>3,880,578</u>	<u>-</u>	<u>1,008,191</u>	<u>2,872,387</u>	<u>-</u>
	<u>\$ 4,942,375</u>	<u>\$ 108,972</u>	<u>\$ 1,272,370</u>	<u>\$ 3,778,977</u>	<u>\$ 77,065</u>

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

(9) Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018 consists of the following:

From the General Fund to the Other Restricted Fund for vendor reimbursements	<u>\$ 32,025</u>
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C. Fund Balance

The Board has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Board funds, Board 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.

**Board of Education of Vance County Schools
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018**

Restrictions for the stabilization by state statute is required by the North Carolina General Statutes. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. The formula is “appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.

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	\$ 810,668
Less:	
Inventories	117,209
Prepays	295,715
Stabilization by State Statute	<u>15,824</u>
Remaining Fund Balance	<u>\$ 381,920</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Capital Outlay Fund</i>
	\$0	\$0

4. 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 monies.

5. Change in Accounting Principal/Restatement

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ending June 30, 2017. The implementation of the statement required the Board to record beginning net OPEB asset, net OPEB liability, and the effects on net position (deficit) of contributions made by the Board during the measurement period (fiscal year 2017). As a result, net position for the governmental and business-type activities decreased by \$86,737,471 and \$3,783,232, respectively.

Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Five Fiscal Years*

Schedule 1

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	0.2349%	0.2462%	0.2503%	0.2546%	0.2624%
Board's proportionate share of the net pension liability	\$ 18,634,828	\$ 22,632,000	\$ 9,223,314	\$ 2,985,453	\$ 15,930,354
Board's covered payroll	\$ 35,412,850	\$ 36,165,083	\$ 35,782,703	\$ 37,233,499	\$ 38,842,629
Board's proportionate share of the net pension liability as a percentage of its covered payroll	52.62%	62.58%	25.78%	8.02%	41.01%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

**Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Five Fiscal Years***

Schedule 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,671,257	\$ 3,539,132	\$ 3,320,031	\$ 3,274,117	\$ 3,235,591
Contributions in relation to the contractually required contribution	<u>3,671,257</u>	<u>3,320,031</u>	<u>3,320,031</u>	<u>3,274,117</u>	<u>3,235,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,995,143	\$ 35,412,850	\$ 36,165,083	\$ 35,782,703	\$ 37,233,499
Contributions as a percentage of covered payroll	10.80%	9.99%	9.18%	9.15%	8.69%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

**Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund
Last Two Fiscal Years***

Schedule 3

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.2096%	0.2134%
Board's proportionate share of the net OPEB liability	\$ 68,727,085	\$ 92,849,888
Board's covered payroll	\$ 35,412,850	\$ 36,165,083
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	194.07%	256.74%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Retiree Health Benefit Fund
Last Two Fiscal Years*

Schedule 4

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,060,400	\$ 2,059,060
Contributions in relation to the contractually required contribution	<u>2,060,400</u>	<u>2,059,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,995,143	\$ 35,412,850
Contributions as a percentage of covered payroll	6.06%	5.81%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
Last Two Fiscal Years*

Schedule 5

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.2057%	0.2183%
Board's proportionate share of the net OPEB asset	\$ 125,742	\$ 125,742
Board's covered payroll	\$ 35,412,850	\$ 36,165,083
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.36%	0.35%
Plan fiduciary net position as a percentage of the net OPEB asset	116.23%	116.06%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

Board of Education of Vance County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Two Fiscal Years*

Schedule 6

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 47,679	\$ 134,585
Contributions in relation to the contractually required contribution	<u>47,679</u>	<u>134,585</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,995,143	\$ 35,412,850
Contributions as a percentage of covered payroll	0.14%	0.38%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

Board of Education of Vance County Schools

Schedule 7

Capital Outlay Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget and Actual

For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State appropriations - buses	\$ 492,466	\$ 492,466	\$ -
Vance County:			
General county revenues	1,465,000	1,464,998	(2)
Other:			
Interest earned on investment	23	2,088	2,065
Miscellaneous	93,907	94,608	701
Total other	<u>93,930</u>	<u>96,696</u>	<u>2,766</u>
Total revenues	<u>2,051,396</u>	<u>2,054,160</u>	<u>2,764</u>
Expenditures:			
Capital outlay:			
Real property and buildings	1,037,232	644,267	392,965
Furniture and equipment	2,195,059	1,516,726	678,333
Buses and motor vehicles	730,760	730,760	-
Total capital outlay	<u>3,963,051</u>	<u>2,891,753</u>	<u>1,071,298</u>
Debt service:			
Principal	492,466	492,466	-
Interest	216,882	216,882	-
Total debt service	<u>709,348</u>	<u>709,348</u>	<u>-</u>
Total expenditures	<u>4,672,399</u>	<u>3,601,101</u>	<u>1,071,298</u>
Revenues under expenditures	(2,621,003)	(1,546,941)	1,074,062
Other financing sources:			
Installment purchase obligations issued	<u>677,584</u>	<u>677,584</u>	<u>-</u>
Fund balance appropriated	<u>1,943,419</u>	<u>-</u>	<u>(1,943,419)</u>
Net change in fund balance	<u>\$ -</u>	<u>(869,357)</u>	<u>\$ (869,357)</u>
Fund balance:			
Beginning of year		<u>2,287,980</u>	
End of year		<u>\$ 1,418,623</u>	

Board of Education of Vance County Schools
School Food Service Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

Schedule 8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Food sales	\$ 261,110	\$ 253,855	\$ (7,255)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		1,565,441	
Donated commodities		271,907	
Salaries and benefits		2,312,354	
Purchase of services		9,389	
Materials and supplies		158,347	
Repairs and maintenance		37,085	
Other		18,111	
Total business support services	<u>4,480,936</u>	<u>4,372,634</u>	<u>108,302</u>
Operating loss	<u>(4,219,826)</u>	<u>(4,118,779)</u>	<u>101,047</u>
Nonoperating revenues:			
Federal reimbursements		3,916,580	
Federal commodities		271,907	
Total nonoperating revenues	<u>4,219,826</u>	<u>4,188,487</u>	<u>(31,339)</u>
Excess of revenues over expenditures	<u>\$ -</u>	69,708	<u>\$ 69,708</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(33,551)	
Capital contributed		13,348	
Equipment purchases		250	
Decrease in net OPEB asset		(410)	
Decrease in net pension liability		152,793	
Decrease in net OPEB liability		1,008,191	
Increase in deferred inflows of resources		(1,044,776)	
Decrease in deferred outflows of resources		(217,052)	
Decrease in compensated absences payable		2,414	
Increase in inventories		<u>8,825</u>	
Change in net position (full accrual)		<u>\$ (40,260)</u>	



Statistical Section

STATISTICAL SECTION (UNAUDITED)

This section of the Board's Comprehensive Annual Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial position has changed over time.

Revenue Capacity

As the Board's revenues are derived primarily from property taxes assessed by Vance County, these schedules contain information to help the reader assess the underlying financial sources of revenues.

Debt Capacity

As the Board's school construction funding is derived from and is principally held by Vance County, these schedules present information to help the reader assess the affordability of Vance County's current levels of outstanding debt and their ability to issue additional debt.

Demographic and Economic Information

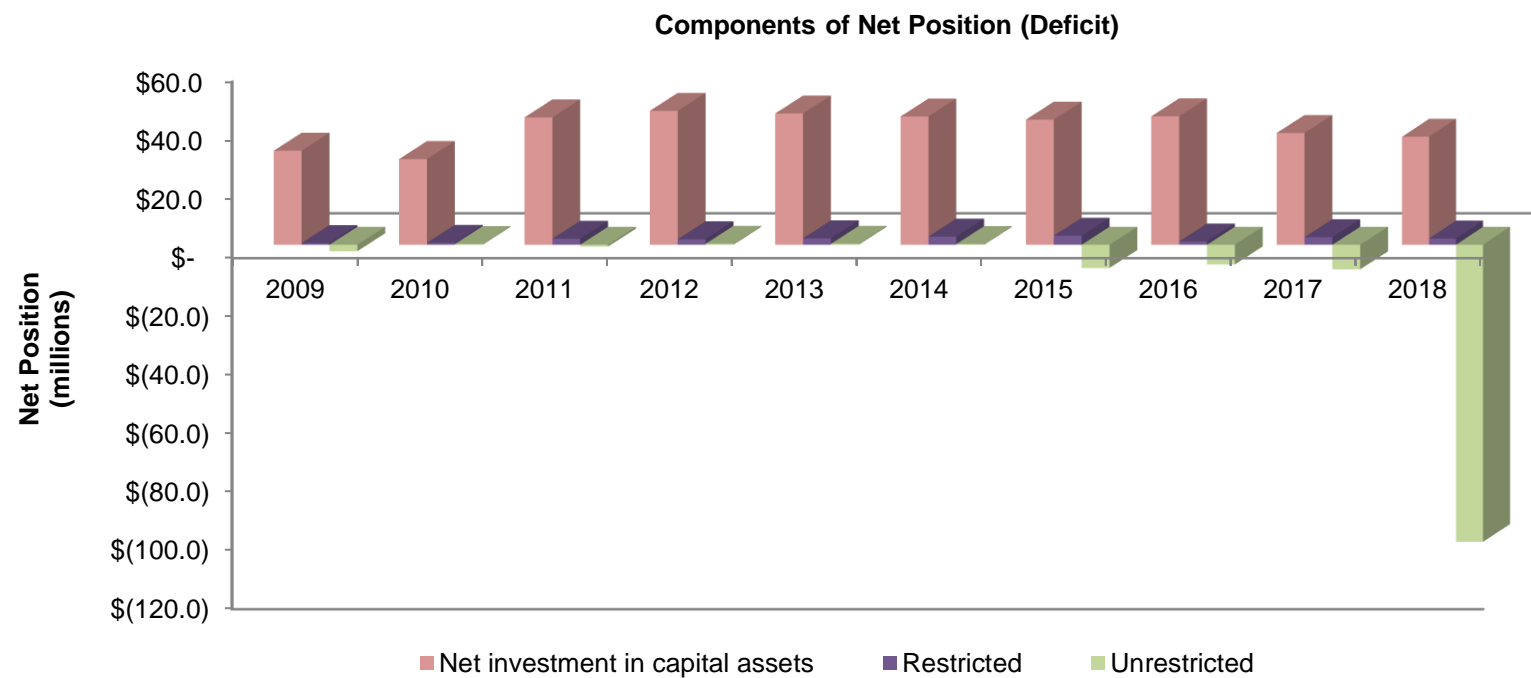
These schedules offer demographic and economic indicators to help the reader understand the environment in which the Board's financial activities are conducted.

Operating Information

These schedules contain staffing, key operating statistics, and capital asset data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.

VANCE COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - NET POSITION (DEFICIT) BY COMPONENT
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 31,771,712	\$ 28,941,862	\$ 42,958,580	\$ 45,210,103	\$ 44,329,106	\$ 43,364,422	\$ 42,302,515	\$ 43,469,554	\$ 37,813,364	\$ 36,549,684
Restricted	574,157	641,206	2,019,442	1,872,026	2,174,069	2,754,797	3,043,278	1,105,811	2,563,058	2,093,229
Unrestricted	(2,702,386)	(372,045)	(1,473,607)	(632,235)	(710,670)	(754,292)	(8,543,856)	(7,196,161)	(8,944,962)	(98,120,980)
Total net position (deficit)	29,643,483	29,211,023	43,504,415	46,449,894	45,792,505	45,364,927	36,801,937	37,379,204	31,431,460	(59,478,067)
Business-Type Activities										
Net investment in capital assets	174,602	162,870	293,301	272,050	242,018	204,627	193,449	158,386	153,049	133,096
Restricted	-	-	-	-	-	-	-	-	-	5,255
Unrestricted	498,117	589,119	845,857	950,223	1,015,955	969,874	651,776	512,152	595,310	(3,213,484)
Total net position (deficit)	672,719	751,989	1,139,158	1,222,273	1,257,973	1,174,501	845,225	670,538	748,359	(3,075,133)
Total Primary Government										
Net investment in capital assets	31,946,314	29,104,732	43,251,881	45,482,153	44,571,124	43,569,049	42,495,964	43,627,940	37,966,413	36,682,780
Restricted	574,157	641,206	2,019,442	1,872,026	2,174,069	2,754,797	3,043,278	1,105,811	2,563,058	2,098,484
Unrestricted	(2,204,269)	217,074	(627,750)	317,988	305,285	215,582	(7,892,080)	(6,684,009)	(8,349,652)	(101,334,464)
Total net position (deficit)	\$ 30,316,202	\$ 29,963,012	\$ 44,643,573	\$ 47,672,167	\$ 47,050,478	\$ 46,539,428	\$ 37,647,162	\$ 38,049,742	\$ 32,179,819	\$ (62,553,200)



Certain reclassifications were made to the governmental activities net assets in periods prior to June 30, 2011 based on the guidance issued under GASB No. 54.

VANCE COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE) REVENUE
Last Ten Fiscal Years

	2009	2010	2011	2012
Expenses				
Governmental activities:				
Instructional programs	\$ 53,915,326	\$ 52,704,187	\$ 52,589,739	\$ 50,281,598
System-wide support services	12,325,210	12,614,765	12,842,282	12,625,301
Ancillary Services	64,727	75,137	63,932	80,522
Non-programmed charges	414,352	476,016	586,829	619,369
Interest on long-term debt	77,750	65,486	54,552	43,557
Unallocated depreciation expense	20,595	21,268	10,656	4,244
Total governmental activities expenses	<u>66,817,960</u>	<u>65,956,859</u>	<u>66,147,990</u>	<u>63,654,591</u>
Business-type activities:				
School food service	4,651,249	4,479,865	4,325,752	4,614,860
Child care	211,095	168,630	164,561	133,258
Total business-type activities expense	<u>4,862,344</u>	<u>4,648,495</u>	<u>4,490,313</u>	<u>4,748,118</u>
Total school district expenses	<u>71,680,304</u>	<u>70,605,354</u>	<u>70,638,303</u>	<u>68,402,709</u>
Program revenues				
Governmental activities:				
Charges for services:				
School-based support	-	-	-	7,315
Operational support services	34,407	30,392	24,283	23,082
Operating grants and contributions	57,281,128	55,727,469	57,117,725	54,949,601
Capital grants and contributions	210,870	2,026	19,066	859
Total governmental activities program revenue	<u>57,526,405</u>	<u>55,759,887</u>	<u>57,161,074</u>	<u>54,980,857</u>
Business-type activities:				
Charges for services	1,103,059	977,448	918,867	861,234
Operating grants and contributions	3,559,827	3,666,042	3,702,301	3,881,879
Capital grants and contributions	-	-	-	-
Total business-type activities program revenue	<u>4,662,886</u>	<u>4,643,490</u>	<u>4,621,168</u>	<u>4,743,113</u>
Total school district program revenues	<u>62,189,291</u>	<u>60,403,377</u>	<u>61,782,242</u>	<u>59,723,970</u>
Net (expense) revenue				
Governmental activities	(9,291,555)	(10,196,972)	(8,986,916)	(8,673,734)
Business-type activities	<u>(199,458)</u>	<u>(5,005)</u>	<u>130,855</u>	<u>(5,005)</u>
Total school district net (expense) revenue	<u>\$ (9,491,013)</u>	<u>\$ (10,201,977)</u>	<u>\$ (8,856,061)</u>	<u>\$ (8,678,739)</u>

2013	2014	2015	2016	2017	2018
\$ 49,365,717	\$ 47,911,178	\$ 45,175,529	\$ 45,776,026	\$ 49,919,515	\$ 48,842,016
12,866,067	12,757,354	11,995,154	12,781,912	17,709,188	14,137,528
81,053	57,536	65,230	278,131	172,813	110,806
689,811	792,854	908,913	1,096,227	1,323,294	1,662,302
31,434	19,236	6,482	-	-	216,882
2,713	-	-	1,470,075	1,476,621	1,501,632
<u>63,036,795</u>	<u>61,538,158</u>	<u>58,151,308</u>	<u>61,402,371</u>	<u>70,601,431</u>	<u>66,471,166</u>
4,834,688	4,838,440	4,916,746	4,619,219	4,597,797	4,495,950
123,223	5,550	-	-	-	-
<u>4,957,911</u>	<u>4,843,990</u>	<u>4,916,746</u>	<u>4,619,219</u>	<u>4,597,797</u>	<u>4,495,950</u>
<u>67,994,706</u>	<u>66,382,148</u>	<u>63,068,054</u>	<u>66,021,590</u>	<u>75,199,228</u>	<u>70,967,116</u>
-	-	9,328	630,322	576,891	418,846
13,802	30,447	1,690	54,256	81,263	49,013
54,092,713	52,850,826	53,498,806	46,622,640	46,334,918	46,552,745
9,778	15,749	598,536	773,899	1,112,288	492,466
<u>54,116,293</u>	<u>52,897,022</u>	<u>54,108,360</u>	<u>48,081,117</u>	<u>48,105,360</u>	<u>47,513,070</u>
794,766	630,082	367,673	339,103	330,566	253,855
4,125,792	4,057,570	4,659,342	4,195,643	4,338,495	4,188,487
-	-	-	-	-	-
<u>4,920,558</u>	<u>4,687,652</u>	<u>5,027,015</u>	<u>4,534,746</u>	<u>4,669,061</u>	<u>4,442,342</u>
<u>59,036,851</u>	<u>57,584,674</u>	<u>59,135,375</u>	<u>52,615,863</u>	<u>52,774,421</u>	<u>51,955,412</u>
(8,920,502)	(8,641,136)	(4,042,948)	(13,321,254)	(22,496,071)	(18,958,096)
<u>(37,353)</u>	<u>(156,338)</u>	<u>110,269</u>	<u>(84,473)</u>	<u>71,264</u>	<u>(53,608)</u>
<u>\$ (8,957,855)</u>	<u>\$ (8,797,474)</u>	<u>\$ (3,932,679)</u>	<u>\$ (13,405,727)</u>	<u>\$ (22,424,807)</u>	<u>\$ (19,011,704)</u>

VANCE COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION (DEFICIT)
Last Ten Fiscal Years

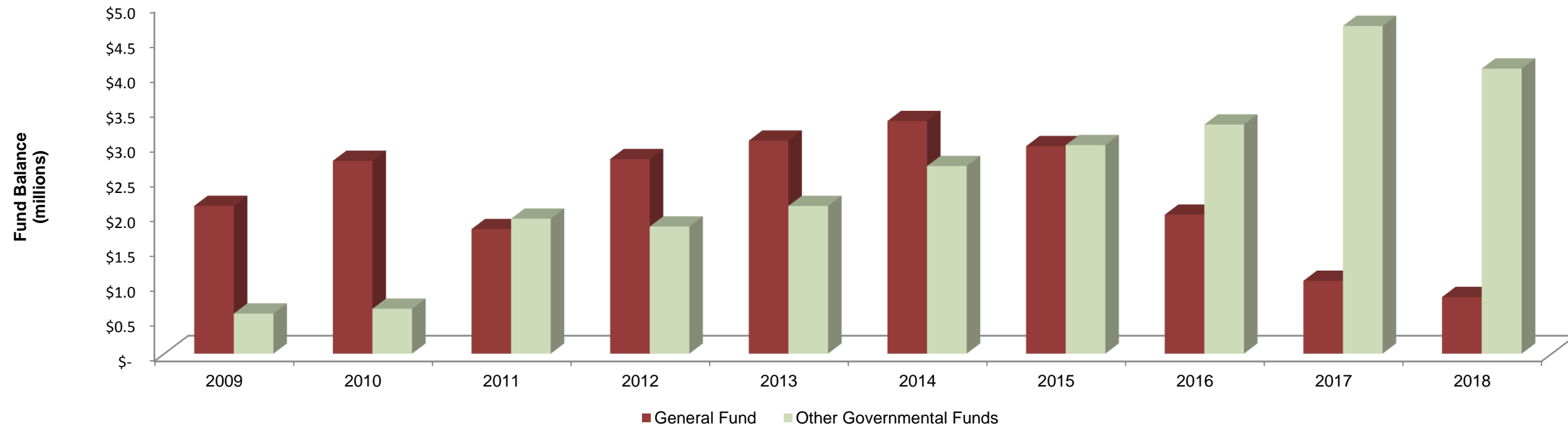
	2009	2010	2011	2012
Net (expense) revenue				
Governmental activities	\$ (9,291,555)	\$ (10,196,972)	\$ (8,986,916)	\$ (8,673,734)
Business-type activities	(199,458)	(5,005)	130,855	(5,005)
Total school district net (expense) revenue	<u>(9,491,013)</u>	<u>(10,201,977)</u>	<u>(8,856,061)</u>	<u>(8,678,739)</u>
General revenues and other changes in net position				
Governmental activities:				
Unrestricted county appropriations - operating	8,746,788	8,851,086	7,350,000	7,202,440
Unrestricted county appropriations - capital	-	-	364,988	367,922
Unrestricted county appropriations - contributed capital	-	-	-	-
Unrestricted State and Federal appropriations - operating	14,505	3,353	6,240	-
Unrestricted State and Federal appropriations - capital	480,781	178,833	608,002	210,305
Investment earnings, unrestricted	16,146	6,409	12,701	8,173
Miscellaneous, unrestricted	838,032	566,272	15,219,418	3,765,920
Restricted State appropriations - capital	-	228,324	-	-
Transfers	(66,532)	(69,770)	(69,961)	(71,380)
Total governmental activities	<u>10,029,720</u>	<u>9,764,507</u>	<u>23,491,388</u>	<u>11,483,380</u>
Business-type activities:				
Unrestricted Federal appropriations - operating	-	-	-	-
Unrestricted Federal appropriations - capital	-	-	-	-
Miscellaneous, unrestricted	-	-	-	-
Transfers	66,532	69,770	69,961	71,380
Total business-type activities	<u>66,532</u>	<u>69,770</u>	<u>69,961</u>	<u>71,380</u>
Change in net position (deficit)				
Governmental activities	738,165	(432,465)	14,504,472	2,809,646
Business-type activities	(132,926)	64,765	200,816	66,375
Total school district change in net position (deficit)	<u>\$ 605,239</u>	<u>\$ (367,700)</u>	<u>\$ 14,705,288</u>	<u>\$ 2,876,021</u>

2013	2014	2015	2016	2017	2018
\$ (8,920,502)	\$ (8,641,136)	\$ (4,042,948)	\$ (13,321,254)	\$ (22,496,071)	\$ (18,958,096)
(37,353)	(156,338)	110,269	(84,473)	71,264	(53,608)
(8,957,855)	(8,797,474)	(3,932,679)	(13,405,727)	(22,424,807)	(19,011,704)
7,202,441	7,202,440	7,202,440	8,232,440	8,232,447	8,432,442
330,857	652,724	425,000	425,000	964,993	1,464,998
-	-	-	762,731	849,442	-
-	-	-	4,193,349	5,212,360	4,508,097
571,457	178,503	-	403,702	653,630	-
5,739	3,672	902	1,130	1,648	2,088
225,667	249,091	233,381	205,185	624,920	378,415
-	-	-	-	-	-
(73,053)	(72,872)	(72,025)	-	8,887	-
8,263,108	8,213,558	7,789,698	14,223,537	16,548,327	14,786,040
-	-	-	-	15,215	-
-	-	-	-	-	13,348
-	-	-	-	229	-
73,053	72,872	72,025	-	(8,887)	-
73,053	72,872	72,025	-	6,557	13,348
(657,394)	(427,578)	3,746,750	902,283	(5,947,744)	(4,172,056)
35,700	(83,466)	182,294	(84,473)	77,821	(40,260)
\$ (621,694)	\$ (511,044)	\$ 3,929,044	\$ 817,810	\$ (5,869,923)	\$ (4,212,316)

**VANCE COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - FUND BALANCES
Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable										
Inventories	\$ 157,575	\$ 141,320	\$ 190,991	\$ 180,656	\$ 207,087	\$ 200,499	\$ 154,064	\$ 175,503	\$ 167,445	\$ 117,209
Prepays	-	713	-	-	-	-	-	-	-	295,715
Restricted										
Stabilization by state statute	185,243	474,282	86,976	52,049	58,830	67,911	56,486	19,236	34,607	15,824
Restricted by Microsoft Settlement	473,684	177,748	-	-	-	-	-	-	-	-
Restricted by RESA	145,136	161,841	-	-	-	-	-	-	-	-
Assigned										
Subsequent year's expenditures	422,488	518,041	-	478,156	680,498	680,498	-	-	-	-
Unassigned	731,837	1,287,328	1,505,391	2,075,358	2,103,736	2,382,362	2,760,761	1,794,702	840,611	381,920
Total general fund	\$ 2,115,963	\$ 2,761,273	\$ 1,783,358	\$ 2,786,219	\$ 3,050,151	\$ 3,331,270	\$ 2,971,311	\$ 1,989,441	\$ 1,042,663	\$ 810,668
All other governmental funds										
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted										
Prepays	6,526	-	-	-	-	-	-	-	-	-
Stabilization by state statute	30,062	1,176	462,126	-	-	-	-	116,150	67,688	379,967
Restricted Grants fund	-	-	838,498	575,546	581,038	699,990	866,506	-	-	-
School capital outlay	-	-	432,403	507,328	406,781	568,071	683,408	791,906	2,281,893	1,418,623
Individual schools	-	-	199,439	214,001	229,523	207,549	212,061	178,519	178,870	158,328
Assigned										
Other special programs	-	-	-	-	-	219,387	892,599	2,105,237	840,611	2,126,169
Subsequent year's expenditures	610	2,286	-	523,102	897,897	1,211,276	-	-	-	-
Unassigned	536,959	455,501	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 574,157	\$ 642,382	\$ 1,932,466	\$ 1,819,977	\$ 2,115,239	\$ 2,686,886	\$ 2,986,792	\$ 3,281,502	\$ 4,694,137	\$ 4,083,087

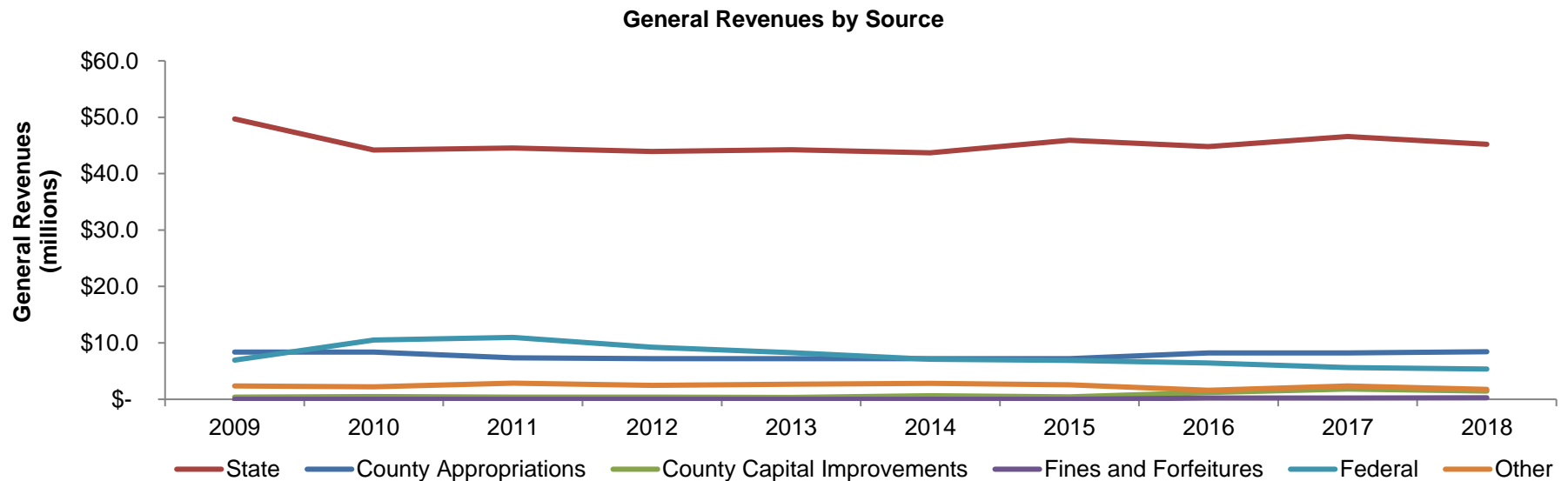
Governmental Fund Balances



VANCE COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	State	County Appropriations	County Capital Improvements	Fines and Forfeitures	Federal	Other	Total
2009	\$ 49,695,310	\$ 8,380,000	\$ 402,725	*	\$ 6,957,886	\$ 2,380,204	\$ 67,816,125
2010	44,169,506	8,380,000	473,112	*	10,506,395	2,202,873	65,731,886
2011	44,563,597	7,350,000	364,988	*	10,970,718	2,858,955	66,108,258
2012	43,925,035	7,202,440	367,922	*	9,224,392	2,464,586	63,184,375
2013	44,212,438	7,202,440	330,857	*	8,258,617	2,670,917	62,675,269
2014	43,689,734	7,202,440	652,724	*	7,086,006	2,805,725	61,436,629
2015	45,898,926	7,202,440	425,000	*	6,885,960	2,574,702	62,987,028
2016	44,807,347	8,232,440	1,187,731	205,185	6,412,344	1,602,335	62,447,382
2017	46,566,943	8,232,447	1,814,435	234,050	5,633,965	2,343,266	64,825,106
2018	45,217,406	8,432,442	1,464,998	268,744	5,364,115	1,746,449	62,494,154

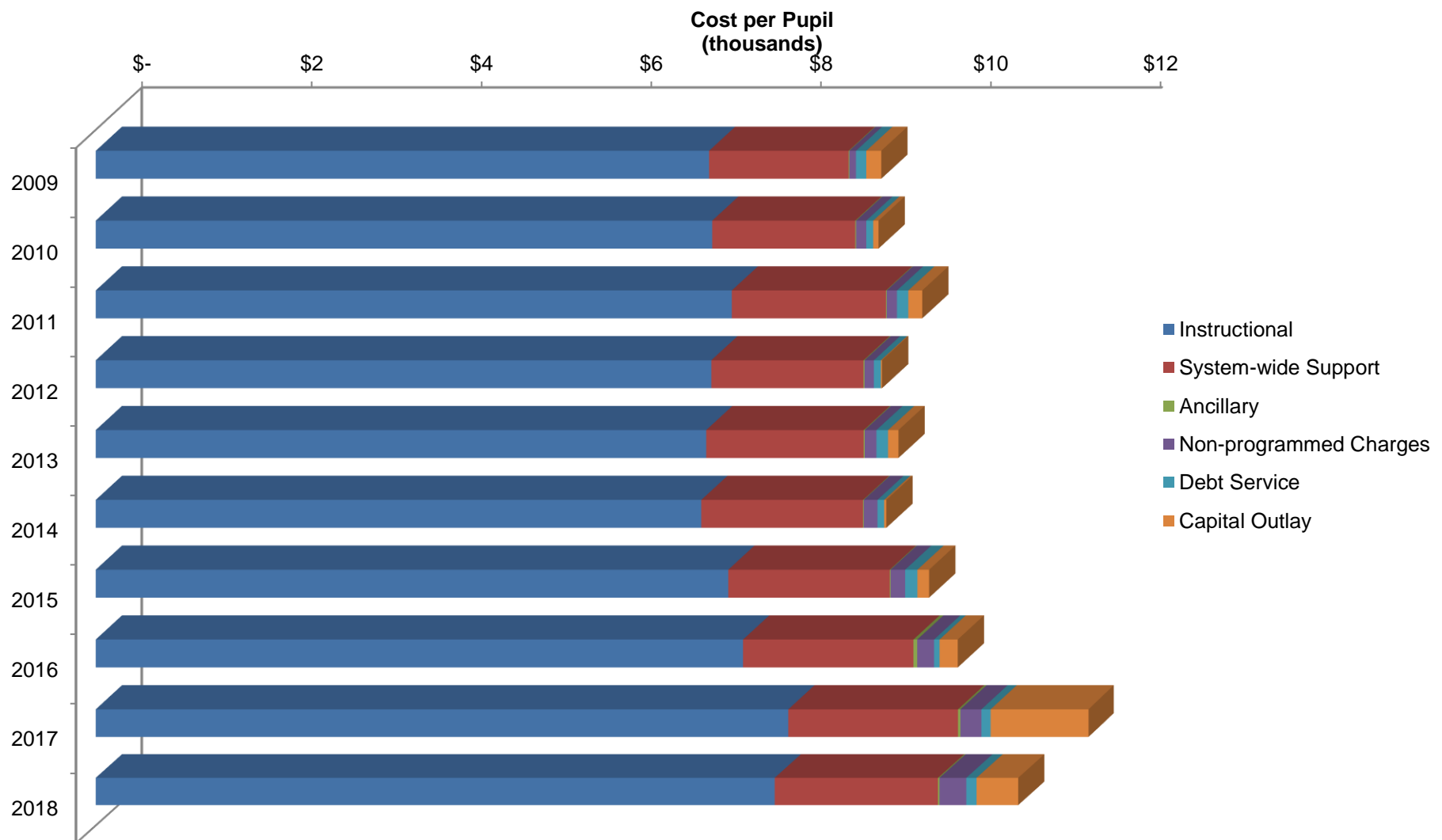
* Information not available



VANCE COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - EXPENDITURES BY FUNCTION PER PUPIL AND IN TOTAL
Last Ten Fiscal Years

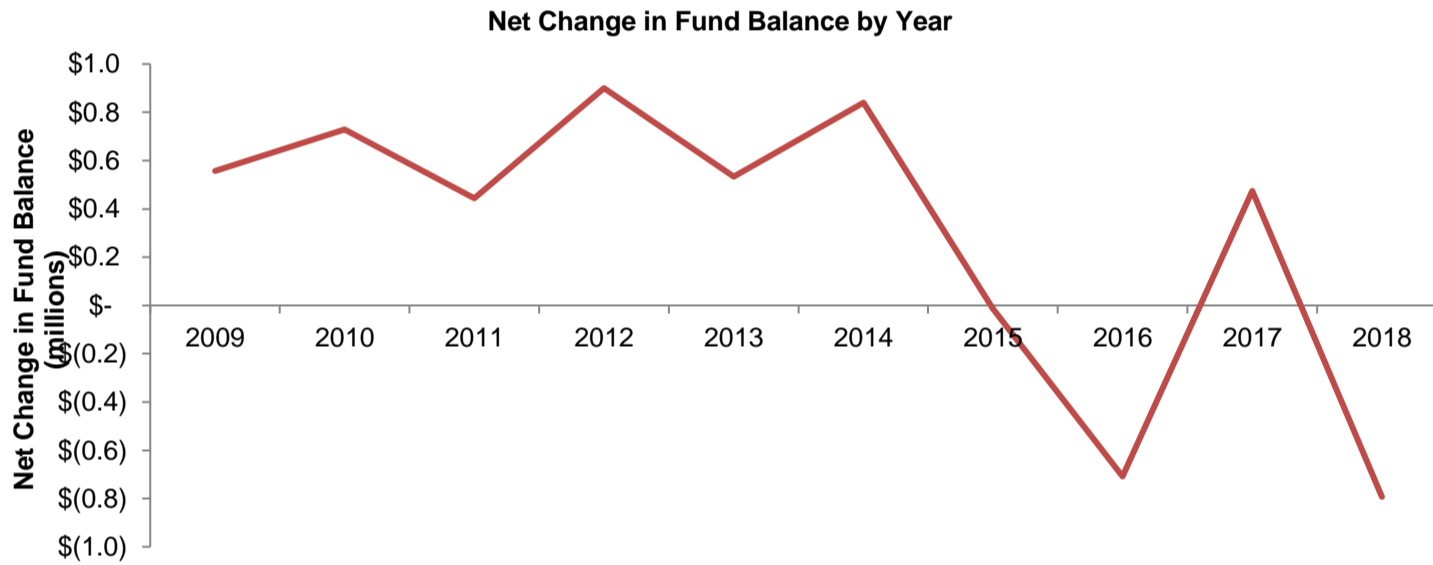
Fiscal Year	Average Daily Membership	Instructional Services	System-wide Support Services	Ancillary Services	Non-programmed Charges	Debt Service		Capital Outlay	Total
						Principal	Interest		
2009	7,380	\$ 7,181 52,995,720	\$ 1,633 12,053,771	\$ 9 65,855	\$ 78 575,687	\$ 110 811,946	\$ 11 77,750	\$ 176 1,297,481	\$ 9,198 67,878,210
2010	7,109	7,218 51,312,943	1,674 11,902,032	11 78,068	118 842,062	72 514,448	9 65,486	63 445,611	9,166 65,160,650
2011	6,868	7,447 51,145,794	1,805 12,395,383	9 63,736	121 827,937	125 856,552	8 54,552	163 1,120,265	9,677 66,464,219
2012	6,757	7,208 48,702,082	1,782 12,040,463	12 79,987	110 742,383	76 510,899	6 43,557	14 93,778	9,207 62,213,149
2013	6,680	7,148 47,745,728	1,844 12,318,767	12 81,008	137 914,270	132 880,024	5 31,433	122 813,877	9,399 62,785,107
2014	6,538	7,091 46,358,715	1,893 12,378,086	9 57,355	160 1,046,506	75 492,885	3 19,236	26 170,990	9,257 60,523,773
2015	6,449	7,406 47,761,940	1,891 12,193,503	10 62,615	170 1,097,812	143 921,270	1 6,927	137 886,283	9,758 62,930,350
2016	6,296	7,579 47,719,482	1,995 12,558,559	45 282,906	197 1,238,955	64 403,702	- -	213 1,343,777	10,093 63,547,381
2017	6,077	8,109 49,279,919	1,987 12,072,509	28 171,651	246 1,495,725	108 653,630	- -	1,169 7,103,936	11,647 70,777,370
2018	5,922	7,950 47,077,415	1,912 11,321,816	18 106,869	314 1,857,346	83 492,466	37 216,882	488 2,891,753	10,801 63,964,547

Cost per Pupil by Function



VANCE COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCES
Last Ten Fiscal Years

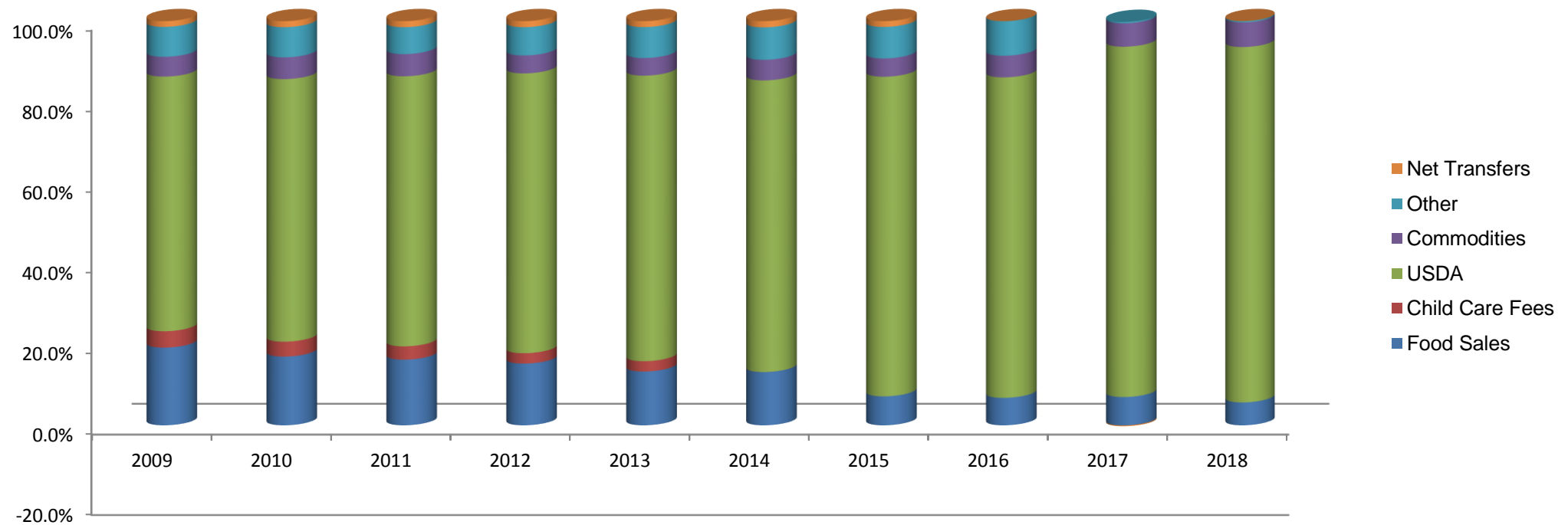
Fiscal Year	Excess of Revenues over (under) Expenditures	Transfers In	Transfers Out	Installment Purchases and Capitalized Leases	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Debt Service As a Percentage of Noncapital Expenditures
2009	\$ (62,085)	\$ 130,019	\$ (196,551)	\$ 684,969	\$ 618,437	\$ 556,352	1.32%
2010	571,236	125,000	(194,770)	228,324	158,554	729,790	0.89%
2011	(355,961)	125,000	(194,961)	870,599	800,638	444,677	1.40%
2012	971,226	125,000	(196,380)	313	(71,067)	900,159	0.92%
2013	(109,838)	125,000	(198,053)	715,654	642,601	532,763	1.48%
2014	912,856	125,000	(197,872)	475	(72,397)	840,459	0.87%
2015	56,678	128,515	(200,540)	1,729	(70,296)	(13,618)	1.50%
2016	(1,099,999)	125,000	(125,000)	391,400	391,400	(708,599)	0.65%
2017	(5,952,264)	8,887	-	6,417,292	6,426,179	473,915	0.95%
2018	(1,470,393)	-	-	677,584	677,584	(792,809)	1.12%



VANCE COUNTY BOARD OF EDUCATION
PROPRIETARY FUNDS - REVENUES BY SOURCE AND NET TRANSFERS
Last Ten Fiscal Years

Fiscal Year	Food Sales	Child Care Fees	USDA Reimbursements	Donated Commodities	Other	Net Transfers	Total
2009	\$ 911,534	\$ 191,525	\$ 2,977,757	\$ 232,022	\$ 350,048	\$ 66,532	\$ 4,729,418
2010	803,886	173,562	3,059,995	254,113	351,934	69,770	4,713,260
2011	764,305	154,562	3,132,769	257,643	311,889	69,961	4,691,129
2012	737,532	123,702	3,331,375	213,639	336,865	71,380	4,814,493
2013	667,366	127,400	3,526,213	217,617	381,962	73,053	4,993,611
2014	629,341	741	3,432,974	242,957	381,639	72,872	4,760,524
2015	367,673	-	4,030,705	230,872	397,765	72,025	5,099,040
2016	339,103	-	3,929,676	265,967	423,576	-	4,958,322
2017	330,566	-	4,066,191	272,304	15,444	(8,887)	4,675,618
2018	253,855	-	3,916,580	271,907	13,348	-	4,455,690

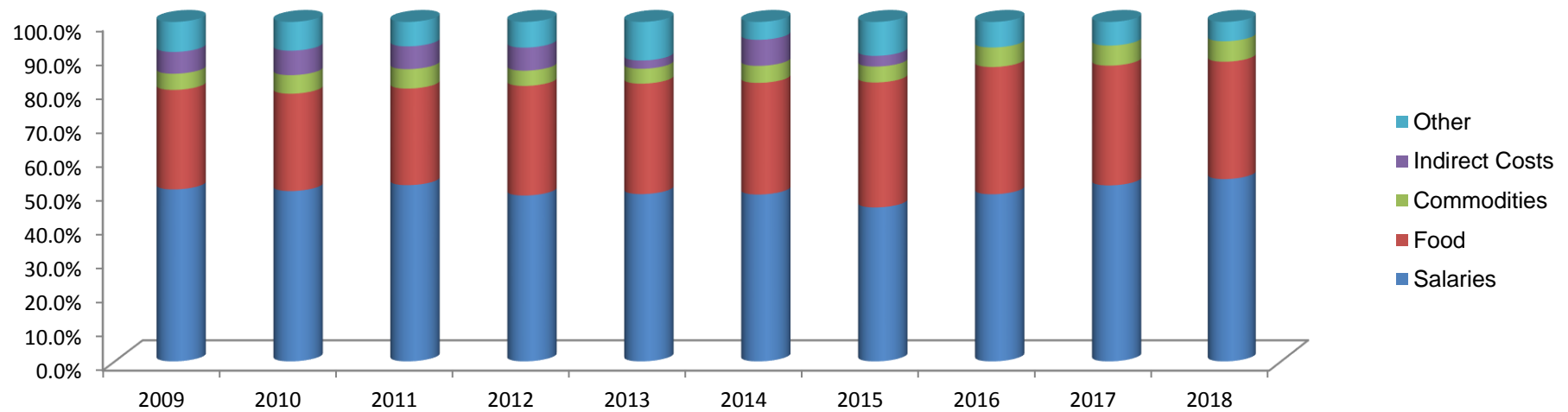
Proprietary Fund Revenues as a Percentage of Total



**VANCE COUNTY BOARD OF EDUCATION
 PROPRIETARY FUNDS - EXPENSES BY CATEGORY
 Last Ten Fiscal Years**

Fiscal Year	Salaries and Benefits	Food	Donated Commodities	Indirect Costs	Other	Total
2009	\$ 2,459,337	\$ 1,427,850	\$ 232,022	\$ 312,558	\$ 430,577	\$ 4,862,344
2010	2,328,957	1,335,050	254,113	335,993	394,382	4,648,495
2011	2,327,621	1,279,388	257,643	301,978	323,683	4,490,313
2012	2,316,209	1,535,259	213,639	323,170	359,841	4,748,118
2013	2,439,313	1,615,487	217,617	121,443	564,051	4,957,911
2014	2,376,926	1,595,878	242,957	372,648	255,581	4,843,990
2015	2,225,702	1,812,182	230,872	155,619	492,371	4,916,746
2016	2,270,214	1,734,129	265,967	-	348,909	4,619,219
2017	2,380,165	1,624,313	272,304	-	321,015	4,597,797
2018	2,411,194	1,556,616	271,907	-	256,233	4,495,950

Proprietary Expenses as a Percentage of Total



VANCE COUNTY BOARD OF EDUCATION
DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities</u> Installment Purchases	<u>Business-type Activities</u> Installment Purchases	Total Primary Government
2009	391,852	-	391,852
2010	146,707	-	146,707
2011	440,665	-	440,665
2012	220,498	-	220,498
2013	357,004	-	357,004
2014	178,502	-	178,502
2015	416,002	-	416,002
2016	403,700	-	403,700
2017	6,167,363	-	6,167,363
2018	6,352,480	-	6,352,480

VANCE COUNTY BOARD OF EDUCATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY FOR VANCE COUNTY
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Public Service (1)</u>	<u>Personal Property</u>	<u>Other (2)</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (3)</u>	<u>Estimated Actual Taxable Value (4)</u>	<u>Assessed Value as a Percentage of Actual Value (5)</u>
2009	2,119,172	85,043	206,122	8	2,410,345	0.798	2,278,499	106%
2010	2,122,090	80,846	214,698	8	2,417,642	0.782	2,432,873	99%
2011	2,118,615	78,631	209,957	-	2,407,203	0.782	2,810,650	86%
2012	2,124,060	77,923	521,286	-	2,723,269	0.782	3,563,942	76%
2013	2,201,282	77,739	543,520	-	2,822,541	0.782	3,920,227	72%
2014	2,206,168	77,789	660,846	947	2,945,750	0.782	3,617,676	81%
2015	2,207,130	76,918	563,094	11,476	2,858,618	0.792	3,430,342	83%
2016	2,205,456	86,880	586,370	19,161	2,897,867	0.792	2,973,501	97%
2017	1,923,946	87,563	704,901	-	2,716,410	0.890	2,658,550	102%
2018	1,949,154	88,126	736,703	-	2,773,983	0.890	2,684,106	103%

Notes: (1) Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

(2) Includes Personal Property taxes at the prior year's tax rate due to grandfathering provisions.

(3) Per \$100 of value. A revaluation of real property is required by North Carolina General Statutes at least every eight years. Assessed valuations are established by the County's Board of Commissioners at 100% of market value as of the year of the revaluation. The last revaluation was effective January 1, 2016 and reflected in the 2017 fiscal year.

(4) Estimated actual taxable value reflects a decrease in real and exempt property. Estimated Actual Taxable Value was computed by using Real Estate Assessment Sales Ratio Study Percentages from the North Carolina Department of Revenue. Includes interest, penalties, discoveries, releases and abatements.

(5) Estimated actual values and the ratio of total assessed value to total estimated actual value have been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

VANCE COUNTY BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR VANCE COUNTY
Last Ten Fiscal Years

	Year Taxes are Payable									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Direct Rates</u>										
County General	\$ 0.798	\$ 0.782	\$ 0.782	\$ 0.782	\$ 0.782	\$0.782	\$ 0.792	\$0.792	\$0.890	\$0.890
<u>Municipality Rates</u>										
City of Henderson	0.565	0.585	0.585	0.585	0.585	0.620	0.620	0.620	0.712	0.712
Town of Kittrell	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Town of Middleburg	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.450	0.450	0.450
Fire District - Countywide	0.026	0.026	0.026	0.026	0.040	0.040	0.040	0.040	0.044	0.044

Notes: Overlapping rates are those of local and county governments that apply to property owners within Vance County. Not all overlapping rates apply to all Vance County property owners (e.g. the rates for special districts apply only to the proportion of the governments's property owners whose property is located within the geographic boundaries of the special district).

Revaluation years were tax year 2008 and tax year 2016.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above and County Tax Office data.

VANCE COUNTY BOARD OF EDUCATION
PRINCIPAL PROPERTY TAX PAYERS FOR VANCE COUNTY
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
DLP Maria Parham Medical	\$ 58,564,838	1	2.11%			
Ardagh Glass Inc.	56,682,755	2	2.04%			
Duke Energy Progress	54,465,621	3	1.96%	47,706,747	1	1.98%
I AMS Company	46,224,130	4	1.67%	35,408,740	3	1.47%
Wal-Mart Stores East LP	27,367,963	5	0.99%	37,942,170	2	1.57%
DLP Maria Parham Medical Center	22,700,786	6	0.82%			
Variety Wholesalers	19,613,583	7	0.71%	19,130,170	5	0.79%
W&W Properties and Rentals LLC	16,977,923	8	0.61%	13,323,300	7	0.55%
Wal-Mart Real Estate Business Trust	12,846,631	9	0.46%			
Pacific Coast Feather Co.	10,086,041	10	0.36%			
Saint Gobain Containers, Inc				21,435,225	4	0.89%
Carolina Telephone				17,941,255	6	0.74%
Royal Home Fashions, Inc				13,958,665	8	0.58%
B & B Properties				12,295,680	9	0.51%
Carolina Sunrock				10,533,590	10	0.44%
	<u>\$325,530,271</u>		<u>11.74%</u>	<u>\$229,675,542</u>		<u>9.52%</u>

Notes: (1) Progress Energy, Inc. merged with, and became a wholly-owned subsidiary of Duke Energy Corporation on July 2, 2012.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

VANCE COUNTY BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS FOR VANCE COUNTY
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year (net)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2009	19,243	20,201	105%	1,513	21,714	113%
2010	18,914	19,562	103%	1,508	21,070	111%
2011	18,824	19,225	102%	1,415	20,640	110%
2012	21,350	19,993	94%	1,446	21,439	100%
2013	22,133	20,859	94%	1,310	22,169	100%
2014	23,071	22,073	96%	1,357	23,430	102%
2015	22,677	21,886	97%	1,403	23,289	103%
2016	22,998	22,167	96%	948	23,115	101%
2017	24,176	23,579	98%	772	24,351	101%
2018	24,688	24,187	98%	831	25,018	101%

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

VANCE COUNTY BOARD OF EDUCATION
RATIO OF OUTSTANDING DEBT BY TYPE FOR VANCE COUNTY
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capitalized Leases	Installment Purchase	General Obligation Bonds	Notes Payable			
2009	9,300	976	-	-	-	10,276	*	*
2010	5,360	915	18,520	-	-	24,795	*	547
2011	4,480	1,761	21,211	-	-	27,452	*	607
2012	3,630	1,588	19,716	-	3,841	28,775	*	639
2013	2,795	2,020	20,221	-	3,841	28,877	*	646
2014	2,205	1,884	18,593	-	11,760	34,442	*	772
2015	1,750	1,428	17,982	11,760	1,662	34,582	*	776
2016	1,305	1,543	18,061	11,760	1,575	34,244	*	761
2017	865	1,263	17,856	11,585	1,575	33,144	*	738
2018	430	996	16,132	11,408	1,531	30,497	*	679

* Information not available

Note: See the "Demographic and Economic Statistics for Vance County" schedule for personal income and population data.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

VANCE COUNTY BOARD OF EDUCATION
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING FOR VANCE COUNTY
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds (in thousands)</u>	<u>Percentage of Actual Taxable Property Value (1)</u>	<u>Per Capita (2)</u>
2009	9,300	*	*
2010	5,360	0.24%	118
2011	4,480	0.18%	99
2012	3,630	0.13%	81
2013	2,795	0.08%	63
2014	2,205	0.06%	49
2015	13,510	0.37%	303
2016	13,065	0.38%	290
2017	12,450	0.42%	277
2018	11,838	0.45%	264

* Information not available

Note: (1) See the schedule of "Assessed Value and Estimated Actual Value of Taxable Property for Vance County" for property value data.

(2) Population data can be found in the schedule of "Demographic and Economic Statistics for Vance County".

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

VANCE COUNTY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT FOR VANCE COUNTY
As of June 30, 2018

<u>Type</u>	<u>Governmental Unit (1)</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated share of Overlapping Debt</u>
<u>Direct Debt</u>				
	Vance County Board of Education Installment purchases	\$ 6,352,480	100%	<u>\$ 6,352,480</u>
<u>Overlapping Debt</u>				
	Vance County Debt repaid with property taxes	\$ 30,497,837	100%	30,497,837
	Municipality:			
	City of Henderson			none
	Town of Kittrell			none
	Town of Middleburg			none
	Total overlapping debt			<u>30,497,837</u>
	Total direct and overlapping debt			<u><u>\$ 36,850,317</u></u>

Notes: (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Vance County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(2) There is currently no overlapping debt within Vance County as of June 30, 2018.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**VANCE COUNTY BOARD OF EDUCATION
LEGAL DEBT MARGIN FOR VANCE COUNTY
Last Ten Fiscal Years**

	Year Taxes are Payable (amount expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	192,827	193,411	192,576	218,413	225,803	196,748	207,529	208,390	217,313	221,919
Total net debt applicable to limit	26,620	24,795	27,453	28,775	28,878	34,442	32,921	34,288	33,144	30,497
Legal Debt Margin	<u>166,207</u>	<u>168,616</u>	<u>165,123</u>	<u>189,638</u>	<u>196,925</u>	<u>162,306</u>	<u>174,608</u>	<u>174,102</u>	<u>184,169</u>	<u>191,422</u>
Total net debt applicable to the limit as a percentage of debt	14%	13%	14%	13%	13%	18%	16%	16%	15%	14%

Legal Debt Margin Calculation for Fiscal Year 2018

Appraised valuation, June 30, 2018	<u>\$ 2,768,608,038</u>
Debt limit - eight percent (8%) of appraised value	<u>221,488,643</u>
Gross Debt applicable to limit	
General obligation bonds	11,838,000
Installment purchases	16,131,761
Notes payable	1,531,250
Capitalized Leases	<u>996,826</u>
Subtotal	<u>30,497,837</u>
Authorized and unissued debt	<u>-</u>
Total Gross Debt	30,497,837
Legal debt margin	<u>\$ 190,990,806</u>
Total net debt applicable to limit as a percentage of debt limit	13.77%

Note: NC Statute G.S. 159-55 limits the County's outstanding debt to 8% of the appraised property value subject to taxation. The legal debt margin is the difference between the debt limit and the County's net debt outstanding to the limit and represents the County's legal borrowing authority.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**VANCE COUNTY BOARD OF EDUCATION
PRINCIPAL EMPLOYERS FOR VANCE COUNTY
Current Year and Nine Years Ago**

Employer	2018			2009		
	Employees (Note)	Rank	Percentage of Total County Employment	Employees (Note)	Rank	Percentage of Total County Employment
Vance County Schools	1,000 +	1	*	1,000 +	1	*
Variety Wholesalers, Inc	500 - 999	2	*	500 - 999	4	*
Wal-Mart Associates, Inc.	500 - 999	3	*	500 - 999	2	*
Dlp Person Memorial Hospital	500 - 999	4	*	500 - 999	3	*
County of Vance	250 - 499	5	*	250 - 499	6	*
Vance Granville Community College	250 - 499	6	*	250 - 499	5	*
Saint Gobain Containers	N/A			250 - 499	7	*
Conduent State Healthcare Llc	250 - 499	7	*	N/A		
Ardagh Glass Inc	250 - 499	8	*	N/A		
Pacific Coast Feather Company	250 - 499	9	*	250 - 499	8	*
Food Lion	250 - 499	10	*	100 - 249	10	*
City of Henderson	100 - 249	11	*	100 - 249	9	*

* Information not available

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

Note: Per the NC Department of Commerce, Labor and Economic Analysis Division (LEAD), Demand Driven Date Delivery System (D4)

VANCE COUNTY BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR VANCE COUNTY
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Final Vance Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2009	*	*	*	7,380	14.5%
2010	45,302	\$ 1,350,644	\$ 29,814	7,109	13.9%
2011	45,242	1,349,790	29,835	6,868	16.1%
2012	45,053	1,347,512	29,909	6,757	14.4%
2013	44,697	1,328,380	29,720	6,680	12.2%
2014	44,587	1,370,572	30,739	6,538	9.6%
2015	44,568	1,416,884	31,792	6,449	9.1%
2016	44,978	*	*	6,296	7.5%
2017	44,940	*	*	6,077	6.2%
2018	44,911	*	*	5,922	5.9%

* Information not available

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

(1) Per North Carolina Department of Commerce, AccessNC

(2) Per North Carolina Public Schools Final ADM, does not include Vance County students attending public charter schools.

(3) Per NC Department of Commerce, Division of Employment Security

VANCE COUNTY BOARD OF EDUCATION
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>School and School Based Support</u>										
Principals	16	16	16	16	16	16	17	17	17	17
Assistant Principals	8	9	7	6	6	5	5	6	13	18
Elementary Teachers	254	257	244	239	229	222	235	222	195	181
Secondary Teachers	84	84	79	74	74	73	70	82	77	54
Teacher Assistants	175	165	158	151	151	134	118	113	113	98
Other Teachers	225	218	222	199	200	209	203	204	191	166
Guidance Counselors	24	23	24	24	24	24	26	25	21	18
Psychological	-	-	-	-	-	-	-	-	1	1
Librarian / Audiovisual	17	16	16	16	16	15	15	15	14	13
Consultants	27	20	12	14	14	12	13	9	12	13
Other	35	38	38	39	39	39	32	32	40	32
Total School and School Based Support	<u>865</u>	<u>846</u>	<u>816</u>	<u>778</u>	<u>769</u>	<u>749</u>	<u>734</u>	<u>725</u>	<u>694</u>	<u>611</u>
<u>Central Services</u>										
Administration and Management	14	14	15	14	15	14	13	14	14	14
Technicians	8	7	7	7	7	7	8	8	7	7
Clerical	63	60	59	59	60	59	59	56	55	55
Service Workers	223	227	175	217	217	218	165	159	166	229
Other	24	24	-	23	20	20	20	19	20	18
Total Central Services	<u>332</u>	<u>332</u>	<u>256</u>	<u>320</u>	<u>319</u>	<u>318</u>	<u>265</u>	<u>256</u>	<u>262</u>	<u>323</u>
Total Employees	<u><u>1,197</u></u>	<u><u>1,178</u></u>	<u><u>1,072</u></u>	<u><u>1,098</u></u>	<u><u>1,088</u></u>	<u><u>1,067</u></u>	<u><u>999</u></u>	<u><u>981</u></u>	<u><u>956</u></u>	<u><u>934</u></u>

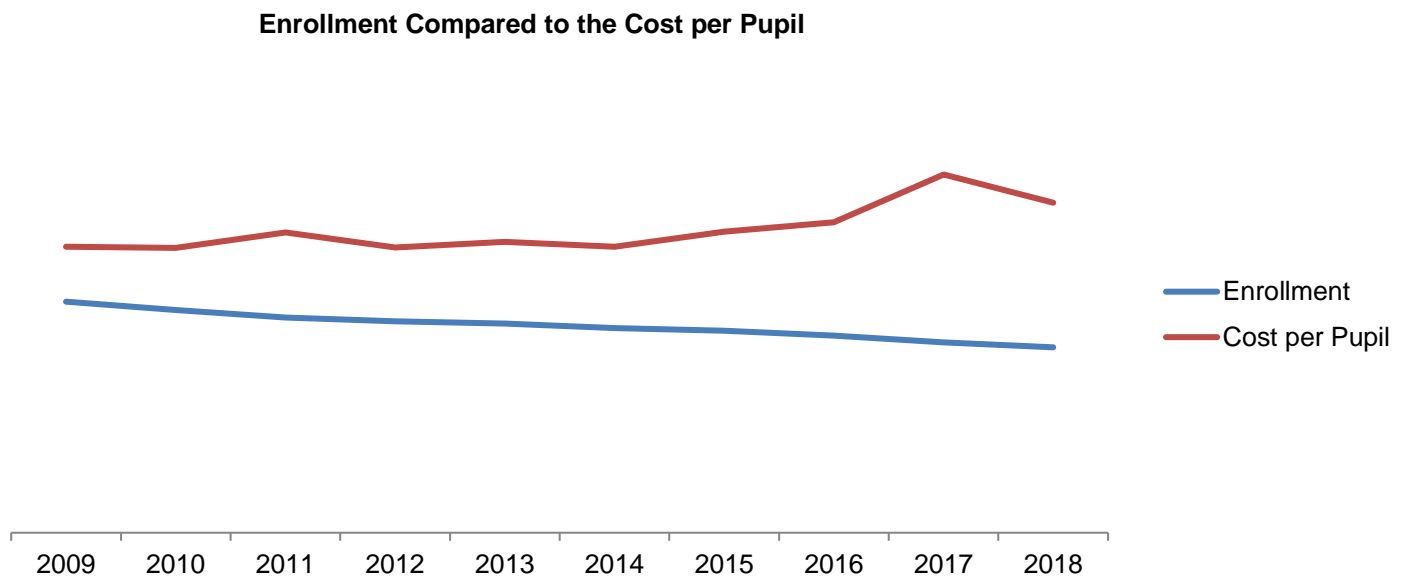
Source: North Carolina Public Schools Statistical Profile

VANCE COUNTY BOARD OF EDUCATION
OPERATING INDICATORS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Percentage Change</u>	<u>Operating Expenditures (1)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Number of Schools</u>	<u>Graduating Class</u>
2009	7,380	*	\$ 67,429,082	9,137	*	16	477
2010	7,109	-3.67%	64,673,011	9,097	-0.43%	16	465
2011	6,868	-3.39%	65,882,232	9,593	5.44%	16	457
2012	6,757	-1.62%	61,565,814	9,111	-5.02%	16	407
2013	6,680	-1.14%	62,073,757	9,292	1.99%	16	413
2014	6,538	-2.13%	59,718,527	9,134	-1.70%	16	435
2015	6,449	-1.36%	62,040,826	9,620	5.32%	17	408
2016	6,296	-2.37%	62,456,049	9,920	3.12%	17	447
2017	6,077	-3.48%	69,531,526	11,442	15.34%	17	507
2018	5,922	-2.55%	62,428,151	10,542	-7.87%	17	536

Source: North Carolina Public Schools Statistical Profile

(1) Operating expenditure data excludes payments of local funds to charter schools to better reflect the expenditure directly related to Vance County Schools students only.



VANCE COUNTY BOARD OF EDUCATION
CAPITAL ASSETS
For the Year Ended June 30, 2018

<u>Schools</u>	<u>Square Footage</u>	<u>Year First Built</u>	<u>Building Classrooms (1)</u>	<u>Mobile Unit Classrooms</u>	<u>Targeted Capacity (2)</u>	<u>Enrollment</u>
<u>Elementary Schools</u>						
Aycock	65,861	1994	31		460	406
Carver	23,885	1950	14	1	272	191
Clarke	94,848	2010	37		589	416
Dabney	65,861	1995	31	4	533	518
New Hope	30,092	1953	16		256	152
EO Young Jr	52,667	1978	20		335	221
Pinkston Street	49,150	1962	26	1	329	242
EM Rollins	82,538	1959	31	2	512	363
LB Yancey	51,058	1951	26		313	210
Zeb Vance	65,861	1992	31		428	381
<u>Middle Schools</u>						
Eaton-Johnson	77,478	1999	37		658	485
Henderson	114,178	1934	39		644	492
STEM Early High School	at SVHS					
<u>High Schools</u>						
Southern Vance	238,774	1990	51		1,475	962
Northern Vance	185,298	1965	47		1,004	667
Early College HS	NA		9		198	216
<u>Alternative School</u>						
Advance Academy	At HMS					

Source: Vance County Schools Operations & Finance Departments

Notes:

- (1) Building classrooms are based off targeted capacity and are from the FY 2013-14 facility study by NC State University
- (2) Targeted capacity excludes mobile and modular units and is based on a FY 2013-14 study by NC State University



Compliance Section

Independent Auditors' 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*

Board of Education
Vance County Schools
Henderson, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Vance County Schools, North Carolina ("Board") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 22, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

Response to Findings

The Board's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
October 22, 2018**

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Board of Education
Vance County Schools
Henderson, North Carolina

Report on Compliance for Each Major Program

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

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
October 22, 2018**

Independent Auditors' Report on Compliance For Each Major State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Board of Education
Vance County Schools
Henderson, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the Audit Manual for Governmental Auditors in North Carolina and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major state program is not modified with respect to this matter.

The Board's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the 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 with applicable sections of the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001.

The Board's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
October 22, 2018**

1. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555, 10.553, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified? x yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act x yes _____ no

Identification of major state programs:

_____ Program Name

N. C. Department of Public Instruction:
State Public School Fund
Career and Technical Education – State Months of Employment
NC Pre-Kindergarten Program

2. Financial Statement Findings

Finding 2018-001

Expenditures in excess of budget for General Fund and State Public School Fund

SIGNIFICANT DEFICIENCY

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$48,541 more for Nonprogrammed Charges than appropriated in the annual budget ordinance. For the State Public School Fund, the Board expended \$152,677 more for System-wide Support Services than appropriated in the annual budget ordinance. Further, the Board's approved budget did not agree with the final budget within the accounting software. For purposes of the financial statements, the Board approved budget was used and there were no indications of material expenditures over appropriations.

Effect: Monies were spent that had not been appropriated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-001 and 2017-004.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted. This appears to be due to the fact that the budget in the accounting system did not agree to the final approved budget.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds. Proper procedures should be put in place to ensure that the budget within the accounting system matches the Board approved budget.

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 10 for the Corrective Action Plan.

Finding 2018-002

Reconciliation and Proper Recording of Liability Accounts

SIGNIFICANT DEFICIENCY

Criteria: Balance sheet accounts should be reconciled to underlying accounting records and subledgers on a periodic basis. Also, invoices received after year-end in which services were performed or goods were received in the previous year should be accrued in accounts payable, regardless of when the invoice was received.

Condition: Account reconciliations and proper procedures for accounts payable were not being performed accurately resulting in an initial misstatement in the liability accounts at June 30, 2018.

Effect: Several audit adjustments were required to adjust liability accounts to actual at June 30, 2018.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-002.

Cause: The Board did not have an appropriate closing process on a monthly or annual basis.

Recommendation: Employees responsible for account reconciliations should receive training how to perform the procedure appropriately. The Balance Sheet should also be examined on a periodic basis to ensure that accounts agree to their respective underlying records. The underlying records should also be investigated to ensure they are accurate.

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 10 for the Corrective Action Plan.

3. Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$25,000 or more were noted.

4. State Award Findings and Questioned Costs

North Carolina Department of Public Instruction: State Public School Fund

2018-001 Noncompliance: Activities Allowed or Unallowed – Budget

Refer to finding 2018-001 under Section II – Financial Statement Findings.

VANCE COUNTY SCHOOLS

Board of Education of Vance County Schools
Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

Schedule 10

1. Financial Statement Findings

Finding 2018-001

SIGNIFICANT DEFICIENCY

Name of contact person: Jennifer S. Bennett, Assistant Superintendent for Business and Finance

Corrective action: The Board agrees with this finding. This finding is related to the accuracy of the budget and primarily caused by adjustments at the end of year due to outstanding salary audit exceptions and other factors. The Board would like to note that it did not expend funds in excess of the total State Public School fund budget or expend funds in excess of its allotments. Staff will work towards providing tighter estimates with their budget amendments during the year to have better accuracy at year-end.

Proposed completion date: The Board will implement these procedures immediately.

Finding 2018-002

SIGNIFICANT DEFICIENCY

Name of contact person: Jennifer S. Bennett, Assistant Superintendent for Business and Finance

Corrective action: The Board agrees with this finding which is a continuing result of the finding 2016-002. Management commits to reconciling all Balance Sheet account balances from the prior year and commits to stay current with their reconciliations of balance sheet accounts in the current fiscal year. Management and staff will be required to complete training and commit to the reconciliation of these accounts.

Proposed completion date: The Board will implement these procedures immediately.

VANCE COUNTY SCHOOLS

**Board of Education of Vance County Schools
Summary Schedule of Prior Year's Audit Findings
For the Fiscal Year Ended June 30, 2018**

Schedule 11

Finding 2017-001

Status: See Finding 2018-001

Finding 2017-002

Status: See Finding 2018-002

Finding 2017-003

Status: Corrected

Finding 2017-004

Status: See Finding 2018-001

**Board of Education of Vance County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- through to Subrecipients</u>
Federal Grants:				
<u>U. S. Department of Agriculture</u>				
School Nutrition Program (Note 3)				
<u>Child Nutrition Cluster:</u>				
Non-Cash Assistance (Commodities)				
Passed-through the N.C. Department of Public Instruction				
National School Lunch Program	10.555	PRC 035	\$ 271,907	\$ -
Total Non-Cash Assistance			271,907	-
Cash Assistance				
Passed-through the N.C. Department of Public Instruction				
School Breakfast Program	10.553	PRC 035	955,216	-
National School Lunch Program	10.555	PRC 035	2,715,821	-
Summer Food Service Program for Children	10.559	PRC 050	64,695	-
Total Cash Assistance			3,735,732	-
Total Child Nutrition Cluster:			4,007,639	-
Fresh Fruit and Vegetable Program	10.582	PRC 035	180,848	-
Child Nutrition Discretionary Grants	10.579	PRC 053	13,348	-
Total School Nutrition Program (Note 3)			4,201,835	-
Total U. S. Department of Agriculture			4,201,835	-
<u>U.S. Department of Education</u>				
Passed-through the N.C. Department of Public Instruction				
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	2,989,024	-
Title 1 - School Improvement Cluster 1003(a)				
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105	317,546	-
Total Title I Grants to Local Education Agencies (Title I)			3,306,570	-
Migrant Education_State Grant Program	84.011	PRC 051	18,923	-
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B) -				
Education of the Handicapped	84.027	PRC 060	1,387,421	-
Targeted Assistance	84.027	PRC 070	35,395	-
Special Needs Targeted Assistance	84.027	PRC 118	1,488	-
Special Education - Preschool Grants (IDEA Preschool) -				
Preschool Handicapped	84.173	PRC 049	76,194	-
Total Special Education Cluster			1,500,498	-
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	132,279	-
Rural Education	84.358	PRC 109	49,362	-
English Language Acquisition Grant	84.365	PRC 104, 111	24,039	-
Supporting Effective Instruction State Grants	84.367	PRC 103	184,105	-
Student Support and Academic Enrichment Program	84.424	PRC 108	22,239	-
State Personnel Development	84.323	PRC 082	1,054	-
Total U. S. Department of Education			5,239,069	-

**Board of Education of Vance County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- through to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
Passed-through the N.C. Department of Public Instruction Abstinence Education Program Title V	93.235	PRC 101	55,035	-
<u>U.S. Department of Defense</u>				
Direct Program: ROTC	NONE	PRC 031	98,863	-
Total Federal Assistance			9,594,802	-
State Grants:				
Cash Assistance				
<u>N.C. Department of Public Instruction</u>				
State Public School Fund			\$ 41,741,687	\$ -
Driver Training - SPSF		PRC 012	142,376	-
School Technology Fund - SPSF		PRC 015	98,380	-
Career and Technical Education				
- State Months of Employment		PRC 013	1,832,629	-
- Program Support Funds		PRC 014	87,327	-
Total N.C. Department of Public Instruction			43,902,399	-
<u>N.C. Department of Health and Human Services</u>				
Division of Child Development:				
State School Nurse Initiative			102,264	-
NC Pre-Kindergarten Program			853,693	177,301
Non-Cash Assistance				
<u>N.C. Department of Public Instruction</u>				
School Buses Appropriation		PRC 120	492,466	-
Total State Assistance			45,350,822	177,301
Total Federal and State Assistance			\$ 54,945,624	\$ 177,301

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Account Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

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

Note 4: Non-cash Assistance

Included in the amounts reported on the SEFSA, the Board received non-cash assistance in the form of food commodities and school buses. Non-cash items with a fair value of \$764,373 were received during the year ended June 30, 2018. These non-cash items received were included in the determination of federal and State awards expended for the year ended June 30, 2018.