

***DUPLIN COUNTY
BOARD OF EDUCATION
Kenansville, North Carolina***

*Comprehensive Annual Financial Statements
For the Fiscal Year Ended
June 30, 2017*

DUPLIN COUNTY BOARD OF EDUCATION

KENANSVILLE, NORTH CAROLINA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDING JUNE 30, 2017**

**DUPLIN COUNTY BOARD OF EDUCATION
KENANSVILLE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**PREPARED BY
ASHLEY SUTTON
AND THE
FINANCE DEPARTMENT**



DUPLIN COUNTY BOARD OF EDUCATION

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Introductory Section



October 6, 2017

Members of the Duplin County Board of Education and Citizens of Duplin County, North Carolina:

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Duplin County Board of Education, operating as "Duplin County Schools", for the fiscal year ended June 30, 2017, is herewith submitted. Responsibility for accuracy, completeness, and clarity of the report rests with the Superintendent and the Chief Officer for School Finance.

This report was prepared by the Finance Department in accordance with the requirements and guidelines promulgated by the Governmental Accounting Standards Board. We believe the data is accurate in all material respects and is presented in a manner designed to reflect fairly the financial position and results of operations of the Board. Disclosures necessary to enable the reader to gain maximum understanding of the Board's financial activity have been included.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The Duplin County Board of Education (the "Board") is the level of government having oversight responsibility and control over activities related to public school education in Duplin County, North Carolina. N.C. General Statutes empower the Duplin County Board of Education with general control and supervision of all matters pertaining to the schools in the system. For the 2016-2017 fiscal year, the school system served students from kindergarten through 12th grade in 8 elementary schools, 3 middle schools, and 5 high schools. The oldest school in the District was built in 1947 while the newest school was constructed in 2009. The average age of all school buildings is 44 years. The school system provides general, special and vocational education services. The school system receives local, State, and federal government funding and must comply with the legal requirements of each funding source. While the Board does receive funding from Duplin County (the "County"), the County is not entitled to share in any surplus nor is it required to finance any deficits. The Board, whose members are elected by the citizens of Duplin County, has the authority to designate management, make binding decisions, and significantly influence operations. However, the Board has no tax levying or borrowing authority and is required to maintain accounting records in a uniform State format. The Board has final approval over the budget and primary accountability for fiscal matters. Accordingly, the Duplin County Board of Education is not included in any other reporting entity.

ECONOMIC CONDITION AND OUTLOOK

Duplin County's economy has historically been based on agriculture. In the past, tobacco and row crops were the staples of agricultural production. In more recent years, poultry and livestock production has displaced crops as the primary source of production. As a result, Duplin County's population has grown nearly 22 percent since 2000, to an estimated population of 59,159. The unemployment rate for Duplin

Letter of Transmittal *(Continued)*

County was 4.6 percent at June 30, 2017 as compared to the State of N.C. unemployment rate of 4.2 percent at June 30, 2017.

The Board of Education had an average daily membership (ADM) of 9,860 during the 2016-2017 school year compared to 9,952 during the 2015-2016 year, a decrease of 92 students. The State projected a slight decrease for 2017-2018 with a projected ADM of 9,650 students.

The production of alternative energy fuel crops is a future agribusiness growth opportunity for the County. Important research is being conducted locally on alternative crops for the production of ethanol and biodiesel fuels that would not compete with Midwestern corn supplies which are critical for local livestock production. Other fuel crops such as industrial sweet potatoes and canola are being evaluated at the North Carolina State University Williamsdale Research farm located in Duplin County.

Manufacturing, including agricultural related processing, is an important segment of the County's employment. Approximately 30% of the County's workforce is employed in agricultural related processing and manufacturing. Of the ten largest companies in the County, five are engaged in agricultural production or processing.

Due to the County's geographic proximity to the military installations of Camp Lejeune, Seymour Johnson Air Force Base, New River Air Station and Cherry Point Air Station, Duplin County is strategically positioned to support projected military growth. Initiatives of growth to attract military population or business include civic and community efforts.

MAJOR INITIATIVES

The goals of the school system as outlined in the 5 year Strategic Plan are as follows:

- Student academic success for every PreK-13 student.
- All students will receive a personalized education through access to STEM, career, college, and digital learning.
- Every student will be instructed and supported by excellent and innovative leaders, teachers, and personnel.
- Develop and maintain strategic partnerships supported by 21st Century financial, business and technology systems.
- Provide safe and nurturing facilities for all PreK-13 students and staff.

Duplin County Schools is one of two school districts in the nation following a District-Wide Early College Approach to Seamless Education. Through a partnership with James Sprunt Community College, Duplin students are immersed in a college-going climate and culture beginning in Pre-Kindergarten. The goal for each child is college, career, and life success. For more information, visit duplinschools.net or call the Office of Public Information at 910.296.6623.

The Capital Outlay Bond project approved by County Commissioners and Board of Education in 2016-2017 fiscal year totaled \$60 million and includes the following projects:

- Kenansville convert from PreK-5 to PreK-8
- Rose Hill Magnolia convert from PreK-5 to PreK-8
- Wallace convert from PreK-5 to PreK-8
- Warsaw convert from PreK-5 to PreK-8
- BF Grady expansion with sewer main
- North Duplin Jr./Sr. auxiliary gym
- Existing middle schools (Warsaw E.E. Smith and Charity) were closed. The students from these schools were sent to one of the PreK-8 facilities at the opening of the 2017-2018 school year.

These projects are expected to be fully completed by December 2017.

Letter of Transmittal *(Continued)*

FINANCIAL AND BUDGETARY CONTROLS

The cost of public school education in North Carolina is financed primarily by the State, which establishes minimum programs. Local funds supplement the basic programs and are appropriated by the local board of county commissioners.

Monthly reports on transactions of State and federal funds and details of disbursements from State funds are submitted to the North Carolina Department of Public Instruction for review.

Financial activities throughout the year are controlled in accordance with the North Carolina School Budget and Fiscal Control Act, which requires a pre-audit procedure to ensure availability of funds prior to the issuance of purchase orders or payment of claims. Outstanding purchase orders at the end of the fiscal year related to normal operations are cancelled and renewed in the following fiscal year.

The Board's accounts are organized in funds, each of which is considered a separate accounting entity, to record the allocation of and accounting for governmental resources for which they are spent and controlled. Each individual fund accounting entity records their operations under a set of self-balancing accounts comprising of assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Board's funds are divided into three major classifications: governmental, proprietary and fiduciary. The governmental fund types include the general fund, the special revenue funds and the capital outlay fund. The Board's enterprise fund is presented as a proprietary fund type. The scholarship (private-purpose trust) fund is included as a fiduciary fund type of the Board. All governmental fund types are accounted for and reported on the modified accrual basis of accounting in accordance with G.S. 115C-440(b). The proprietary fund type and fiduciary fund are presented in the financial statement on the accrual basis of accounting.

North Carolina General Statutes also require all governmental units to adopt a balanced budget by July 1st of each year. The Board's annual budget resolution authorizes expenditures at functional level under the modified accrual basis except for the enterprise fund, which is budgeted on the accrual basis, and the individual schools special revenue fund. For internal management purposes, the budget is allocated to line item expenditure accounts. The budgetary amounts presented in the accompanying financial statements are in conformity with the legally adopted budget ordinance as amended throughout the fiscal year. The Board uses a purchase order encumbrance system to record encumbrances outstanding against each expenditure line item to ensure compliance with adopted budget limits. All non-capital outlay outstanding encumbrances are reversed at year-end. Capital Outlay encumbrances are carried over into the subsequent year and the corresponding budget amounts are re-appropriated.

In developing and improving the Board's accounting system, consideration is given to the adequacy of internal control. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements, and maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Board's internal control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

INDEPENDENT AUDIT

Anderson Smith & Wike PLLC, independent certified public accountants, whose opinion is expressed on page one, have audited the financial statements. The Duplin County Board of Education complies with the requirements of the Single Audit Act for which separate reports are issued.

Letter of Transmittal *(Continued)*

FINANCIAL REPORTING AWARDS

For the fiscal year ended June 30, 2017, the Comprehensive Annual Financial Report of the Duplin County Board of Education earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting Award. The awards are made only to governmental units that publish a comprehensive annual financial report, which is easily readable, efficiently organized, and conforms to program standards as well as satisfying generally accepted accounting principles. Awards are valid for one year only. We believe the accompanying report continues to conform to GFOA and ASBO requirements, and we will submit it for determination of eligibility for renewed awards.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated efforts of the finance staff and the Board's independent certified public accounting firm of Anderson Smith & Wike PLLC. We wish to express appreciation to all employees who assisted in the timely closing of the Duplin County Board of Education's fiscal records as well as the preparation of this report.

We would also like to express appreciation to the members of the Board of Education for their support in planning and conducting the financial affairs of the school system in a responsible and professional manner.

Respectfully submitted,



Dr. Austin Obasohan
Superintendent



Ashley Sutton
Chief Financial Officer

**DUPLIN COUNTY BOARD OF EDUCATION
KENANSVILLE, NORTH CAROLINA**

JULY 1, 2016 – JUNE 30, 2017

BOARD MEMBERS

BRENT DAVIS, CHAIR

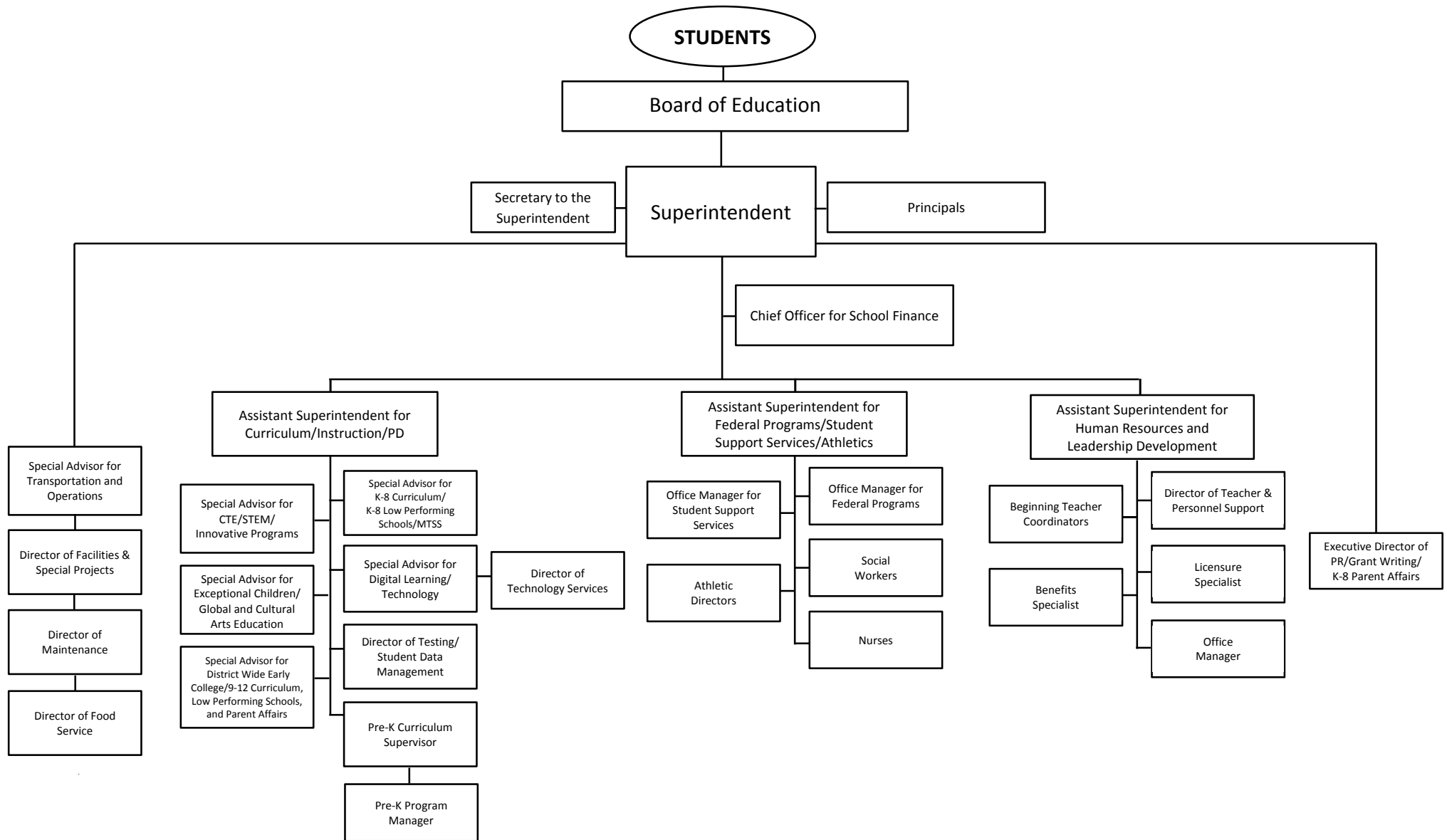
REGINALD KENAN

DAVID JONES

PAMELA EDWARDS

CLAUDIUS MORRISEY

DUPLIN COUNTY SCHOOLS
2016-17 Organizational Chart





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Duplin County Board of Education

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Duplin County of Board of Education
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Financial Section



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Duplin County Board of Education
Kenansville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Duplin County Board of Education, as of and for the year ended June 30, 2017 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Duplin County Board of Education as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Duplin County Board of Education's basic financial statements. The introductory section, individual nonmajor fund schedules, budgetary schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by the *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 combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as 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 section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 on our consideration of the Duplin County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Duplin County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 6, 2017
West End, North Carolina
(910) 603-0508

DUPLIN COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Duplin County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2017. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- For the fiscal year ended June 30, 2017, the Board's total government-wide net position increased by \$41.8 million, or 85.4%. Governmental activities net position increased by \$41.4 million, or 96.2%, and business-type activities net position increased by \$395,000, or 6.7%.
- The Board spent over \$46 million on renovations and additions funded by County bond proceeds.
- The Board experienced a decrease in student enrollment of 92 students or .9% from 9,952 students to 9,860 students.
- At year end, the Board's General fund reported fund balance of \$3.4 million a decrease of \$838,000 in comparison with prior year. The decrease is a result of the State mandated increases in pay and bonuses.

Overview of the Financial Statements

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

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental, proprietary and fiduciary 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.

DUPLIN COUNTY BOARD OF EDUCATION 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 includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets and liabilities. This is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Duplin County Board of Education has three 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 and the Federal Grants Fund.

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

**DUPLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 Duplin County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Liberty Hall Fund.

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

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Duplin County Board of Education has three fiduciary funds:

The Dickson Loan Fund - The Board administers the fund, which provides loans to Duplin County students to continue their education after high school. This fund is accounted for as a private purpose trust fund.

The Southeast Education Alliance – The Board administers the fund which provides education and consultation to educators in the Southeast region. This fund is accounted for as a private purpose fund and was closed out during the current fiscal year.

The Kenan Auditorium Renovation – The Board began this fund in the current year to administer funds for the renovation of Kenan Auditorium in Kenansville, NC. This fund is accounted for as a private purpose fund.

The fiduciary fund statements are shown as Exhibits 10 and 11 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$90.7 million as of June 30, 2017 as compared to \$48.9 million as of June 30, 2016, an increase of \$41.8 million due to the increase in capital assets during the year as a result of renovations and additions undertaken at 6 different schools. The largest component of net position is net investment in capital assets of \$97.2 million, while restricted and unrestricted net position have a combined balance of negative \$6.5 million.

**DUPLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Following is a summary of the Statement of Net Position as of June 30, 2017 and 2016:

**Table 1
Condensed Statement of Net Position
As of June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Current assets	\$ 10,197,142	\$ 10,421,112	\$ 6,662,622	\$ 6,211,293	\$ 16,859,764	\$ 16,632,405
Capital assets	102,277,086	57,717,282	175,329	180,366	102,452,415	57,897,648
Total assets	112,474,228	68,138,394	6,837,951	6,391,659	119,312,179	74,530,053
Deferred outflows of resources	22,324,935	5,579,142	744,091	194,306	23,069,026	5,773,448
Current liabilities	8,890,050	7,925,738	95,414	93,026	8,985,464	8,018,764
Long-term liabilities	39,998,610	19,942,091	1,117,151	471,015	41,115,761	20,413,106
Total liabilities	48,888,660	27,867,829	1,212,565	564,041	50,101,225	28,431,870
Deferred inflows of resources	1,546,499	2,850,574	51,545	99,278	1,598,044	2,949,852
Net investment in capital assets	97,007,738	52,574,657	175,329	180,366	97,183,067	52,755,023
Restricted net position	955,777	1,299,006	-	-	955,777	1,299,006
Unrestricted net position	(13,599,511)	(10,874,530)	6,142,603	5,742,280	(7,456,908)	(5,132,250)
Total net position	\$ 84,364,004	\$ 42,999,133	\$ 6,317,932	\$ 5,922,646	\$ 90,681,936	\$ 48,921,779

The net position of the Board's governmental activities was \$84.4 million at June 30, 2017, an increase of \$41.4 million from the prior year, indicating an improvement in the financial condition of the Board. Net investment in capital assets increased \$44.4 million, restricted net position decreased \$343,000 and unrestricted net position decreased \$2.7 million.

The net position of the Board's business-type activities increased by \$395,000 from \$5.9 million at June 30, 2016 to \$6.3 million at June 30, 2017. This increase of \$395,000 is the amount of net income generated by our school food service and Liberty Hall operations during the 2017 fiscal year, including a combined \$415,000 in investment income between the 2 funds.

The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**DUPLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Revenues:						
Program revenues:						
Charges for services	\$ 2,005,040	\$ 2,227,766	\$ 323,574	\$ 590,922	\$ 2,328,614	\$ 2,818,688
Operating grants and contributions	66,394,356	64,162,664	5,041,985	5,127,500	71,436,341	69,290,164
Capital grants and contributions	910,114	785,003	-	22,556	910,114	807,559
General revenues:						
Other revenues	62,930,489	24,533,661	414,847	(35,224)	63,345,336	24,498,437
Total revenues	<u>132,239,999</u>	<u>91,709,094</u>	<u>5,780,406</u>	<u>5,705,754</u>	<u>138,020,405</u>	<u>97,414,848</u>
Expenses:						
Governmental activities:						
Instructional services	73,491,168	68,343,664	-	-	73,491,168	68,343,664
System-wide support services	16,849,972	15,459,211	-	-	16,849,972	15,459,211
Ancillary services	21,156	24,800	-	-	21,156	24,800
Payments to other governments	18,064	15,669	-	-	18,064	15,669
Interest on long-term debt	87,517	93,514	-	-	87,517	93,514
Unallocated depreciation	352,258	330,791	-	-	352,258	330,791
Business-type activities:						
School food service	-	-	5,204,235	5,408,452	5,204,235	5,408,452
Liberty Hall	-	-	235,878	133,015	235,878	133,015
Child care	-	-	-	-	-	-
Total expenses	<u>90,820,135</u>	<u>84,267,649</u>	<u>5,440,113</u>	<u>5,541,467</u>	<u>96,260,248</u>	<u>89,809,116</u>
Revenues over (under) expenses	<u>41,419,864</u>	<u>7,441,445</u>	<u>340,293</u>	<u>164,287</u>	<u>41,760,157</u>	<u>7,605,732</u>
Transfers in (out)	<u>(54,993)</u>	<u>(80,593)</u>	<u>54,993</u>	<u>80,593</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>41,364,871</u>	<u>7,360,852</u>	<u>395,286</u>	<u>244,880</u>	<u>41,760,157</u>	<u>7,605,732</u>
Beginning net position	<u>42,999,133</u>	<u>35,638,281</u>	<u>5,922,646</u>	<u>5,677,766</u>	<u>48,921,779</u>	<u>41,316,047</u>
Ending net position	<u>\$ 84,364,004</u>	<u>\$ 42,999,133</u>	<u>\$ 6,317,932</u>	<u>\$ 5,922,646</u>	<u>\$ 90,681,936</u>	<u>\$ 48,921,779</u>

Total governmental activities generated revenues of \$132.2 million while expenses in this category totaled \$90.8 million for the year ended June 30, 2017, resulting in an increase in net position of \$41.4 million (including transfers out to business-type activities of \$55,000). Comparatively, revenues were \$91.7 million, expenses totaled \$84.3 million and transfers out were \$81,000 for the year ended June 30, 2016, resulting in an increase in net position of \$7.4 million. In comparing the two years, revenues

DUPLIN COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

increased by \$40.5 million while expenses increased by \$6.6 million. The overall increase in revenues is attributable to a \$40.8 million increase in funding from the County for capital expenditures related to school conversions. This funding is part of a \$60 million local bond referendum.

The Board's primary sources of revenues were funding from the State of North Carolina, Duplin County, and the United States Government, which respectively comprised 47.4%, 42.7% and 6.7% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 51.4% of our total expenses during the most recent fiscal year. Of the remaining 48.6% of our total expenses, 36.1% was attributable to capital outlay expenditures.

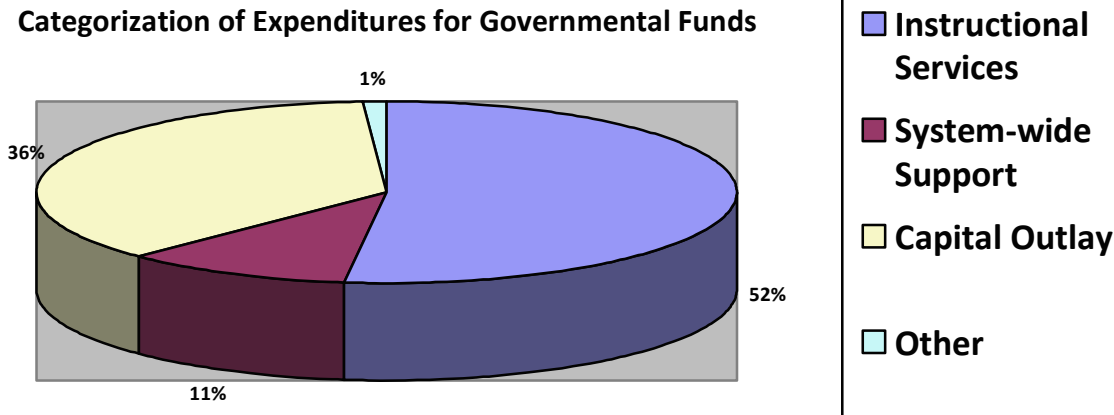
Our business-type activities generated revenues of \$5.8 million, while expenses in this category totaled \$5.4 million for the year ended June 30, 2017. For the year, net position increased by \$395,000 (including transfers in of \$55,000). Comparatively, revenues were \$5.7 million, expenses totaled \$5.5 million and transfers in were \$81,000 for the year ended June 30, 2016, resulting in an increase in net position of \$245,000. In comparing the two years, the year-over-year increase in profitability of \$150,000 is primarily attributable to an increase in investment earnings in the Liberty Hall fund.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$4.3 million at June 30, 2017, a decrease of \$1.0 million from the \$5.3 million reported at June 30, 2016. The Board's General, Individual Schools and Capital Outlay funds all reported expenditures over revenues for the year ended June 30, 2017 of \$838,000, \$73,000 and \$121,000, respectively. Overall, total governmental fund revenues increased by \$40.4 million, or 43.9%, from the prior year while expenditures increased by \$39.6 million, or 41.6%. The increase in revenues and expenditures is primarily due to an increase in Capital Outlay Fund expenditures of \$38.5 million as a result of construction projects funded by County bond proceeds and the acquisition of 15 new school buses. The Board's General Fund experienced a decrease in expenditures totaling \$741,000, primarily as a result of increased funding from the State Public School Fund.

The following chart summarizes governmental fund expenditures:



Expenditures presented on modified accrual basis of accounting.

**DUPLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Proprietary Funds: The Board's business-type funds, the School Food Service Fund and the Liberty Hall Fund, reported a combined increase in net position of \$395,000 for the fiscal year ended June 30, 2017 compared to an increase of \$245,000 for the same 2016 period. As previously discussed, the year-over-year improvement in profitability of \$150,000 is primarily attributable to an increase in investment income in the Liberty Hall Fund.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. Due to some State and federal revenue sources being uncertain at the start of the year, management increased its budgeted revenues and expenditures by \$164,000 during the year to cover instructional service costs that were to be paid from State or federal funds. During the fiscal year ended June 30, 2017, the district had to use \$838,000 of its \$1.1 million appropriated fund balance.

For the year, the Board's General Fund reported a decrease in fund balance of \$838,000 compared to a decrease of \$1.7 million in the prior year. Revenues remained consistent from the prior year while expenditures decreased by \$741,000 that was a result of a state increases in State and Federal funding that allowed the Board to transfer expenditures previously paid out of the General Fund to the State and Federal Grant funds.

Capital Assets

Total primary government capital assets were \$102.5 million at June 30, 2017 compared to \$57.9 million at June 30, 2016, an increase of 77.0%. The increase in capital assets is due to an excess of capital additions over depreciation expense for the year. More detailed information about the Board's capital assets is contained in Note 2- Detail Notes to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2017 and 2016:

**Table 3
Summary of Capital Assets
As of June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Land	\$ 2,301,154	\$ 2,301,154	\$ 24,000	\$ 24,000	\$ 2,325,154	\$ 2,325,154
Construction in progress	52,525,748	6,432,484	-	-	52,525,748	6,432,484
Buildings	26,174,865	27,319,402	2,232	6,697	26,177,097	27,326,099
Equipment and furniture	2,125,827	2,274,074	149,097	149,669	2,274,924	2,423,743
Vehicles	5,714,675	4,706,193	-	-	5,714,675	4,706,193
Improvements	13,434,817	14,683,975	-	-	13,434,817	14,683,975
Total	<u>\$ 102,277,086</u>	<u>\$ 57,717,282</u>	<u>\$ 175,329</u>	<u>\$ 180,366</u>	<u>\$ 102,452,415</u>	<u>\$ 57,897,648</u>

Debt Outstanding

During the year, the Board's long-term debt increased by \$127,000 from \$5.1 million at June 30, 2016 to \$5.3 million at June 30, 2017. 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. More detailed information about the Board's outstanding debt is contained in Note 2- Detail Notes to the financial statements.

**DUPLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors

The Board anticipates a decrease in enrollment for fiscal year 2018 of approximately 210 students (from 9,860 to 9,650) students. As student enrollment decreases so does level of funding from the State and Local sources. In addition, State raises for fiscal year 2018 ranged from 1.5 to 6.9% for certified staff and an average of \$83 per month for all noncertified staff. School administrators pay increases ranged from 0% - 13.67%. In addition, employer contribution for retirement increased 1.1% from 16.12% to 17.13% and health insurance costs increased 4% from \$5,659 to \$5,869 per month. While State revenue allotments have increased it will be insufficient to cover these mandated increases. County funding in total is also expected to decrease by over \$800,000, current expense \$665,600 and capital outlay \$191,796, due to student enrollment decreases and to fund debt service on bonds issued. County funding is also a major source of income for the Board; therefore, the County's economic outlook directly affects the school district. Some indicators of the County funding impact are:

- While the unemployment rate in Duplin County decreased during the past year, it continues to be higher than the average rate across the country. As of June 30, 2017, Duplin County experienced an unemployment rate of approximately 4.6% as compared to an unemployment rate of approximately 5.5% at June 30, 2016. The June 30, 2017 State of N.C. and national unemployment rates were 4.2% and 4.9%, respectively.
- Property taxes are a major source of revenue for the County. The fiscal year 2017 tax rate is \$0.73 per \$100 valuation. Collection rates vary but are typically in the 94-96% range.

Requests for Information

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

Ashley Sutton
Chief Officer of School Finance
Duplin County Board of Education
P.O. Box 128
Kenansville, NC 28349

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,717,837	\$ 2,097,084	\$ 6,814,921
Investments	-	4,286,992	4,286,992
Due from other governments	4,925,695	166,400	5,092,095
Receivables	915	-	915
Internal balances	(37,430)	37,430	-
Inventories	114,556	74,716	189,272
Prepaid expenses	475,569	-	475,569
Capital assets:			
Land and construction in progress	54,826,902	24,000	54,850,902
Other capital assets, net of depreciation	47,450,184	151,329	47,601,513
Total capital assets	<u>102,277,086</u>	<u>175,329</u>	<u>102,452,415</u>
Total assets	<u>112,474,228</u>	<u>6,837,951</u>	<u>119,312,179</u>
Deferred Outflows of Resources	<u>22,324,935</u>	<u>744,091</u>	<u>23,069,026</u>
Liabilities			
Accounts payable and accrued expenses	4,253,836	11,726	4,265,562
Accrued salaries and wages payable	1,422,576	25,437	1,448,013
Unearned revenue	243,851	12,063	255,914
Long-term liabilities:			
Due within one year	2,969,787	46,188	3,015,975
Due in more than one year	7,276,354	26,516	7,302,870
Net pension liability	<u>32,722,256</u>	<u>1,090,635</u>	<u>33,812,891</u>
Total liabilities	<u>48,888,660</u>	<u>1,212,565</u>	<u>50,101,225</u>
Deferred Inflows of Resources	<u>1,546,499</u>	<u>51,545</u>	<u>1,598,044</u>
Net position			
Net investment in capital assets	97,007,738	175,329	97,183,067
Restricted for:			
Stabilization by State statute	39,795	-	39,795
School capital outlay	146,686	-	146,686
Instructional services	22,638	-	22,638
Individual schools activities	746,658	-	746,658
Unrestricted	<u>(13,599,511)</u>	<u>6,142,603</u>	<u>(7,456,908)</u>
Total net position	<u>\$ 84,364,004</u>	<u>\$ 6,317,932</u>	<u>\$ 90,681,936</u>

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 42,831,173	\$ -	\$ 36,651,927	\$ -	\$ (6,179,246)	\$ -	\$ (6,179,246)
Special populations	8,866,553	-	8,081,046	-	(785,507)	-	(785,507)
Alternative programs	8,184,380	-	7,529,141	-	(655,239)	-	(655,239)
School leadership	4,779,274	-	3,078,842	-	(1,700,432)	-	(1,700,432)
Co-curricular	2,535,665	1,702,808	-	-	(832,857)	-	(832,857)
School-based support	6,294,123	-	4,399,673	-	(1,894,450)	-	(1,894,450)
System-wide support services:							
Support and development	791,170	-	282,553	-	(508,617)	-	(508,617)
Special population support and development	257,419	-	229,183	-	(28,236)	-	(28,236)
Alternative programs and services support and development	184,308	-	139,051	-	(45,257)	-	(45,257)
Technology support	1,510,609	-	430,690	-	(1,079,919)	-	(1,079,919)
Operational support	12,139,123	302,232	4,983,774	910,114	(5,943,003)	-	(5,943,003)
Financial and human resource services	1,080,434	-	124,610	-	(955,824)	-	(955,824)
Accountability	121,386	-	14,025	-	(107,361)	-	(107,361)
Policy, leadership and public relations	765,523	-	250,516	-	(515,007)	-	(515,007)
Ancillary services	21,156	-	-	-	(21,156)	-	(21,156)
Payments to other governments	18,064	-	199,325	-	181,261	-	181,261
Interest on long-term debt	87,517	-	-	-	(87,517)	-	(87,517)
Unallocated depreciation expense**	352,258	-	-	-	(352,258)	-	(352,258)
Total governmental activities	90,820,135	2,005,040	66,394,356	910,114	(21,510,625)	-	(21,510,625)
Business-type activities:							
School food service	5,204,235	318,054	4,968,605	-	-	82,424	82,424
Liberty Hall	235,878	5,520	73,380	-	-	(156,978)	(156,978)
Total business-type activities	5,440,113	323,574	5,041,985	-	-	(74,554)	(74,554)
Total primary government	\$ 96,260,248	\$ 2,328,614	\$ 71,436,341	\$ 910,114	(21,510,625)	(74,554)	(21,585,179)
General revenues:							
Unrestricted county appropriations - operating					9,465,600	-	9,465,600
Unrestricted county appropriations - capital					47,187,685	-	47,187,685
Unrestricted State appropriations - operating					4,804,787	-	4,804,787
Investment earnings, unrestricted					19,651	414,847	434,498
Miscellaneous, unrestricted					1,452,766	-	1,452,766
Transfers					(54,993)	54,993	-
Total general revenues and transfers					62,875,496	469,840	63,345,336
Change in net position					41,364,871	395,286	41,760,157
Net position - beginning					42,999,133	5,922,646	48,921,779
Net position - ending					\$ 84,364,004	\$ 6,317,932	\$ 90,681,936

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

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

DUPLIN COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit 3

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Individual Schools	Capital Outlay	
Assets						
Cash and cash equivalents	\$ 3,695,511	\$ -	\$ -	\$ 746,658	\$ 275,668	\$ 4,717,837
Due from other governments	38,880	1,307,226	66,852	-	3,512,737	4,925,695
Accounts receivable	915	-	-	-	-	915
Inventories	114,556	-	-	-	-	114,556
Prepaid expenditures	475,569	-	-	-	-	475,569
Total assets	\$ 4,325,431	\$ 1,307,226	\$ 66,852	\$ 746,658	\$ 3,788,405	\$ 10,234,572
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 612,117	\$ -	\$ -	\$ -	\$ 3,641,719	\$ 4,253,836
Accrued salaries and wages payable	48,498	1,307,226	66,852	-	-	1,422,576
Due to other funds	37,430	-	-	-	-	37,430
Unearned revenue	243,851	-	-	-	-	243,851
Total liabilities	941,896	1,307,226	66,852	-	3,641,719	5,957,693
Fund balances:						
Nonspendable:						
Inventories	114,556	-	-	-	-	114,556
Prepaid expenditures	475,569	-	-	-	-	475,569
Restricted:						
Stabilization by State statute	39,795	-	-	-	-	39,795
School capital outlay	-	-	-	-	146,686	146,686
Programs	22,638	-	-	-	-	22,638
Individual schools	-	-	-	746,658	-	746,658
Subsequent year's expenditures	1,200,000	-	-	-	-	1,200,000
Unassigned	1,530,977	-	-	-	-	1,530,977
Total fund balances	3,383,535	-	-	746,658	146,686	4,276,879
Total liabilities and fund balances	\$ 4,325,431	\$ 1,307,226	\$ 66,852	\$ 746,658	\$ 3,788,405	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	102,277,086
Deferred outflows of resources related to pensions	22,324,935
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(10,246,141)
Net pension liability	(32,722,256)
Deferred inflows of resources related to pensions	(1,546,499)
Net position of governmental activities	\$ 84,364,004

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

Exhibit 4

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Individual Schools	Capital Outlay	
Revenues:						
State of North Carolina	\$ 1,670,587	\$ 60,316,106	\$ -	\$ -	\$ 910,114	\$ 62,896,807
Duplin County						
Local current expense	9,465,600	-	-	-	-	9,465,600
Other	-	-	-	-	47,187,685	47,187,685
U.S. Government	1,445,593	-	7,408,779	-	-	8,854,372
Other	2,481,815	-	-	1,702,808	-	4,184,623
Total revenues	15,063,595	60,316,106	7,408,779	1,702,808	48,097,799	132,589,087
Expenditures:						
Current:						
Instructional services:						
Regular instructional	2,965,725	35,607,958	765,095	-	-	39,338,778
Special populations	462,839	6,122,237	2,047,047	-	-	8,632,123
Alternative programs	2,134,811	1,965,073	3,912,679	-	-	8,012,563
School leadership	634,050	4,015,147	-	-	-	4,649,197
Co-curricular	738,544	-	-	1,775,357	-	2,513,901
School-based support	700,161	5,281,413	163,925	-	-	6,145,499
System-wide support services:						
Support and development	292,853	466,016	3,105	-	-	761,974
Special population support and development	21,158	157,427	71,756	-	-	250,341
Alternative programs and services						
support and development	36,336	464	139,051	-	-	175,851
Technology support	630,736	858,663	-	-	-	1,489,399
Operational support	5,769,094	4,828,533	106,796	-	-	10,704,423
Financial and human resource services	533,648	637,472	-	-	-	1,171,120
Accountability	104,431	14,025	-	-	-	118,456
Policy, leadership and public relations	435,384	313,233	-	-	-	748,617
Ancillary services	21,144	-	-	-	-	21,144
Non-programmed charges	27,827	-	199,325	-	-	227,152
Debt service:						
Principal retirement	276,323	-	-	-	910,114	1,186,437
Interest and fees	87,517	-	-	-	-	87,517
Capital outlay	-	-	-	-	48,622,266	48,622,266
Total expenditures	15,872,581	60,267,661	7,408,779	1,775,357	49,532,380	134,856,758
Revenues over (under) expenditures	(808,986)	48,445	-	(72,549)	(1,434,581)	(2,267,671)
Other financing sources (uses):						
Transfers to other funds	(6,548)	(48,445)	-	-	-	(54,993)
Installment purchase obligations issued	-	-	-	-	1,313,160	1,313,160
Total other financing sources (uses)	(6,548)	(48,445)	-	-	1,313,160	1,258,167
Net change in fund balance	(815,534)	-	-	(72,549)	(121,421)	(1,009,504)
Fund balances:						
Beginning of year	4,221,822	-	-	819,207	268,107	5,309,136
Decrease in reserve for inventories	(22,753)	-	-	-	-	(22,753)
End of year	\$ 3,383,535	\$ -	\$ -	\$ 746,658	\$ 146,686	\$ 4,276,879

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

DUPLIN COUNTY BOARD OF EDUCATION**Exhibit 5****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, 2017**

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

Net changes in fund balances - total governmental funds	\$ (1,009,504)
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Change in fund balance due to change in reserve for inventory	(22,753)
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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 capital outlay exceeded depreciation in the current period.

	44,559,804
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

	4,866,516
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	(126,723)
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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	(6,700,876)
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Compensated absences	<u>(201,593)</u>
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Total changes in net position of governmental activities	<u>\$ 41,364,871</u>
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The notes to the basic financial statements are an integral part of this statement.

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2017

Exhibit 6

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,611,113	\$ 1,636,584	\$ 1,670,587	\$ 34,003
Duplin County	9,465,600	9,465,600	9,465,600	-
U.S. Government	1,415,540	1,431,529	1,445,593	14,064
Other	2,206,714	2,329,694	2,481,815	152,121
Total revenues	14,698,967	14,863,407	15,063,595	200,188
Expenditures:				
Current:				
Instructional services	6,447,035	7,676,371	7,636,130	40,241
System-wide support services	8,203,551	7,866,432	7,823,640	42,792
Ancillary services	7,355	21,144	21,144	-
Non-programmed charges	16,200	28,200	27,827	373
Debt service				
Principal retirement	-	276,323	276,323	-
Interest and fees	-	87,517	87,517	-
	-	363,840	363,840	-
Total expenditures	14,674,141	15,955,987	15,872,581	83,406
Revenues over (under) expenditures	24,826	(1,092,580)	(808,986)	283,594
Other financing uses:				
Transfers to other funds	(24,826)	(9,864)	(6,548)	3,316
Revenues over (under) expenditures and other uses	-	(1,102,444)	(815,534)	286,910
Fund balance appropriated	-	1,102,444	-	(1,102,444)
Net change in fund balance	\$ -	\$ -	(815,534)	\$ (815,534)
Fund balances:				
Beginning of year			4,221,822	
Increase (decrease) in reserve for inventories			(22,753)	
End of year			\$ 3,383,535	

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

DUPLIN COUNTY BOARD OF EDUCATION**Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2017**

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 60,017,271	\$ 61,489,847	\$ 60,316,106	\$ (1,173,741)
Duplin County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>60,017,271</u>	<u>61,489,847</u>	<u>60,316,106</u>	<u>(1,173,741)</u>
Expenditures:				
Current:				
Instructional services	52,963,264	54,056,411	52,991,828	1,064,583
System-wide support services	7,024,786	7,384,904	7,275,833	109,071
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Debt service				
Interest and fees	-	-	-	-
Total expenditures	<u>59,988,050</u>	<u>61,441,315</u>	<u>60,267,661</u>	<u>1,173,654</u>
Revenues over (under) expenditures	29,221	48,532	48,445	(87)
Other financing uses:				
Transfers to other funds	<u>(29,221)</u>	<u>(48,532)</u>	<u>(48,445)</u>	<u>87</u>
Revenues over (under) expenditures and other uses	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase (decrease) in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

DUPLIN COUNTY BOARD OF EDUCATION**Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2017**

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Duplin County	-	-	-	-
U.S. Government	8,527,146	8,576,787	7,408,779	(1,168,008)
Other	-	-	-	-
Total revenues	<u>8,527,146</u>	<u>8,576,787</u>	<u>7,408,779</u>	<u>(1,168,008)</u>
Expenditures:				
Current:				
Instructional services	6,917,187	7,742,972	6,888,746	854,226
System-wide support services	495,163	389,669	320,708	68,961
Ancillary services	-	-	-	-
Non-programmed charges	<u>1,114,796</u>	<u>444,146</u>	<u>199,325</u>	<u>244,821</u>
Debt service				
Interest and fees	-	-	-	-
Total expenditures	<u>8,527,146</u>	<u>8,576,787</u>	<u>7,408,779</u>	<u>1,168,008</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase (decrease) in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2017

Exhibit 7

	Enterprise		
	Major Funds		
	School Food Service	Liberty Hall	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,046,877	\$ 50,207	\$ 2,097,084
Investments	-	4,286,992	4,286,992
Due from other governments	166,400	-	166,400
Due from other funds	37,430	-	37,430
Inventories	74,716	-	74,716
Total current assets	<u>2,325,423</u>	<u>4,337,199</u>	<u>6,662,622</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>149,097</u>	<u>26,232</u>	<u>175,329</u>
Total assets	<u>2,474,520</u>	<u>4,363,431</u>	<u>6,837,951</u>
Deferred Outflows of Resources	<u>744,091</u>	<u>-</u>	<u>744,091</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	11,726	-	11,726
Accrued salaries and wages payable	25,437	-	25,437
Compensated absences	46,188	-	46,188
Unearned revenue	12,063	-	12,063
Total current liabilities	<u>95,414</u>	<u>-</u>	<u>95,414</u>
Noncurrent liabilities:			
Net pension liability	1,090,635	-	1,090,635
Compensated absences	26,516	-	26,516
Total noncurrent liabilities	<u>1,117,151</u>	<u>-</u>	<u>1,117,151</u>
Total liabilities	<u>1,212,565</u>	<u>-</u>	<u>1,212,565</u>
Deferred Inflows of Resources	<u>51,545</u>	<u>-</u>	<u>51,545</u>
Net position			
Investment in capital assets	149,097	26,232	175,329
Unrestricted	<u>1,805,404</u>	<u>4,337,199</u>	<u>6,142,603</u>
Total net position	<u>\$ 1,954,501</u>	<u>\$ 4,363,431</u>	<u>\$ 6,317,932</u>

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2017

Exhibit 8

	Enterprise		
	Major Funds		
	School Food Service	Liberty Hall	Totals
Operating revenues:			
Food sales	\$ 318,054	\$ -	\$ 318,054
Other	-	5,520	5,520
Total operating revenues	<u>318,054</u>	<u>5,520</u>	<u>323,574</u>
Operating expenses:			
Food cost:			
Purchase of food	1,858,269	-	1,858,269
Donated commodities	398,780	-	398,780
Salaries and benefits	2,628,160	57,713	2,685,873
Indirect costs	140,000	-	140,000
Materials and supplies	28,015	112	28,127
Repairs and maintenance	82,164	110,283	192,447
Depreciation	33,761	4,465	38,226
Non-capitalized equipment	12,081	14,137	26,218
Contracted services	6,925	10,791	17,716
Scholarships and donations	-	14,500	14,500
Other	16,080	23,877	39,957
Total operating expenses	<u>5,204,235</u>	<u>235,878</u>	<u>5,440,113</u>
Operating loss	<u>(4,886,181)</u>	<u>(230,358)</u>	<u>(5,116,539)</u>
Nonoperating revenues:			
Federal reimbursements	4,565,804	-	4,565,804
Federal commodities	398,780	-	398,780
State reimbursements	4,021	-	4,021
Investment income, net	3,180	411,667	414,847
Contributions and donations	-	73,380	73,380
Total nonoperating revenues	<u>4,971,785</u>	<u>485,047</u>	<u>5,456,832</u>
Income (loss) before transfers	85,604	254,689	340,293
Transfers from other funds	<u>54,993</u>	<u>-</u>	<u>54,993</u>
Change in net position	140,597	254,689	395,286
Net position, beginning of year	<u>1,813,904</u>	<u>4,108,742</u>	<u>5,922,646</u>
Net position, end of year	<u>\$ 1,954,501</u>	<u>\$ 4,363,431</u>	<u>\$ 6,317,932</u>

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2017

Exhibit 9

	Enterprise		
	Major Funds		
	School Food Service	Liberty Hall Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 312,079	\$ 5,520	\$ 317,599
Cash paid for goods and services	(2,115,628)	(173,700)	(2,289,328)
Cash paid to employees for services	(2,527,912)	(57,713)	(2,585,625)
Net cash used by operating activities	(4,331,461)	(225,893)	(4,557,354)
Cash flows from noncapital financing activities:			
Due from other funds	58,998	-	58,998
Federal and State reimbursements	4,559,754	-	4,559,754
Contributions and donations	-	73,380	73,380
Net cash provided by noncapital financing activities	4,618,752	73,380	4,692,132
Cash flows from capital and related financing activities:			
Purchase of capital assets	(33,189)	-	(33,189)
Cash flows from investing activities:			
Distributions from Sara G. Kenan Endowment Fund	-	78,000	78,000
Investment income	3,180	-	3,180
Net cash provided by investing activities	3,180	78,000	81,180
Net increase in cash and cash equivalents	257,282	(74,513)	182,769
Cash and cash equivalents, beginning of year	1,789,595	124,720	1,914,315
Cash and cash equivalents, end of year	\$ 2,046,877	\$ 50,207	\$ 2,097,084
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (4,886,181)	\$ (230,358)	\$ (5,116,539)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	33,761	4,465	38,226
Donated commodities	398,780	-	398,780
Salaries paid by other funds	54,993	-	54,993
Changes in assets and liabilities:			
Decrease in inventories	16,180	-	16,180
Increase in accounts payable and accrued liabilities	11,726	-	11,726
Increase in accrued salaries and wages payable	3,110	-	3,110
Decrease in unavailable revenue	(5,975)	-	(5,975)
Increase in pension liability	643,524	-	643,524
Increase in deferred outflow - pension	(549,785)	-	(549,785)
Decrease in deferred inflow - pension	(47,733)	-	(47,733)
Decrease in compensated absences payable	(3,861)	-	(3,861)
Total adjustments	554,720	4,465	559,185
Net cash used by operating activities	\$ (4,331,461)	\$ (225,893)	\$ (4,557,354)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$398,780 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The General and State Public School Fund paid salaries and benefits of \$54,993 to administrative personnel of the School Food Service Fund during the fiscal year. The payments are reflected as transfers in and an operating expense on Exhibit 8.

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

**DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2017**

Exhibit 10

	Private Purpose Trust Funds
Assets	
Cash and cash equivalents	<u>\$ 133,441</u>
Liabilities	
Deferred revenue	<u>-</u>
Net position	
Assets held in trust for private purpose	<u>\$ 133,441</u>

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

DUPLIN COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2017

Exhibit 11

	Private Purpose Trust Funds
Additions:	
Membership and other revenues	\$ 81,006
Interest income	<u>957</u>
Total additions	<u>81,963</u>
Deductions:	
Salaries and benefits	30,601
Workshop and related items	15,476
Other	59
Transfers out	<u>169,491</u>
Total deductions	<u>215,627</u>
Change in net position	(133,664)
Beginning net position	<u>267,105</u>
Ending net position	<u>\$ 133,441</u>

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

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Duplin County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Duplin County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

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

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

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

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

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 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.

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

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

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

The Board reports the following major enterprise funds:

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

Liberty Hall Fund. The Liberty Hall Fund is used to account for the operations of Liberty Hall, a historic site located in Duplin County.

The Board reports the following fiduciary fund:

Dickson Loan Fund. The fund, established by proceeds from the estate of Colonel Alexander Dickson, is to be used for the sole purpose of providing loans to help Duplin County students continue their education after high school.

The Southeast Education Alliance Fund. Established to administer the funds of the Southeast Education Alliance which provides education and consultation to educators in the Southeast region.

The Kenan Auditorium Renovation Fund. The fund was established in the current year to administer funds for the renovation of Kenan Auditorium in Kenansville, NC.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide, proprietary and fiduciary 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 is

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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 functional level for all annually budgeted funds. The Board has authorized the Superintendent to transfer up to 25% of an appropriation between line items in the Current Expense Fund. Amendments that alter County appropriation or transfers moneys to or from the Capital Outlay Fund also require the approval of the Duplin County Commissioners. 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.

State law [G.S. 115C-491] authorizes the Board to invest funds held in the Sarah Graham Kenan Foundation Trust Fund, an endowment fund held within the Liberty Hall Fund, in all forms of property, both real and personal, including, but not by way of limitation, all types of stocks, bonds, securities, mortgages and all types, kinds and subjects of investments of any nature and description. The board of trustees of this endowment fund may retain all contributions in the form in which they are made or sell any property at either public or private sale. The board of trustees is responsible for the prudent investment of any funds or moneys belonging to the endowment fund in the exercise of its sound discretion without regard to any statute or law relating to the investment of funds by fiduciaries.

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The Board's investments are reported at amortized cost or at fair value as determined by 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 operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

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, excluding investments held in the Sarah G. Kenan Endowment Fund, are essentially demand deposits and are considered cash and cash equivalents.

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

4. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for goods or services in one period that benefit a future period. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

5. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

	<u>Years</u>
Buildings and improvements	20 - 50
Equipment and furniture	7 - 10
Vehicles and buses	8 - 15
Computer equipment	5

Depreciation for assets that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

6. Deferred outflows and inflows of resources

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

7. Collections

Collectibles and antiques maintained in the Enterprise Funds (Liberty Hall Fund) are not capitalized or recognized as revenues if donated. These collections are held for public exhibition and not for financial gain.

8. 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.

9. 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, 2017 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.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five 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.

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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.

Prepaid expenses - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, 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 for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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 programs – revenue sources restricted for expenditures for prekindergarten programs.

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

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action. The Board of Education does not have any committed fund balance.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General fund is the only fund that reports a positive unassigned fund balance amount, a negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

11. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$80,087,125 consists of several elements as follows:

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<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)	\$166,799,595
Less accumulated depreciation	<u>(64,522,509)</u>
Net capital assets	102,277,086
Pension related deferred outflows of resources:	
Differences between contributions and proportional share of contributions and changes in proportion	962,875
Net difference between projected and actual earnings on plan investments	11,669,806
Changes of assumptions	4,825,738
Contributions made to the pension plan in the current fiscal year	4,866,516
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 purchases	(5,269,348)
Compensated absences	(4,976,793)
Net pension liability	<u>(32,722,256)</u>
Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	<u>(1,546,499)</u>
Total adjustment	<u>\$ 80,087,125</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$42,374,375 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	\$ 47,885,032
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	(3,325,228)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	1,186,437
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 – it only affects the government-wide statement of net position	(1,313,160)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,866,516

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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	(6,700,876)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(22,753)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>(201,593)</u>
Total adjustment	<u>\$ 42,374,375</u>

12. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. 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. Investments are reported at fair value.

NOTE 2 - 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, 2017, the Board had deposits with banks and savings and loans with a carrying amount of \$5,052,314 and with the State Treasurer of \$1,979. The bank balances with the financial institutions and the State Treasurer were \$5,166,140 and \$936,159, respectively. Of these balances, \$823,872 was covered by federal depository insurance and \$5,278,427 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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2. Investments

At June 30, 2017, the Board had \$1,896,048 invested with the State Treasurer in the Short Term Investment Fund and \$4,286,992 invested in equities and bonds in the Sarah Graham Kenan Endowment Fund.

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 Department of State Treasurer Short Term Investment Fund (STIF) is unrated and has a weighted average maturity of 1.6 years as of June 30, 2017.

Credit Rating for Bonds

The Board invests in certain mutual funds whose primary holdings are corporate and governmental bonds. The credit rating of the underlying bonds held within these mutual funds range from B to AAA as determined by Standard & Poor's.

Concentration of Credit Risk

The Board places no limit on the amount the Board may invest in any one issuer. The Board does not have any investments, other than the Short Term Investment Fund (STIF), that account for more than 5% of total invested funds.

The Board also maintains investments in the Sarah Graham Kenan Endowment Fund, for the benefit of Liberty Hall. The investments are authorized by G.S. 115C-491, which states that endowment funds created under G.S. 115C-490 may invest in all forms of property, both real and personal, including, but not by way of limitation, all types of stocks, bonds, securities, mortgages and all types, kinds, and subject of investments of any nature or description.

All investments in the endowment fund are measured using the market approach fair value hierarchy Level 1: Securities and mutual funds valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. At June 30, 2017, the Board's investment balances in the Sarah Graham Kenan Endowment Fund were as follows:

	Cost	Fair Value
<u>Cash and Cash Equivalents:</u>		
PWM Fiduciary Master Deposit Account	\$ 355,503	\$ 355,503
<u>Equities:</u>		
AbbVie Inc	28,198	62,649
American Depository Receipt	64,422	49,987
Amgen Inc.	24,824	70,959
Apple, Inc.	10,085	77,195
AT&T Inc.	47,595	51,577
Blackrock Inc	57,221	96,309

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	Cost	Fair Value
<u>Equities (continued):</u>		
CISCO Systems, Inc.	31,860	36,496
CMS Energy Corp.	55,047	76,821
ConocoPhillips	67,071	50,070
Dow Chemical Company	79,241	100,849
Du Pont	38,006	60,775
Duke Energy Corp.	59,460	75,398
General Electric Co.	19,938	45,593
Home Depot Inc.	55,086	102,164
Intel Corp	57,792	81,280
International Paper Co.	34,603	40,816
J.P. Morgan Chase and Co.	52,770	117,723
Johnson & Johnson	64,050	99,218
KLA-Tencor Corp.	29,708	44,382
Lilly Eli & Co	55,673	89,954
LyondellBasell Industries	73,636	82,702
Merck & Co.	41,382	73,639
Microsoft Corp.	60,183	113,114
Nextera Energy Inc.	78,050	129,340
Occidental Pete Corp.	41,090	33,647
PepsiCo, Inc.	53,132	84,654
Pfizer Inc.	45,771	69,834
Philip Morris	13,507	33,943
T. Rowe Price Diversified Small Cap Growth Fund	34,174	60,512
United Parcel Service	35,290	53,304
Verizon Communications	52,774	60,157
Wells Fargo & Company	54,856	79,015
Williams Companies, Inc.	57,233	58,259
<u>Mutual Funds:</u>		
Brandes International Small Cap Fund	25,000	27,521
Cambiar Small Cap Fund	50,000	43,974
Doubleline Total Return Bond Fund	210,000	204,028
Eaton Vance Atlanta Capital	65,000	90,583
International Core Equity Fund	170,000	179,556
iShares Treasury Bond ETF	248,674	246,285
JOHCM International Select Fund	230,321	238,132
Oppenheimer Developing Markets Fund	76,369	105,097
Pimco Investment Grade Corporate Bond Fund	264,370	268,184
Van Eck Emerging Markets Fund	40,000	42,831
Vanguard Mortgage-Backed Securities	125,000	122,963
	<u>\$ 3,433,965</u>	<u>\$ 4,286,992</u>

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3. Accounts Receivable

Receivables at the government-wide level at June 30, 2017 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (37,430)	\$ 38,880	\$ 915	\$ 2,365
Other governmental activities	-	4,886,815	-	4,886,815
Total governmental activities	<u>\$ (37,430)</u>	<u>\$ 4,925,695</u>	<u>\$ 915</u>	<u>\$ 4,889,180</u>
Business-type activities:				
School Food Service Fund	<u>\$ 37,430</u>	<u>\$ 166,400</u>	<u>\$ -</u>	<u>\$ 203,830</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 38,880	Amounts due for various federal programs and reimbursements
State Public School Fund	1,307,226	Operating funds from DPI
Federal Grants Fund	66,852	Federal grant funds
Capital Outlay Fund	<u>3,512,737</u>	Amounts due from County
Total	<u>\$ 4,925,695</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 166,400</u>	Federal grant funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,301,154	\$ -	\$ -	\$ 2,301,154
Construction in progress	6,432,484	46,093,264	-	52,525,748
Total capital assets not being depreciated	8,733,638	46,093,264	-	54,826,902
Capital assets being depreciated:				
Buildings	64,560,314	-	-	64,560,314
Equipment and furniture	5,880,832	204,011	-	6,084,843
Vehicles	13,625,994	1,564,156	-	15,190,150
Improvements	26,125,285	23,601	11,500	26,137,386
Total capital assets being depreciated	110,192,425	1,791,768	11,500	111,972,693
Less accumulated depreciation for:				
Buildings	37,240,912	1,144,537	-	38,385,449
Equipment and furniture	3,606,758	352,258	-	3,959,016
Vehicles	8,919,801	555,674	-	9,475,475
Improvements	11,441,310	1,272,759	11,500	12,702,569
Total accumulated depreciation	61,208,781	3,325,228	11,500	64,522,509
Total capital assets being depreciated, net	48,983,644			47,450,184
Governmental activity capital assets, net	\$ 57,717,282			\$ 102,277,086

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,086,759	\$ 33,189	\$ 5,000	\$ 1,114,948
Less accumulated depreciation for:				
Equipment and furniture	937,090	33,761	5,000	965,851
School Food Service capital assets, net	<u>\$ 149,669</u>			<u>\$ 149,097</u>
Liberty Hall:				
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Capital assets being depreciated:				
Buildings	202,700	-	-	202,700
Less accumulated depreciation for:				
Buildings	196,003	4,465	-	200,468
Total capital assets being depreciated, net	<u>6,697</u>			<u>2,232</u>
Liberty Hall capital assets, net	<u>\$ 30,697</u>			<u>\$ 26,232</u>
Business-type activities capital assets, net	<u>\$ 180,366</u>			<u>\$ 175,329</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 2,417,296
System-wide support services	555,674
Unallocated depreciation	<u>352,258</u>
Total	<u>\$ 3,325,228</u>

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.98% 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 \$5,028,717 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Board reported a liability of \$33,812,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015, the Board's proportion was .36789% and .36050%, respectively.

For the year ended June 30, 2017, the Board recognized pension expense of \$6,909,083. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,598,044
Changes of assumptions	4,986,580	-
Net difference between projected and actual earnings on pension plan investments	12,058,761	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	994,968	-
Board contributions subsequent to the measurement date	5,028,717	-
Total	<u>\$ 23,069,026</u>	<u>\$ 1,598,044</u>

\$5,028,717 reported 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 and outflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 2,991,555
2019	3,007,952
2020	6,729,564
2021	3,713,194
2022	-
Thereafter	-
Total	<u>\$ 16,442,265</u>

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Actuarial Assumptions. The total pension liability in the December 31, 2015 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 8.1 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

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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 County's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 63,595,515	\$ 33,812,891	\$ 8,769,788

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 Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2017, 2016, and 2015, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,915,578, \$2,811,547, and \$2,700,852, respectively. These contributions represented 5.81%, 5.60%, and 5.49% of covered payroll, respectively.

Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2017, 2016, and 2015, the Board paid all annual required contributions to the DIPNC for disability benefits of \$190,692, \$205,845, and \$201,703, respectively. These contributions represented 0.38%, 0.41% and 0.41% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2017 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 612,117	\$ 48,498	\$ 660,615
Other governmental activities	<u>3,641,719</u>	<u>1,374,078</u>	<u>5,015,797</u>
Total governmental activities	<u>\$ 4,253,836</u>	<u>\$ 1,422,576</u>	<u>\$ 5,676,412</u>
Business-type activities:			
School Food Service Fund	<u>\$ 11,726</u>	<u>\$ 25,437</u>	<u>\$ 37,163</u>

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

3. Unearned Revenues

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

	General Fund	School Food Service
Grants not yet earned	\$ 243,851	\$ -
Prepaid meals	-	12,063
Total	<u>\$ 243,851</u>	<u>\$ 12,063</u>

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,598,044
Changes of assumptions	4,986,580	-
Net difference between projected and actual earnings on pension plan investments	12,058,761	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	994,968	-
Board contributions subsequent to the measurement date	5,028,717	-
Total	<u>\$ 23,069,026</u>	<u>\$ 1,598,044</u>

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The State of North Carolina provides workers' compensation for employees 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. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk-financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan (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.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The chief financial officer is bonded for \$250,000. The school treasurers that have access to funds are bonded under a blanket bond for \$375,000.

The Board carries flood insurance on its property totaling \$5,000,000 of losses or damage at any one location, not to exceed a total liability of \$15,000,000 due to any one flood occurrence for all insured locations. For properties not in the Federal Flood Zone, the Board has a deductible of \$25,000.

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

5. Contingent Liabilities

At June 30, 2017, the Board was a defendant in several legal matters that, in the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters would not have a material adverse effect on the Board's financial position.

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized by State law G.S. 115C-47(28a) to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. On September 17, 2012, the Board entered into such a contract to reduce the energy costs. The financing contract requires principal payments for 14 years beginning in the fiscal year 2013-2014, and ending in the fiscal year 2028, with an interest rate of 2.25%.

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 with various companies. During the fiscal year ended June 30, 2016 and 2017, the Board entered into two such contracts for the purchase of school buses. The contract requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The future minimum payments of the installment purchases as of June 30, 2017, including interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 998,529	\$ 81,122
2019	808,167	74,389
2020	650,234	67,344
2021	339,935	59,903
2022	358,624	52,050
2023 - 2027	2,113,859	129,180
Total	\$ 5,269,348	\$ 463,988

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2017:

	July 1, 2016	Increases	Decreases	June 30, 2017	Current Portion
Governmental activities:					
Installment purchases	\$ 5,142,625	\$ 1,313,160	\$ 1,186,437	\$ 5,269,348	\$ 998,529
Net pension liability	12,838,028	19,884,228	-	32,722,256	-
Compensated absences	4,775,200	3,465,751	3,264,158	4,976,793	1,971,258
Total	\$ 22,755,853	\$ 24,663,139	\$ 4,450,595	\$ 42,968,397	\$ 2,969,787
Business-type activities:					
Net pension liability	\$ 447,111	\$ 643,524	\$ -	\$ 1,090,635	\$ -
Compensated absences	76,565	122,780	126,641	72,704	46,188
Total	\$ 523,676	\$ 766,304	\$ 126,641	\$ 1,163,339	\$ 46,188

Compensated absences related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

1. Interfund balances

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	\$ 37,430

The amount due to the School Food Service Fund from the General Fund represents amounts owed for charged meals. This balance is expected to be paid prior to June 30, 2017.

DUPLIN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

2. Transfers to/from Other Funds

Transfers to/from other funds during the year ended June 30, 2017 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	\$ <u>48,445</u>
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From the General Fund to the School Food Service Fund for administrative costs	\$ <u>6,548</u>
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D. Fund Balance

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

Total fund balance - General Fund	\$ 3,383,535
Less:	
Inventories	(114,556)
Prepaid expenditures	(475,569)
Stabilization by State statute	(39,795)
Assigned for special revenues	(22,638)
Appropriated Fund Balance in the 2017-2018 budget	<u>(1,200,000)</u>
Remaining fund balance	<u>\$ 1,530,977</u>

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

DUPLIN COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS*

	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.36789%	0.36050%	0.34431%	0.32900%
Board's proportionate share of the net pension liability (asset)	\$ 33,812,891	\$ 13,285,139	\$ 4,036,763	\$ 19,985,795
Board's covered-employee payroll	\$ 50,324,059	\$ 49,495,759	\$ 45,959,997	\$ 44,891,381
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.19%	26.84%	8.78%	44.52%
Plan fiduciary net position as a percentage of the total pension liability	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.

* This schedule was implemented as a result of GASB 68 in the fiscal year ended June 30, 2015 and will show 10 years of data as it becomes available.

DUPLIN COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,028,717	\$ 4,604,651	\$ 4,528,862	\$ 3,993,922
Contributions in relation to the contractually required contribution	<u>5,028,717</u>	<u>4,604,651</u>	<u>4,528,862</u>	<u>3,993,922</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 50,387,942	\$ 50,324,059	\$ 49,495,759	\$ 45,959,997
Contributions as a percentage of covered-employee payroll	9.98%	9.15%	9.15%	8.69%

* This schedule was implemented as a result of GASB 68 in the fiscal year ended June 30, 2015 and will show 10 years of data as it becomes available.



**SUPPLEMENTARY INFORMATION
GENERAL FUND**

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Smart Start	\$ 211,247	\$ 202,535	\$ (8,712)
North Carolina Pre-Kindergarten Program	1,261,496	1,257,670	(3,826)
Education Workforce & Innovation Program	143,800	182,680	38,880
NC Arts Council Grant	20,041	27,702	7,661
Total State of North Carolina	1,636,584	1,670,587	34,003
Duplin County	9,465,600	9,465,600	-
U.S. Government:			
Headstart	1,287,960	1,288,193	233
ROTC	143,569	157,400	13,831
Total U.S. Government	1,431,529	1,445,593	14,064
Other:			
Fines and forfeitures	166,367	406,367	240,000
Interest earned on investment	17,503	19,651	2,148
Indirect costs allocated	335,574	349,088	13,514
Contributions and donations	52,086	41,739	(10,347)
Private grants and programs	296,316	316,339	20,023
Rental of school property	2,550	2,550	-
Medicaid reimbursement program	394,251	358,603	(35,648)
Tuition and fees	16,317	17,943	1,626
Transportation	427,297	281,739	(145,558)
E-rate reimbursement	450,208	450,208	-
Sales and use tax refund	40,000	44,861	4,861
Miscellaneous	131,225	192,727	61,502
Total other	2,329,694	2,481,815	152,121
Total revenues	14,863,407	15,063,595	200,188
Expenditures:			
Current:			
Instructional services:			
Regular instructional	2,968,800	2,965,725	3,075
Special populations	485,704	462,839	22,865
Alternative programs	2,145,681	2,134,811	10,870
School leadership	634,050	634,050	-
Co-curricular	741,975	738,544	3,431
School-based support	700,161	700,161	-
Total instructional services	7,676,371	7,636,130	40,241

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Current:			
System-wide support services:			
Support and development	299,509	292,853	6,656
Special population support and development	21,787	21,158	629
Alternative programs and services			
support and development	45,931	36,336	9,595
Technology support	630,736	630,736	-
Operational support	5,791,846	5,769,094	22,752
Financial and human resource services	535,957	533,648	2,309
Accountability	104,447	104,431	16
Policy, leadership and public relations	436,219	435,384	835
Total system-wide support services	<u>7,866,432</u>	<u>7,823,640</u>	<u>42,792</u>
Ancillary services:			
Community	<u>21,144</u>	<u>21,144</u>	<u>-</u>
Non-programmed charges:			
Payments to other governments	<u>28,200</u>	<u>27,827</u>	<u>373</u>
Debt service:			
Principal retirement	276,323	276,323	-
Interest and fees	<u>87,517</u>	<u>87,517</u>	<u>-</u>
Total debt service	<u>363,840</u>	<u>363,840</u>	<u>-</u>
Total expenditures	<u>15,955,987</u>	<u>15,872,581</u>	<u>83,406</u>
Revenues under expenditures	(1,092,580)	(808,986)	283,594
Other financing uses:			
Transfers to other funds	(9,864)	(6,548)	3,316
Fund balance appropriated	<u>1,102,444</u>	<u>-</u>	<u>(1,102,444)</u>
Revenues and fund balance appropriated under expenditures and other uses	<u>\$ -</u>	(815,534)	<u>\$ (815,534)</u>
Fund balance:			
Beginning of year		4,221,822	
Decrease in reserve for inventories		<u>(22,753)</u>	
End of year		<u>\$ 3,383,535</u>	

**SUPPLEMENTARY INFORMATION
INDIVIDUAL SCHOOLS FUND**

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2017

	<u>Revenues and Transfers</u>	<u>Expenditures</u>	<u>Net change in fund balance</u>	<u>Fund balances June 30, 2016</u>	<u>Fund balances June 30, 2017</u>
BF Grady Elementary	\$ 96,044	\$ 90,908	\$ 5,136	\$ 55,938	\$ 61,074
Beulaville Elementary	144,410	136,096	8,314	48,421	56,735
Chinquapin Elementary	54,940	49,602	5,338	17,708	23,046
Kenansville Elementary	36,416	35,128	1,288	923	2,211
North Duplin Elementary	51,175	42,650	8,525	17,322	25,847
Rose Hill Magnolia Elementary	31,137	28,916	2,221	9,629	11,850
Wallace Elementary	27,871	29,505	(1,634)	8,601	6,967
Warsaw Elementary	43,879	46,660	(2,781)	11,240	8,459
Charity Middle	72,850	78,047	(5,197)	12,549	7,352
EE Smith Middle	59,029	70,022	(10,993)	19,059	8,066
Warsaw Middle	42,183	46,140	(3,957)	19,705	15,748
East Duplin High	362,971	369,252	(6,281)	135,564	129,283
James Kenan High	198,710	221,731	(23,021)	63,221	40,200
North Duplin Jr. Sr. High	172,262	185,490	(13,228)	71,295	58,067
Wallace Rose Hill High	291,820	309,720	(17,900)	96,062	78,162
Duplin Early College	14,926	13,816	1,110	7,319	8,429
Live Project	<u>2,185</u>	<u>21,674</u>	<u>(19,489)</u>	<u>224,651</u>	<u>205,162</u>
Totals	<u>\$ 1,702,808</u>	<u>\$ 1,775,357</u>	<u>\$ (72,549)</u>	<u>\$ 819,207</u>	<u>\$ 746,658</u>

**SUPPLEMENTARY INFORMATION
CAPITAL OUTLAY FUND**

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 910,114	\$ 910,114	\$ -
Duplin County:			
Local bond revenues	56,352,892	46,232,082	(10,120,810)
General county appropriations	2,965,915	955,603	(2,010,312)
Duplin County	59,318,807	47,187,685	(12,131,122)
Total revenues	60,228,921	48,097,799	(12,131,122)
Expenditures:			
Debt service:			
Principal retirement	812,715	910,114	(97,399)
Capital outlay:			
Real property, buildings and improvements			
BF Grady Expansion		6,796,529	
Warsaw Elementary K8 Conversion		9,529,114	
Kenansville Elementary K8 Conversion		7,989,899	
North Duplin Jr/Sr. Auxillary Gym Construction		1,203,586	
Rose Hill Magnolia K8 Conversion		9,711,131	
Wallace Elementary K8 Conversion		10,206,381	
Other real property, buildings and improvements		1,257,275	
Total real property, buildings and improvements	57,522,163	46,693,915	10,828,248
Furnishings and equipment	1,497,829	441,508	1,056,321
Vehicles	1,713,646	1,486,843	226,803
Total capital outlay	60,733,638	48,622,266	12,111,372
Total expenditures	61,546,353	49,532,380	12,111,372
Revenues under expenditures	(1,317,432)	(1,434,581)	(117,149)
Other financing sources:			
Installment purchase obligations issued	1,313,160	1,313,160	-
Revenues and other financing sources under expenditures	(4,272)	(121,421)	(117,149)
Fund balance appropriated	4,272	-	(4,272)
Revenues, other financing sources and fund balance appropriated under expenditures	\$ -	(121,421)	\$ (121,421)
Fund balance:			
Beginning of year		268,107	
End of year		\$ 146,686	

**SUPPLEMENTARY INFORMATION
ENTERPRISE FUND**

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 600,000	\$ 318,054	\$ (281,946)
Operating expenditures:			
Business support services:			
Purchase of food		1,874,449	
Donated commodities		398,780	
Salaries and benefits		2,586,015	
Indirect costs		140,000	
Materials and supplies		28,015	
Repairs and maintenance		82,164	
Non-capitalized equipment		12,081	
Contracted services		6,925	
Other		16,080	
Capital outlay		33,189	
Total operating expenditures	5,627,500	5,177,698	449,802
Operating loss	(5,027,500)	(4,859,644)	167,856
Nonoperating revenues:			
Federal reimbursements		4,565,804	
Federal commodities		398,780	
State reimbursements		4,021	
Interest earned		3,180	
Total nonoperating revenues	5,027,500	4,971,785	(55,715)
Excess of revenues over expenditures before other financing sources	-	112,141	112,141
Other financing sources:			
Transfers from other funds	-	54,993	54,993
Excess of revenues and other financing sources over expenditures	\$ -	167,134	\$ 167,134
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(33,761)	
Net pension liability		(643,524)	
Deferred outflows - pension		549,785	
Deferred inflows - pension		47,733	
Equipment purchases		33,189	
Decrease in compensated absences payable		3,861	
Decrease in inventories		16,180	
Change in net position (full accrual)		\$ 140,597	

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
LIBERTY HALL FUND
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Other	\$ 4,900	\$ 5,520	\$ 620
Operating expenditures:			
Salaries and benefits		57,713	
Supplies and materials		112	
Repairs and maintenance		110,283	
Non-capitalized equipment		14,137	
Contracted services		10,791	
Scholarships and donations		14,500	
Other		23,877	
Total operating expenditures	232,497	231,413	1,084
Operating loss	(227,597)	(225,893)	1,704
Nonoperating revenues:			
Investment income, net		411,667	
Contributions and donations		73,380	
Total nonoperating revenues	227,597	485,047	257,450
Revenues under expenditures	\$ -	259,154	\$ 259,154
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(4,465)	
Change in net position (full accrual)		\$ 254,689	

**SUPPLEMENTARY INFORMATION
FIDUCIARY FUND**

DUPLIN COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds			
	Southeast Education Alliance	Dickson Loan Fund	Kenan Auditorium Renovation	Total
Assets				
Cash and cash equivalents	\$ -	\$ 83,441	\$ 50,000	\$ 133,441
Net position				
Assets held in trust for private purpose	\$ -	\$ 83,441	\$ 50,000	\$ 133,441

DUPLIN COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds			
	Southeast Education Alliance	Dickson Loan Fund	Kenan Auditorium Renovation	Total
Additions:				
Membership and other revenues	\$ 31,006	\$ -	\$ 50,000	\$ 81,006
Interest income	252	705	-	957
Total additions	31,258	705	50,000	81,963
Deductions:				
Salaries and benefits	30,601	-	-	30,601
Workshop and related items	15,476	-	-	15,476
Other	59	-	-	59
Transfer out	169,491	-	-	169,491
Total deductions	215,627	-	-	215,627
Change in net position	(184,369)	705	50,000	(133,664)
Beginning net position	184,369	82,736	-	267,105
Ending net position	\$ -	\$ 83,441	\$ 50,000	\$ 133,441



Statistical Section

STATISTICAL SECTION (Unaudited)

The Statistical Section of the District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial outlook.

Sections

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and operations have changed over time.

Revenue Capacity

Since the District's local revenues are primarily provided by Duplin County, these schedules on the county's revenue sources are relevant to an understanding of Duplin County's most significant local revenue source, the property tax.

Debt Capacity

Since the District has no tax-levying or debt-issuing authority, the County of Duplin provides significant funding to the school system. Selected fiscal data from the County of Duplin has been included to help the reader better understand the school system and its financial operations.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. County information is included.

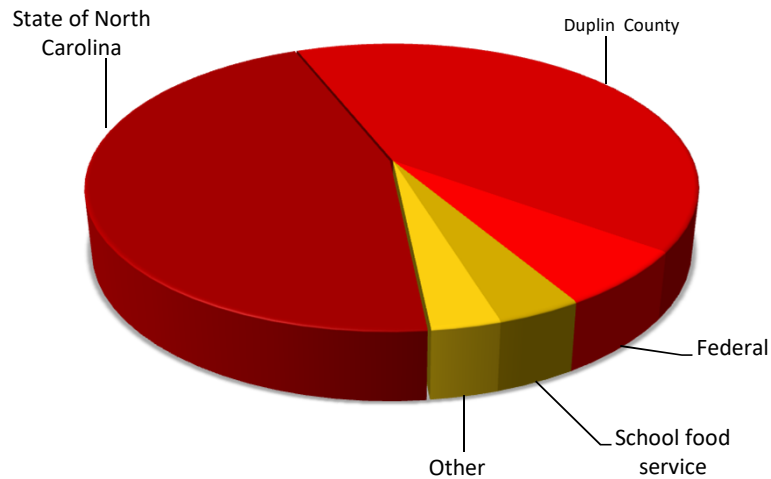
Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.



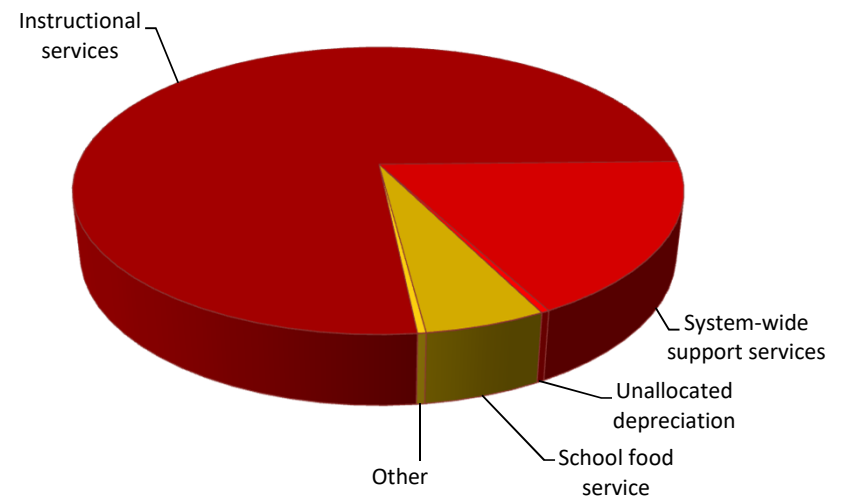
DUPLIN COUNTY BOARD OF EDUCATION
Financial Perspective
Governmental and Business-type Activities
For Year Ended June 30, 2017

Revenue Sources



State of North Carolina	\$ 62,896,807
Duplin County	56,653,285
Federal	8,854,372
School food service	5,289,839
Other	4,326,102
Total revenue sources	<u>\$ 138,020,405</u>

Expenses



Instructional services	\$ 73,491,168
System-wide support services	16,849,972
Unallocated depreciation	352,258
School food service	5,204,235
Other	362,615
Total expenses	<u>\$ 96,260,248</u>

Table 2

DUPLIN COUNTY BOARD OF EDUCATION

**Net Position by Component
Last Ten Fiscal Years**

Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 48,517,548	\$ 48,075,722	\$ 48,454,472	\$ 49,107,021	\$ 47,963,740	\$ 47,883,304	\$ 47,932,022	\$ 46,290,246	\$ 52,574,657	\$ 97,007,738
Restricted	1,025,870	858,496	661,213	1,496,346	1,306,762	1,493,543	1,556,356	1,431,820	1,299,006	955,777
Unrestricted	3,390,126	1,586,781	2,999,326	4,068,752	8,061,690	6,680,552	2,160,957	(12,083,785)	(10,874,530)	(13,599,511)
	<u>\$ 52,933,544</u>	<u>\$ 50,520,999</u>	<u>\$ 52,115,011</u>	<u>\$ 54,672,119</u>	<u>\$ 57,332,192</u>	<u>\$ 56,057,399</u>	<u>\$ 51,649,335</u>	<u>\$ 35,638,281</u>	<u>\$ 42,999,133</u>	<u>\$ 84,364,004</u>
Business-type activities:										
Net investment in capital assets	\$ 368,484	\$ 324,832	\$ 307,547	\$ 271,140	\$ 267,655	\$ 218,169	\$ 190,493	\$ 179,510	\$ 180,366	\$ 175,329
Unrestricted	3,875,001	3,558,975	3,871,842	4,520,266	4,477,419	5,049,354	5,899,471	5,498,256	5,742,280	6,142,603
	<u>\$ 4,243,485</u>	<u>\$ 3,883,807</u>	<u>\$ 4,179,389</u>	<u>\$ 4,791,406</u>	<u>\$ 4,745,074</u>	<u>\$ 5,267,523</u>	<u>\$ 6,089,964</u>	<u>\$ 5,677,766</u>	<u>\$ 5,922,646</u>	<u>\$ 6,317,932</u>
District-wide:										
Net investment in capital assets	\$ 48,886,032	\$ 48,400,554	\$ 48,762,019	\$ 49,378,161	\$ 48,231,395	\$ 48,101,473	\$ 48,122,515	\$ 46,469,756	\$ 52,755,023	\$ 97,183,067
Restricted	1,025,870	858,496	661,213	1,496,346	1,306,762	1,493,543	1,556,356	1,431,820	1,299,006	955,777
Unrestricted	7,265,127	5,145,756	6,871,168	8,589,018	12,539,109	11,729,906	8,060,428	(6,585,529)	(5,132,250)	(7,456,908)
	<u>\$ 57,177,029</u>	<u>\$ 54,404,806</u>	<u>\$ 56,294,400</u>	<u>\$ 59,463,525</u>	<u>\$ 62,077,266</u>	<u>\$ 61,324,922</u>	<u>\$ 57,739,299</u>	<u>\$ 41,316,047</u>	<u>\$ 48,921,779</u>	<u>\$ 90,681,936</u>

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017

Note: Net position for 2014 and before are not comparable to 2015 and after net position due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015.

Net Position by Component District-wide

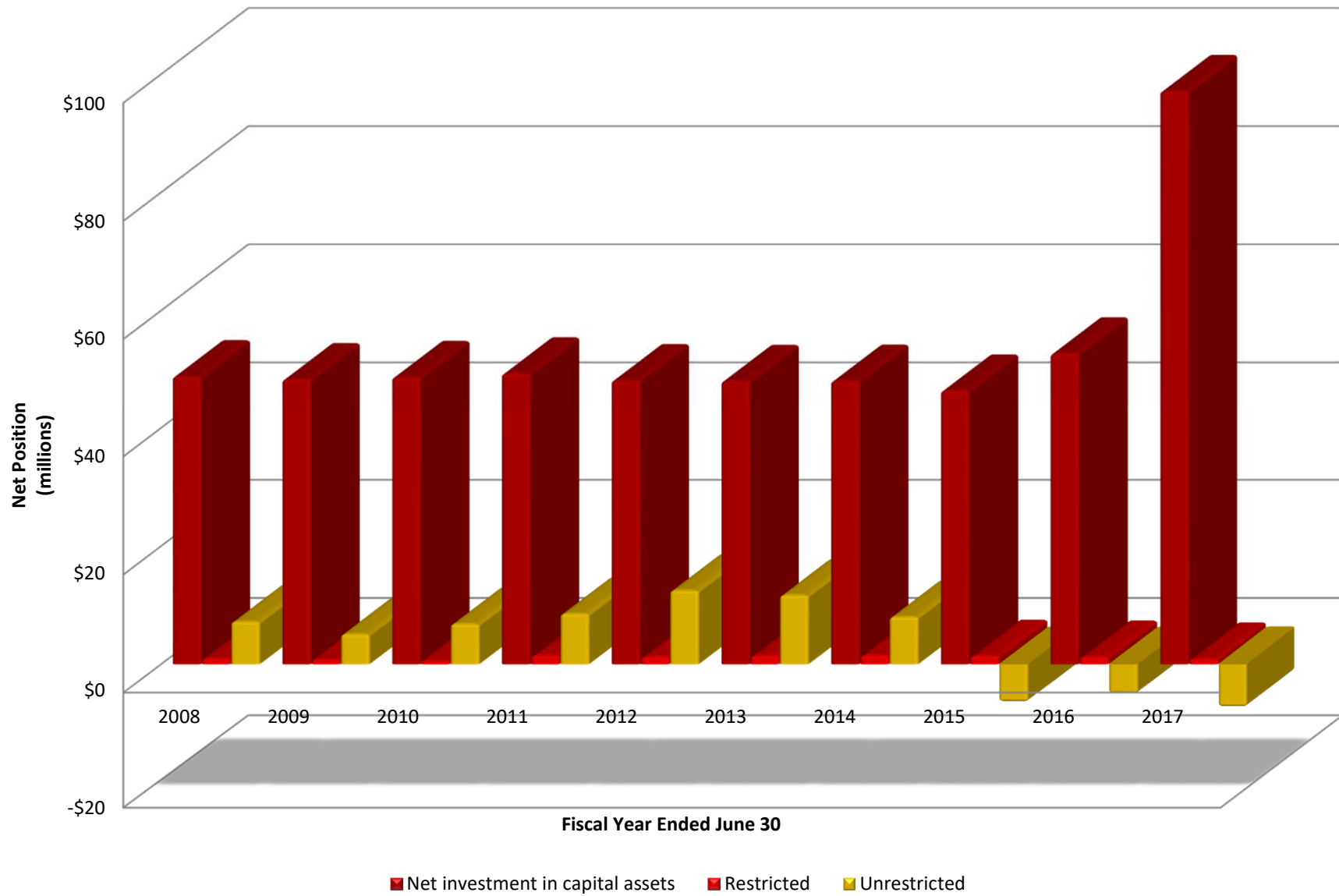


Table 3

DUPLIN COUNTY BOARD OF EDUCATION

**Changes in Net Position
Last Ten Fiscal Years**

Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
Instructional services	\$ 60,595,931	\$ 62,357,999	\$ 59,259,019	\$ 60,262,412	\$ 59,583,949	\$ 63,414,764	\$ 64,523,958	\$ 67,033,854	\$ 68,343,664	\$ 73,491,168
System-wide support services	12,541,318	15,292,300	14,214,337	15,655,930	17,037,224	17,914,870	18,359,098	16,163,282	15,459,211	16,849,972
Ancillary services	32,003	18,363	27,667	10,529	105,019	102,045	29,315	21,141	24,800	21,156
Non-programmed charges	-	-	21,536	12,044	1,689	990	3,416	3,881	15,669	18,064
Interest on long-term debt	12,516	14,021	102	-	-	-	224,449	58,292	93,514	87,517
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation expense	2,147,465	2,220,719	2,274,343	1,292,298	393,268	282,041	115,648	540,788	330,791	352,258
Total governmental activities expenses	75,329,233	79,903,402	75,797,004	77,233,213	77,121,149	81,714,710	83,255,884	83,821,238	84,267,649	90,820,135
Business-type activities:										
School food service	5,399,399	4,976,774	5,101,388	5,224,474	5,537,060	5,318,808	5,413,243	5,328,138	5,408,452	5,204,235
Child care	158,607	101,182	40,517	29,802	41,504	-	-	-	-	-
Liberty Hall	205,753	121,160	210,536	206,653	130,697	164,034	157,324	144,388	133,015	235,878
	5,763,759	5,199,116	5,352,441	5,460,929	5,709,261	5,482,842	5,570,567	5,472,526	5,541,467	5,440,113
Total district-wide expenses	\$ 81,092,992	\$ 85,102,518	\$ 81,149,445	\$ 82,694,142	\$ 82,830,410	\$ 87,197,552	\$ 88,826,451	\$ 89,293,764	\$ 89,809,116	\$ 96,260,248
Program Revenues										
Governmental activities:										
Charges for services	1,282,914	1,270,205	1,528,335	571,587	490,915	386,119	392,546	2,284,623	2,227,766	2,005,040
Operating grants and contributions	58,513,558	59,556,392	60,057,385	61,402,598	61,300,880	61,808,659	57,957,059	63,341,981	64,162,664	66,394,356
Capital grants and contributions	13,359	35,679	1,367,784	-	78,326	558,283	249,925	658,285	785,003	910,114
Total governmental activities program revenues	59,809,831	60,862,276	62,953,504	61,974,185	61,870,121	62,753,061	58,599,530	66,284,889	67,175,433	69,309,510
Business-type activities:										
Charges for services:										
Student meal services	1,150,158	1,161,955	1,146,580	1,067,573	1,025,967	991,501	951,787	587,084	585,668	318,054
Child care services	150,733	94,325	37,254	42,768	51,082	-	-	-	-	-
Liberty Hall	7,663	7,436	7,020	5,048	7,129	4,804	7,353	5,590	5,254	5,520
Operating grants and contributions	3,805,295	3,862,952	4,115,382	4,384,956	4,544,082	4,584,300	4,819,447	4,959,046	5,127,500	5,041,985
Capital grants and contributions	-	-	-	-	-	-	-	14,526	22,556	-
Total business-type activities program revenues	5,113,849	5,126,668	5,306,236	5,500,345	5,628,260	5,580,605	5,778,587	5,566,246	5,740,978	5,365,559
Total district-wide program revenues	\$ 64,923,680	\$ 65,988,944	\$ 68,259,740	\$ 67,474,530	\$ 67,498,381	\$ 68,333,666	\$ 64,378,117	\$ 71,851,135	\$ 72,916,411	\$ 74,675,069
Net (Expense) Revenue										
Governmental activities	\$(15,519,402)	\$(19,041,126)	\$(12,843,500)	\$(15,259,028)	\$(15,251,028)	\$(18,961,649)	\$(24,656,354)	\$(17,536,349)	\$(17,092,216)	\$(21,510,625)
Business-type activities	(649,910)	(72,448)	(46,205)	39,416	(81,001)	97,763	208,020	93,720	199,511	(74,554)
Total district-wide net (expense) revenue	\$(16,169,312)	\$(19,113,574)	\$(12,889,705)	\$(15,219,612)	\$(15,332,029)	\$(18,863,886)	\$(24,448,334)	\$(17,442,629)	\$(16,892,705)	\$(21,585,179)

DUPLIN COUNTY BOARD OF EDUCATION

Changes in Net Position (continued)
Last Ten Fiscal Years

Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 7,347,646	\$ 7,727,529	\$ 7,727,529	\$ 8,861,720	\$ 8,861,720	\$ 9,287,444	\$ 9,000,000	\$ 9,485,760	\$ 9,553,920	\$ 9,465,600
Unrestricted county appropriations - capital	1,830,000	2,957,166	1,438,825	1,131,017	956,217	1,147,462	1,520,827	995,965	6,298,294	47,187,685
Unrestricted State appropriations - operating	4,064,792	3,817,012	3,714,655	1,390,017	1,158,761	3,427,335	6,162,423	5,158,636	5,108,035	4,804,787
Unrestricted State appropriations - capital	233,805	233,805	59,590	1,495,180	1,051,444	1,021,837	729,771	-	2,172,691	-
Unrestricted Federal appropriations - capital	-	-	-	-	-	-	-	-	-	-
Investment earnings, unrestricted	391,549	277,171	55,037	48,454	42,973	35,482	28,123	22,555	21,122	19,651
Miscellaneous, unrestricted	1,549,294	1,693,287	1,534,346	4,935,807	5,857,923	2,812,356	2,868,013	1,356,736	1,379,599	1,452,766
Transfers	-	(77,389)	(92,470)	(46,059)	(17,937)	(45,060)	(60,867)	(53,020)	(80,593)	(54,993)
Total governmental activities	15,417,086	16,628,581	14,437,512	17,816,136	17,911,101	17,686,856	20,248,290	16,966,632	24,453,068	62,875,496
Business-type activities:										
Investment earnings, unrestricted	(170,745)	(364,619)	249,317	526,542	16,732	379,626	553,554	(8,402)	(35,224)	414,847
Miscellaneous, unrestricted	-	-	-	-	-	-	-	-	-	-
Transfers	-	77,389	92,470	46,059	17,937	45,060	60,867	53,020	80,593	54,993
Total business-type activities	(170,745)	(287,230)	341,787	572,601	34,669	424,686	614,421	44,618	45,369	469,840
Total district-wide	\$ 15,246,341	\$ 16,341,351	\$ 14,779,299	\$ 18,388,737	\$ 17,945,770	\$ 18,111,542	\$ 20,862,711	\$ 17,011,250	\$ 24,498,437	\$ 63,345,336
Change in Net Position										
Governmental activities	\$ (102,316)	\$ (2,412,545)	\$ 1,594,012	\$ 2,557,108	\$ 2,660,073	\$ (1,274,793)	\$ (4,408,064)	\$ (569,717)	\$ 7,360,852	\$ 41,364,871
Business-type activities	(820,655)	(359,678)	295,582	612,017	(46,332)	522,449	822,441	138,338	244,880	395,286
Total district-wide change in net position	\$ (922,971)	\$ (2,772,223)	\$ 1,889,594	\$ 3,169,125	\$ 2,613,741	\$ (752,344)	\$ (3,585,623)	\$ (431,379)	\$ 7,605,732	\$ 41,760,157

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017

Table 4

DUPLIN COUNTY BOARD OF EDUCATION

Governmental Funds

Fund Balances

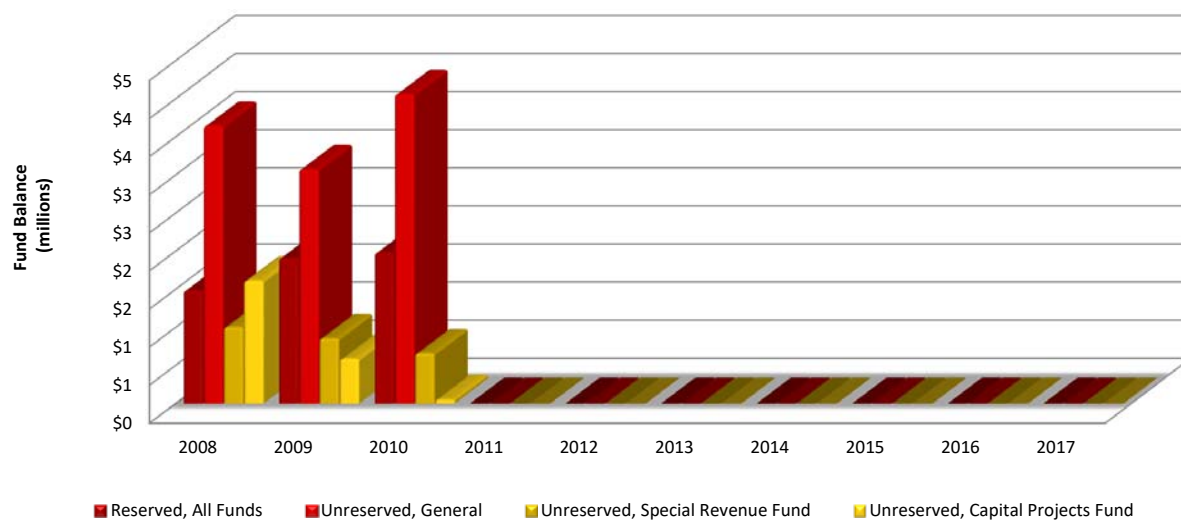
Last Ten Fiscal Years

Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,149,549	\$ 1,006,896	\$ 909,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,646,219	3,079,105	4,063,608	-	-	-	-	-	-	-
Nonspendable	-	-	-	213,423	243,155	173,414	237,037	449,602	400,441	590,125
Restricted	-	-	-	450,781	98,409	378,212	440,084	317,070	211,692	1,262,433
Assigned	-	-	-	1,932,743	4,022,835	3,500,000	4,284,138	1,149,850	-	-
Unassigned	-	-	-	5,736,044	7,703,299	7,361,670	2,171,210	3,964,619	3,609,689	1,530,977
Total General Fund	\$ 4,795,768	\$ 4,086,001	\$ 4,973,419	\$ 8,332,991	\$ 12,067,698	\$ 11,413,296	\$ 7,132,469	\$ 5,881,141	\$ 4,221,822	\$ 3,383,535
All Other Governmental Funds										
Reserved	\$ 336,004	\$ 907,788	\$ 1,071,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue Funds	1,008,564	858,496	661,213	-	-	-	-	-	-	-
Capital Projects Fund	1,615,634	589,933	54,514	-	-	-	-	-	-	-
Restricted	-	-	-	1,090,045	1,208,353	1,115,331	1,116,272	1,114,750	1,087,314	893,344
Total all other governmental funds	\$ 2,960,202	\$ 2,356,217	\$ 1,786,981	\$ 1,090,045	\$ 1,208,353	\$ 1,115,331	\$ 1,116,272	\$ 1,114,750	\$ 1,087,314	\$ 893,344

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017

Note: Fund balances for 2010 and before are not comparable to 2011 and after fund balances due to the implementation of GASB 54 for the year ended June 30, 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

Governmental Funds Fund Balances - Before GASB 54 Implementation



Governmental Funds Fund Balances - After GASB 54 Implementation

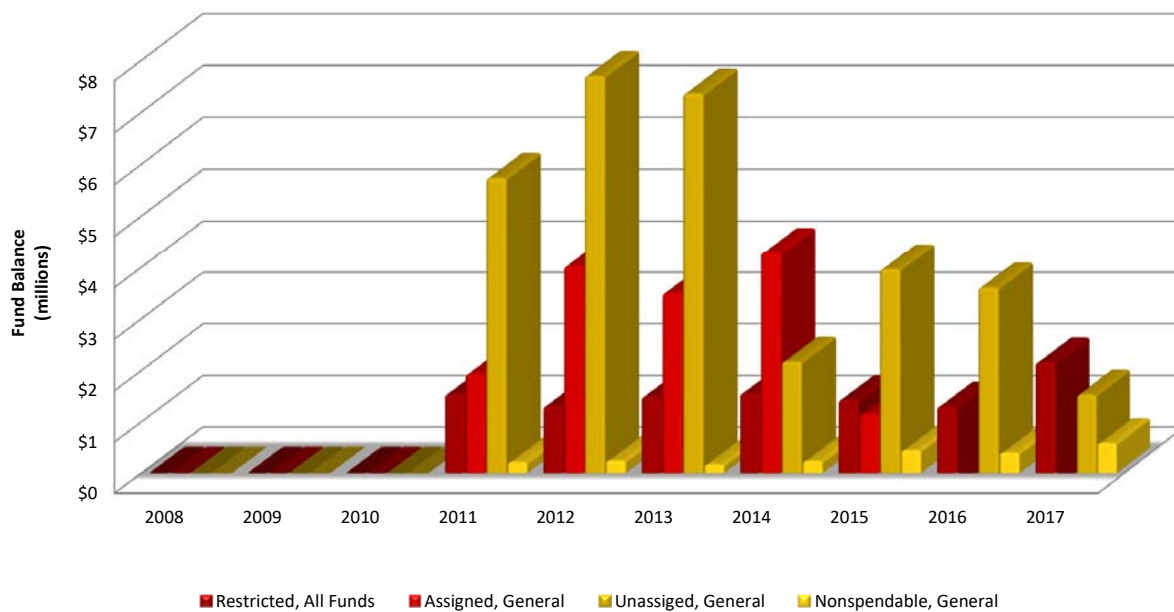
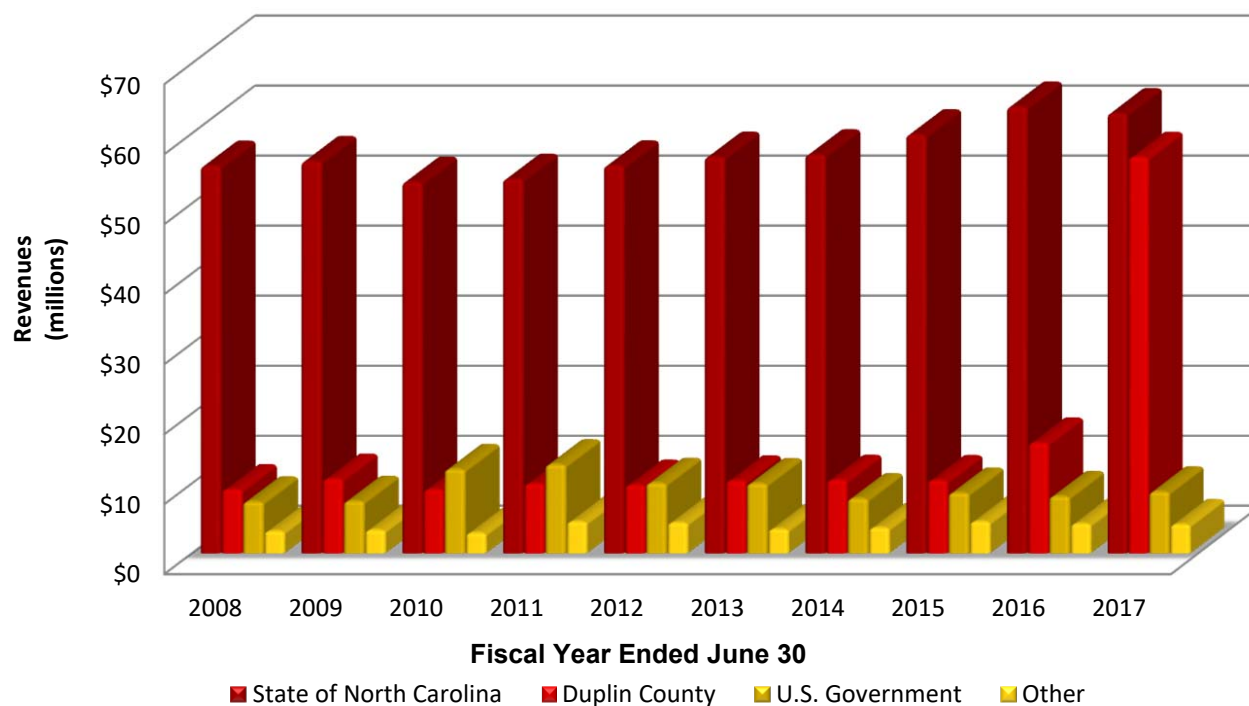


Table 5

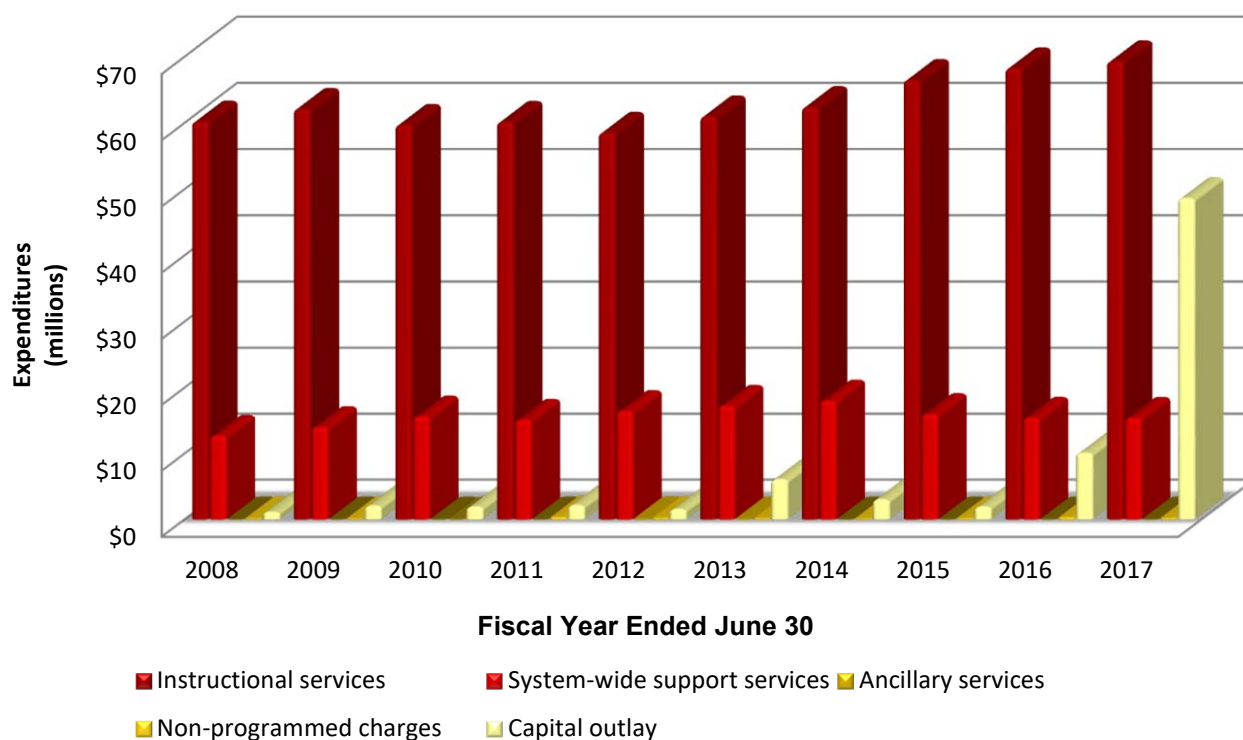
DUPLIN COUNTY BOARD OF EDUCATION Governmental Funds Changes in Fund Balances Last Ten Fiscal Years						
Year Ended June 30	2008	2009	2010	2011	2012	
Revenues						
State of North Carolina	\$ 55,381,733	\$ 56,055,096	\$ 53,095,779	\$ 53,518,605	\$ 55,417,688	
Duplin County	9,177,646	10,684,695	9,166,354	9,992,737	9,817,937	
U.S. Government	7,430,421	7,509,579	12,068,973	12,740,339	10,094,282	
Other	3,224,561	3,387,556	2,978,247	4,583,883	4,439,520	
Total revenues	75,214,361	77,636,926	77,309,353	80,835,564	79,769,427	
Expenditures						
Instructional services	60,203,485	62,110,151	59,698,667	60,143,940	58,500,422	
System-wide support services	12,685,612	14,021,017	15,618,974	15,127,513	16,449,405	
Ancillary services	32,003	18,363	20,890	10,519	104,882	
Non-programmed charges	136,157	140,824	21,536	369,355	239,804	
Debt service - Principal	221,289	219,784	59,488	117,980	78,880	
Debt service - Interest	12,516	14,021	102	-	-	
Capital outlay	1,119,705	2,045,786	1,891,381	2,134,231	1,554,512	
Total expenditures	74,410,767	78,569,946	77,311,038	77,903,538	76,927,905	
Revenues over (under) expenditures	803,594	(933,020)	(1,685)	2,932,026	2,841,522	
Other financing sources						
Transfers to other funds	-	(77,389)	(92,470)	(46,059)	(17,937)	
Installment purchase obligations	-	-	232,029	82,753	999,698	
Total other financing sources	-	(77,389)	139,559	36,694	981,761	
Net change in fund balances	\$ 803,594	\$ (1,010,409)	\$ 137,874	\$ 2,968,720	\$ 3,823,283	
Ratio of debt service expenditures to total non-capital expenditures	0.32%	0.31%	0.08%	0.16%	0.11%	
Year Ended June 30	2013	2014	2015	2016	2017	
Revenues						
State of North Carolina	\$ 56,665,606	\$ 57,006,199	\$ 59,859,404	\$ 63,832,009	\$ 62,896,807	
Duplin County	10,434,906	10,520,827	10,481,725	15,852,214	56,653,285	
U.S. Government	10,045,217	7,885,009	8,690,170	8,197,181	8,854,372	
Other	3,519,871	3,712,542	4,594,767	4,288,626	4,184,623	
Total revenues	80,665,600	79,124,577	83,626,066	92,170,030	132,589,087	
Expenditures						
Instructional services	60,970,614	62,386,917	66,466,858	68,231,260	69,292,061	
System-wide support services	17,263,429	18,039,949	15,989,892	15,432,110	15,420,181	
Ancillary services	102,045	29,315	21,158	24,818	21,144	
Non-programmed charges	181,613	130,766	185,406	336,605	227,152	
Debt service - Principal	558,283	451,925	951,224	1,045,721	1,186,437	
Debt service - Interest	-	22,449	58,292	93,514	87,517	
Capital outlay	6,064,226	3,008,758	1,906,136	10,086,660	48,622,266	
Total expenditures	85,140,210	84,070,079	85,578,966	95,250,688	134,856,758	
Revenues over (under) expenditures	(4,474,610)	(4,945,502)	(1,952,900)	(3,080,658)	(2,267,671)	
Other financing sources (uses)						
Transfers to other funds	(45,060)	(60,867)	(53,020)	(80,593)	(54,993)	
Installment purchase obligations	3,841,987	720,365	816,720	1,510,574	1,313,160	
Total other financing sources (uses)	3,796,927	659,498	763,700	1,429,981	1,258,167	
Net change in fund balances	\$ (677,683)	\$ (4,286,004)	\$ (1,189,200)	\$ (1,650,677)	\$ (1,009,504)	
Ratio of debt service expenditures to total non-capital expenditures	0.71%	0.59%	1.22%	1.35%	1.49%	

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017

Governmental Funds Revenues by Source



Expenditures by Function



DUPLIN COUNTY BOARD OF EDUCATION

Operational Expenditures Per Pupil

Expenditures by Function

Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Average Daily Membership	8,865	8,815	8,837	8,945	9,158
Instructional	\$ 6,791	\$ 7,046	\$ 6,756	\$ 6,724	\$ 6,388
System-wide support	1,431	1,591	1,767	1,691	1,796
Ancillary	4	2	2	1	11
Total expenditures per pupil	\$ 8,226	\$ 8,639	\$ 8,525	\$ 8,416	\$ 8,195

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2013	2014	2015	2016	2017
Average Daily Membership	9,315	9,597	9,881	9,952	9,860
Instructional	\$ 6,545	\$ 6,501	\$ 6,727	\$ 6,856	\$ 7,028
System-wide support	1,853	1,880	1,618	1,551	1,564
Ancillary	11	3	2	2	2
Total expenditures per pupil	\$ 8,409	\$ 8,384	\$ 8,347	\$ 8,409	\$ 8,594

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Instructional	\$ 3,104	\$ 3,267	\$ 3,100	\$ 2,979	\$ 2,784
System-wide support	654	738	811	749	783
Ancillary	2	1	1	-	5
Total expenditures per pupil	\$ 3,760	\$ 4,006	\$ 3,912	\$ 3,728	\$ 3,572

EXPRESSED IN CONSTANT DOLLARS

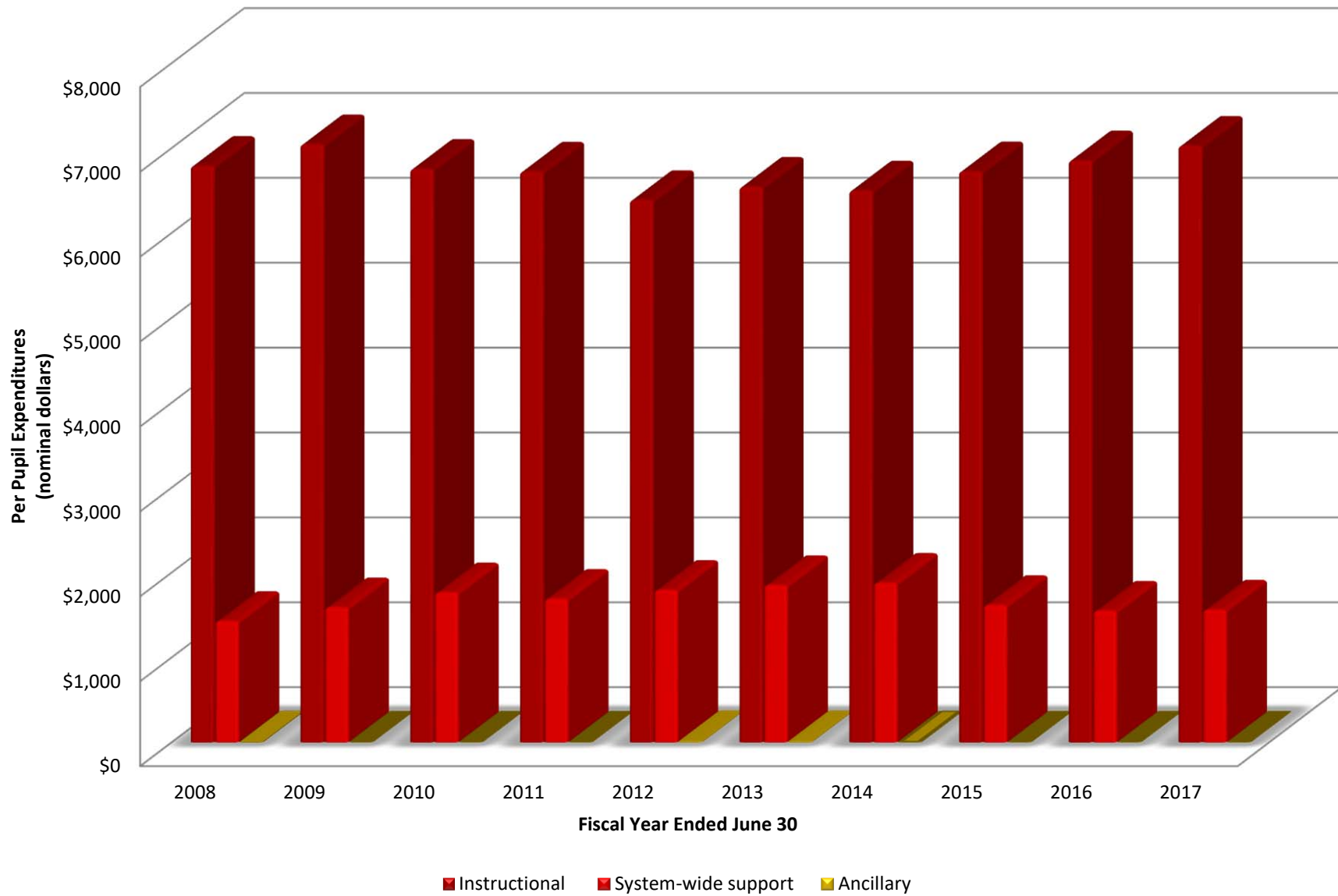
Year Ended June 30	2013	2014	2015	2016	2017
Instructional	\$ 2,803	\$ 2,728	\$ 2,819	\$ 2,845	\$ 2,869
System-wide support	794	789	678	644	638
Ancillary	5	1	1	1	1
Total expenditures per pupil	\$ 3,602	\$ 3,518	\$ 3,498	\$ 3,490	\$ 3,508

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017.

The above operational expenditures per pupil include all governmental funds.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Operational Expenditures Per Pupil Expenditures by Function



DUPLIN COUNTY BOARD OF EDUCATION
Proprietary Fund - Food Services Operations
Revenues by Source
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Food sales	\$ 1,150,158	\$ 1,161,809	\$ 1,145,792	\$ 1,067,573	\$ 1,025,967
Federal reimbursements	3,373,615	3,425,412	3,711,132	3,740,341	3,941,518
Federal commodities	281,430	292,540	244,250	332,199	285,987
Other	20,909	266,949	2,318	34,300	239,559
Total revenues	<u>\$ 4,826,112</u>	<u>\$ 5,146,710</u>	<u>\$ 5,103,492</u>	<u>\$ 5,174,413</u>	<u>\$ 5,493,031</u>

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2013	2014	2015	2016	2017
Food sales	\$ 991,501	\$ 951,787	\$ 587,084	\$ 585,668	\$ 318,054
Federal reimbursements	4,192,117	4,356,053	4,572,431	4,628,794	4,565,804
Federal commodities	293,128	354,616	278,557	387,771	398,780
Other	18,831	16,510	16,527	15,112	7,201
Total revenues	<u>\$ 5,495,577</u>	<u>\$ 5,678,966</u>	<u>\$ 5,454,599</u>	<u>\$ 5,617,345</u>	<u>\$ 5,289,839</u>

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Food sales	\$ 525,630	\$ 538,640	\$ 525,677	\$ 472,959	\$ 447,087
Federal reimbursements	1,541,766	1,588,096	1,702,627	1,657,056	1,717,602
Federal commodities	128,615	135,628	112,059	147,172	124,625
Other	9,556	123,763	1,063	15,196	104,393
Total revenues	<u>\$ 2,205,567</u>	<u>\$ 2,386,127</u>	<u>\$ 2,341,426</u>	<u>\$ 2,292,383</u>	<u>\$ 2,393,707</u>

EXPRESSED IN CONSTANT DOLLARS

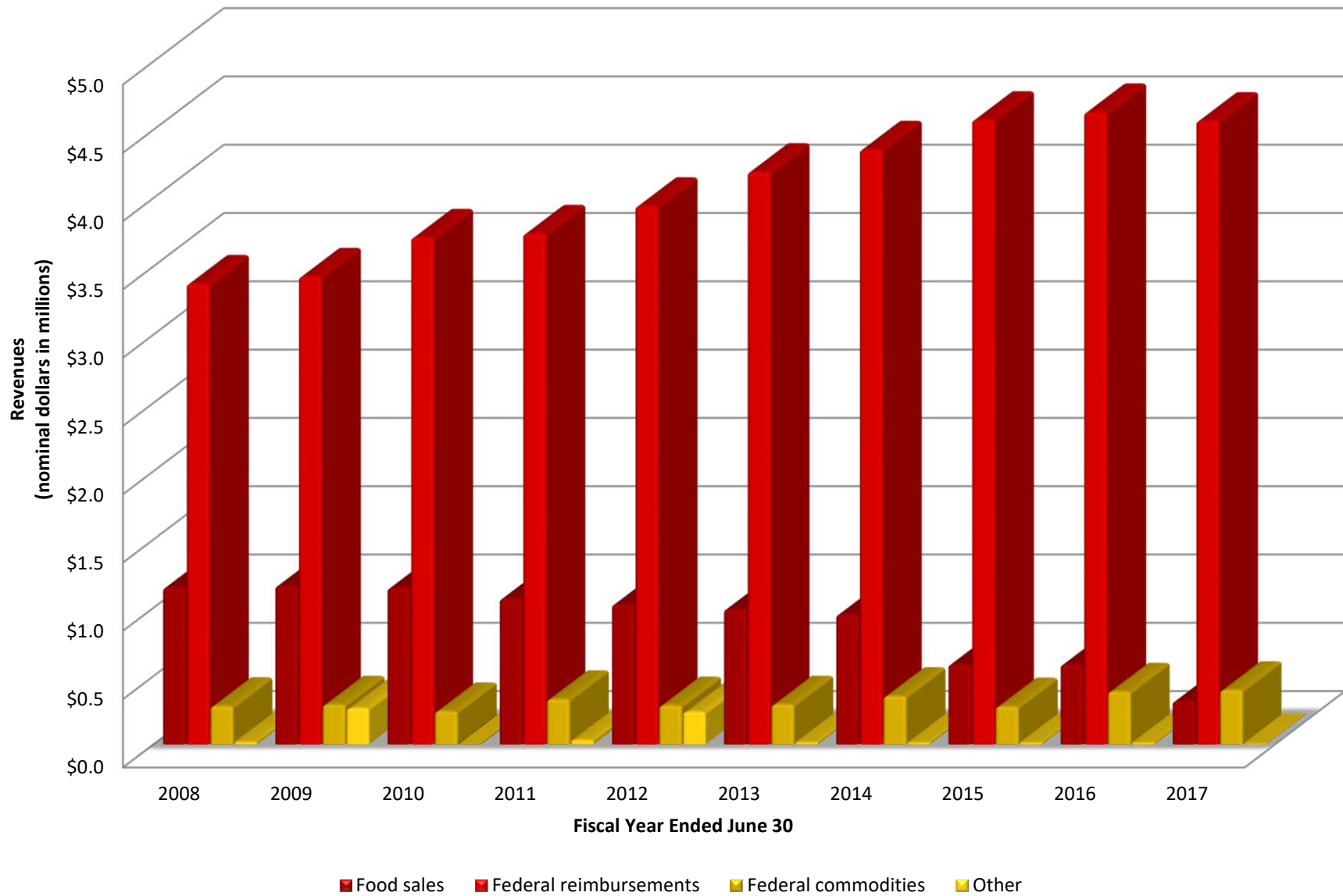
Year Ended June 30	2013	2014	2015	2016	2017
Food sales	\$ 424,618	\$ 399,335	\$ 246,014	\$ 242,998	\$ 129,842
Federal reimbursements	1,795,308	1,827,640	1,916,053	1,920,518	1,863,936
Federal commodities	125,534	148,784	116,728	160,889	162,797
Other	8,065	6,927	6,926	6,270	2,940
Total revenues	<u>\$ 2,353,525</u>	<u>\$ 2,382,686</u>	<u>\$ 2,285,721</u>	<u>\$ 2,330,675</u>	<u>\$ 2,159,515</u>

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017.

Note: Other revenue includes interest earned, State reimbursements, indirect costs not paid, and other revenue.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

Proprietary Fund - Food Services Operations Revenues by Source



DUPLIN COUNTY BOARD OF EDUCATION
Proprietary Fund - Food Services Operations
Expenses by Category
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Purchase of food	\$ 2,437,245	\$ 2,154,943	\$ 2,058,017	\$ 2,154,849	\$ 2,246,664
Salaries and benefits	2,224,516	2,329,492	2,277,120	2,357,396	2,484,177
Other	737,638	757,786	766,251	712,229	806,219
Total expenses	<u>\$ 5,399,399</u>	<u>\$ 5,242,221</u>	<u>\$ 5,101,388</u>	<u>\$ 5,224,474</u>	<u>\$ 5,537,060</u>

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2013	2014	2015	2016	2017
Purchase of food	\$ 2,545,769	\$ 2,548,443	\$ 2,410,025	\$ 2,469,686	\$ 2,257,049
Salaries and benefits	2,622,182	2,650,849	2,618,349	2,626,208	2,628,160
Other	150,857	213,951	299,764	312,558	319,026
Total expenses	<u>\$ 5,318,808</u>	<u>\$ 5,413,243</u>	<u>\$ 5,328,138</u>	<u>\$ 5,408,452</u>	<u>\$ 5,204,235</u>

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Purchase of food	\$ 1,113,838	\$ 999,079	\$ 944,196	\$ 954,647	\$ 979,032
Salaries and benefits	1,016,620	1,080,004	1,044,718	1,044,380	1,082,534
Other	337,106	351,326	351,548	315,534	351,327
Total expenses	<u>\$ 2,467,564</u>	<u>\$ 2,430,409</u>	<u>\$ 2,340,462</u>	<u>\$ 2,314,561</u>	<u>\$ 2,412,893</u>

EXPRESSED IN CONSTANT DOLLARS

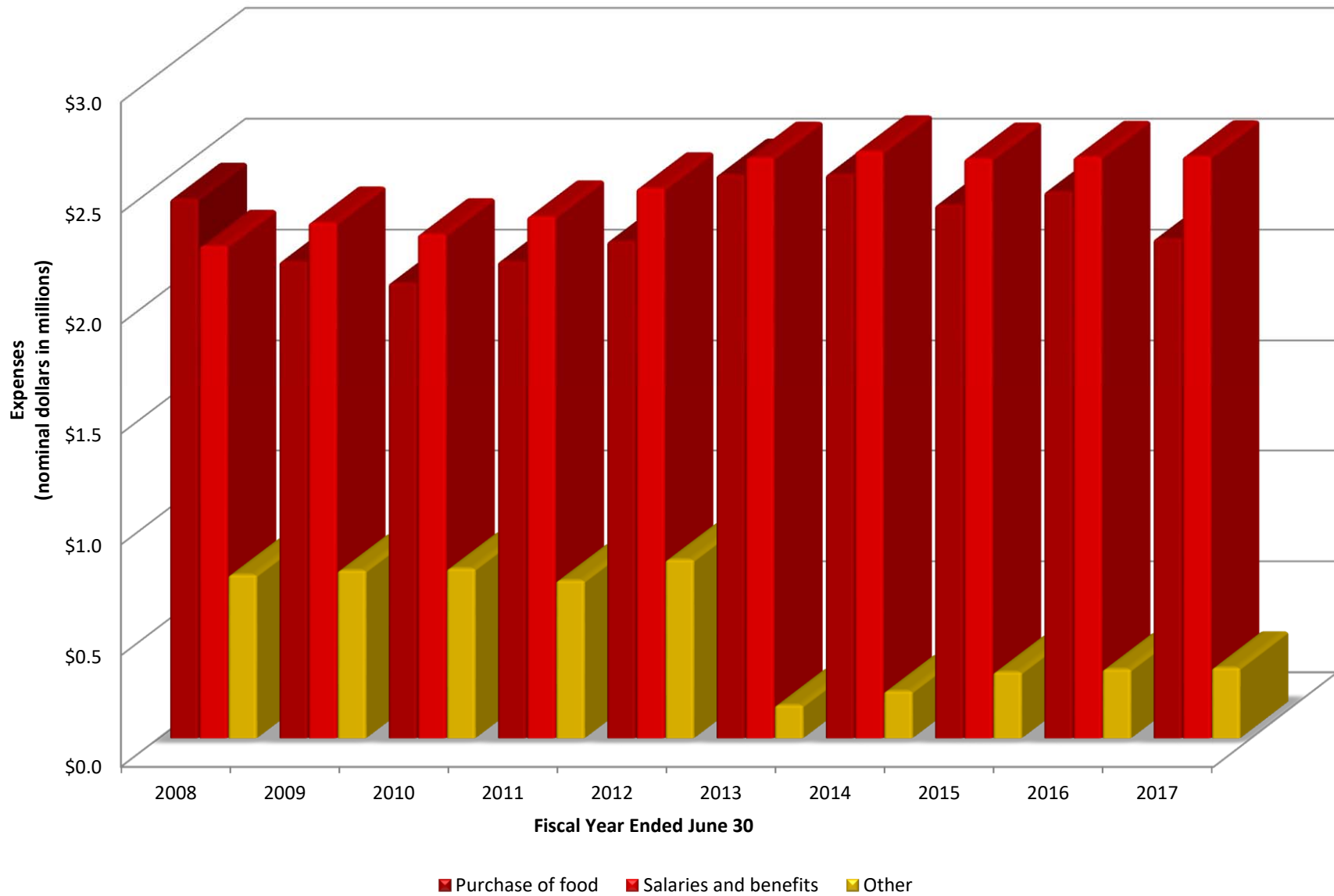
Year Ended June 30	2013	2014	2015	2016	2017
Purchase of food	\$ 1,090,246	\$ 1,069,233	\$ 1,009,908	\$ 1,024,689	\$ 921,414
Salaries and benefits	1,122,971	1,112,199	1,097,205	1,089,631	1,072,915
Other	64,606	89,766	125,615	129,682	130,239
Total expenses	<u>\$ 2,277,823</u>	<u>\$ 2,271,198</u>	<u>\$ 2,232,728</u>	<u>\$ 2,244,002</u>	<u>\$ 2,124,568</u>

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017.

Note: Other expense includes indirect costs, materials and supplies, repairs and maintenance, depreciation, and other expenses.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

Proprietary Fund - Food Services Operations Expenses by Category



DUPLIN COUNTY BOARD OF EDUCATION
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30	Installment Purchases	Total Primary Government	Percentage of Personal Income	Per Capita
2017	\$ 5,269,348	\$ 5,269,348	N/A	N/A
2016	5,142,625	5,142,625	N/A	87
2015	4,677,772	4,677,772	0.24%	80
2014	4,812,276	4,812,276	0.23%	81
2013	4,341,836	4,341,836	0.22%	72
2012	1,058,132	1,058,132	0.00%	18
2011	137,314	137,314	0.01%	3
2010	172,541	172,541	0.03%	0
2009	-	-	0.00%	4
2008	219,784	219,784	0.02%	8

N/A = Not available

Source: Duplin County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2017.

Note: Duplin County School System cannot incur debt without obtaining prior approval from the Board.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2016 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2018, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2016 and June 30, 2017 income based information will be shown above as "N/A", and the June 30, 2016 information will be reported for the year ended June 30, 2018, if applicable.

DUPLIN COUNTY BOARD OF EDUCATION **Average Daily Membership** **Last Ten Fiscal Years**



Table 11

DUPLIN COUNTY BOARD OF EDUCATION

Student Statistics Last Ten Fiscal Years

Year Ended June 30	Teaching Staff ⁽¹⁾	Students ⁽²⁾	Pupil/ Teacher Ratio	Student Attendance Percentage ⁽²⁾	Percentage of Students Receiving Free/Reduced Lunch ⁽³⁾
2017	635	9,860	1/16	94.52%	75.41%
2016	648	9,952	1/15	94.40%	74.89%
2015	636	9,881	1/16	94.25%	74.74%
2014	619	9,597	1/16	92.00%	71.83%
2013	616	9,315	1/15	94.82%	72.33%
2012	610	9,158	1/15	95.47%	76.40%
2011	614	8,945	1/15	95.53%	69.76%
2010	606	8,837	1/15	95.28%	69.71%
2009	616	8,815	1/14	95.52%	67.36%
2008	616	8,865	1/14	95.41%	66.38%

DUPLIN COUNTY BOARD OF EDUCATION

Student Statistics (continued)

Last Ten Fiscal Years

Year Ended June 30	Ethnic Distribution Percentage ⁽⁴⁾					Graduates ⁽⁴⁾	Percentage of Graduates Continuing Education ⁽⁴⁾
	White	Black	Asian	Hispanic	Other		
2017	34%	24%	1%	40%	3%	574	83%
2016	42%	28%	1%	27%	2%	602	84%
2015	40%	31%	0%	28%	1%	551	81%
2014	35%	24%	0%	38%	3%	469	85%
2013	36%	25%	0%	37%	2%	456	85%
2012	38%	25%	0%	35%	2%	533	85%
2011	38%	26%	0%	34%	2%	422	87%
2010	39%	30%	0%	31%	0%	450	84%
2009	40%	30%	0%	30%	0%	468	87%
2008	40%	32%	0%	28%	0%	431	86%

Sources:

(1) Public School Personnel Summary, North Carolina Department of Public Instruction

(2) NC Department of Public Instruction Average Daily Attendance(ADA):Average Daily Membership(ADM) Ratio Reports

(3) Duplin County Board of Education Student Data

(4) North Carolina Public Schools Statistical Profile (2008-2017 Editions).

Table 12

DUPLIN COUNTY BOARD OF EDUCATION
Full-time Equivalent Governmental Employees by Function/Program
Last Ten Fiscal Years

Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Officials, admins, mgrs	14	11	12	13	13	17	16	17	21	21
Principals	16	16	16	16	16	15	16	16	17	16
Asst. Principals, non-teaching	17	17	15	15	13	15	17	20	20	20
Total administrators	47	44	43	44	42	47	49	53	58	57
Elementary teachers	433	433	434	434	438	445	443	450	473	456
Secondary teachers	177	177	169	177	171	169	170	175	170	173
Other teachers	6	6	3	3	1	2	6	11	5	6
Total teachers	616	616	606	614	610	616	619	636	648	635
Guidance	23	22	22	22	23	20	21	21	23	26
Psychological	1	0	0	-	1	1	1	0	0	1
Librarian, audiovisual	15	14	15	15	15	14	14	14	15	15
Consultant, supervisor	-	-	-	-	-	2	0	0	0	0
Other professionals	26	26	26	27	31	30	35	37	41	30
Total professionals	728	722	712	722	722	730	739	761	785	764
Teacher Assistants	219	222	207	208	203	202	211	208	203	195
Technicians		5	5	6	6	7	8	8	8	8
Clerical, secretarial	64	66	71	68	69	67	68	68	68	66
Service workers	158	164	120	125	122	124	132	131	131	120
Skilled crafts	34	33	31	30	28	26	24	27	29	27
Laborers, unskilled	3	4	4	2	2	2	3	3	0	0
Total employees	1,206	1,216	1,150	1,161	1,152	1,158	1,185	1,206	1,224	1,180

Source: North Carolina Public Schools Statistical Profile (2008 -2017 Editions)

DUPLIN COUNTY BOARD OF EDUCATION

Instructional Personnel Last Ten Fiscal Years

Year Ended June 30	Teacher Salaries ⁽¹⁾			Bachelors Degree ⁽²⁾	Masters Degree ⁽²⁾	Advanced Degree ⁽²⁾	Doctorate Degree ⁽²⁾
	Minimum	Maximum	Average				
2017	\$ 35,000	\$ 63,530	\$ 40,755	N/A	N/A	N/A	N/A
2016	35,000	61,380	42,498	516	126	2	2
2015	33,000	61,380	39,299	490	116	1	1
2014	30,800	59,500	37,977	479	148	1	1
2013	30,800	65,270	39,714	497	90	0	1
2012	30,430	64,625	39,734	489	106	1	1
2011	30,430	64,750	40,046	485	113	2	2
2010	30,430	64,750	40,917	470	120	2	2
2009	30,430	64,750	40,994	497	111	3	3
2008	29,750	64,160	40,541	470	120	2	2

The above tabulation represents total salaries but does not include the following:

- (a) Longevity payments, ranging from 1 1/2% to 4 1/2% of the annual salary, made to each teacher for 10 or more years of service.
- (b) Payments of varying amounts for performing extra duties.
- (c) Bonus payments

Sources:

- (1) Duplin County Board of Education Payroll Data
- (2) Public Schools of North Carolina - Statistical Profile

Table 14

DUPLIN COUNTY BOARD OF EDUCATION

School Building Data

June 30, 2017

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
B. F. Grady Elementary	1994	523	932	78%	Good
Beulaville Elementary	1996	935	930	-1%	Good
Charity Middle	1951	577	491	-15%	Fair
Chinquapin Elementary	1955	600	558	-7%	Good
Warsaw Elementary	1974	632	585	-7%	Good
Duplin Early College	2009	160	182	14%	Good
E. E. Smith Middle	1954	545	365	-33%	Fair
East Duplin High	1962	750	1,018	36%	Good
James Kenan High	1956	645	739	15%	Good
Kenansville Elementary	1980	460	395	-14%	Good
North Duplin Elementary	1974	669	695	4%	Good
North Duplin Jr. Sr. High	1955	654	531	-19%	Good
Rose Hill-Magnolia Elementary	1972	742	772	4%	Good
Wallace Elementary	1974	759	828	9%	Good
Wallace-Rose Hill High	1955	715	691	-3%	Good
Warsaw Middle	1947	412	239	-42%	Fair

Source: Duplin County Board of Education PowerSchool software.

DUPLIN COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2008	2009	2010	2011	2012
Population estimate (1)	56,810	57,434	58,599	59,309	59,466
Personal income (2)	\$1,568,481,000	\$1,590,950,000	\$1,703,301,000	\$1,709,665,000	\$1,849,253,000
Per capita income (2)	\$27,609	\$27,700	\$29,067	\$28,826	\$31,098
Median age (3)	35.3	35.4	35.6	35.7	35.7
School enrollment (4)	8,865	8,815	8,837	8,945	9,158
Unemployment rate (5)	4.4%	5.8%	9.6%	9.0%	9.8%
Year Ended June 30	2013	2014	2015	2016	2017
Population estimate (1)	59,241	59,258	58,670	58,969	N/A
Personal income (2)	\$1,935,393,000	\$2,128,538,000	\$1,911,853,000	N/A	N/A
Per capita income (2)	\$32,670	\$35,920	\$32,587	N/A	N/A
Median age (3)	35.6	35.6	35.7	38.9	38.7
School enrollment (4)	9,315	9,597	9,881	9,952	9,860
Unemployment rate (5)	9.4%	6.9%	5.8%	5.5%	4.6%

N/A = Not Available

Sources:

- (1) U.S. Census Bureau. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis
- (3) Office of State Budget and Management
- (4) North Carolina Department of Public Instruction
- (5) North Carolina Employment Security Commission, annual average for prior calendar year

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2017 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2018, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2016 and June 30, 2017 income based information will be shown above as "N/A", and the June 30, 2016 information will be reported for the year ended June 30, 2018, if applicable.

Table 16

DUPLIN COUNTY, NORTH CAROLINA

Principal Employers
For Years Ended June 30, 2016 and 2007

Employer	2016			2007		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment	Employees ⁽¹⁾	Rank	Percentage of Total County Employment
Butterball LLC	1000+	1	5%	-		-
Smithfield Foods, Inc.	1000+	2	5%	-		-
House of Raeford, Inc.	1000+	3	5%	1000+	3	5%
Duplin County Schools	1000+	4	5%	1000+	4	5%
Murphy Family Ventures LLC	500-999	5	3%	500-999	6	3%
County of Duplin	500-999	6	3%	500-999	8	3%
Guilford Mills, Inc.	500-999	7	3%	500-999	5	3%
Bay Valley Foods LLC	500-999	8	3%	500-999	7	3%
Vidant Medical Center	250-499	9	2%	-		-
Burch Equip LLC	250-499	10	2%	-		-
Carolina Turkeys	-		-	1000+	1	5%
Murphy-Brown LLC	-		-	1000+	2	5%
Johnson Breeders, Inc.	-		-	250-499	9	2%
Duplin General Hospital, Inc.	-		-	250-499	10	2%
			<u>36.00%</u>			<u>36.00%</u>
Total County Employment ⁽¹⁾	<u>24,839</u>			<u>23,044</u>		

Sources:

(1) Labor and Economic Analysis Division of the NC Department of Commerce

DUPLIN COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Year Ended June 30	Governmental Activities					Business -Type Activities				Percentage of		
	Notes Payable	Certificates of Participation	Board of Education Judgment	General Obligation Debt	Limited Obligation Debt	Capitalized Leases	Notes Payable	General Obligation Debt	Limited Obligation Debt	Total Primary Government	Personal Income	Per Capita
2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2016	9,847,522	-	-	-	60,514,251	-	3,626,882	-	14,775,403	88,764,058	N/A	N/A
2015	10,012,316	-	-	-	-	-	3,883,629	-	15,314,495	29,210,440	1.53%	498
2014	10,171,014	1,357,827	-	-	-	-	1,359,427	-	15,843,587	28,731,855	1.35%	485
2013	10,323,424	2,655,657	-	-	-	-	1,711,577	15,915,000	15,915,000	46,520,658	2.40%	785
2012	10,470,245	4,093,487	-	450,000	-	-	1,181,223	16,593,300	-	32,788,255	1.77%	551
2011	10,633,783	5,451,317	-	910,000	-	-	1,294,521	16,958,500	-	35,248,121	2.06%	594
2010	10,903,563	6,754,147	4,795,784	1,380,000	-	-	1,406,457	17,306,000	-	42,545,951	2.50%	726
2009	11,455,539	8,016,977	-	1,865,000	-	14,465	1,050,143	17,635,200	-	40,037,324	2.52%	697
2008	12,094,556	9,249,807	-	2,360,000	-	49,131	1,157,060	17,949,400	-	42,859,954	2.73%	754

N/A = Not Available

Source: Duplin County, North Carolina, Annual Financial Report for the year ended June 30, 2016.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2017 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2018, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2016 and June 30, 2017 income based information will be shown above as "N/A", and the June 30, 2016 information will be reported for the year ended June 30, 2018, if applicable.

Note: This table is a ten year schedule. However, Duplin County's financial statements for the year ended June 30, 2017 had not been released at the time of this report. Therefore, June 30, 2017 information from Duplin County's financial statements will be shown above as "N/A" and will be reported for the year ended June 30, 2018, if applicable.

Table 18

DUPLIN COUNTY, NORTH CAROLINA

**Principal Property Taxpayers
June 30, 2016 and June 30, 2007**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Butterball, Inc.	\$ 133,277,918	1	3.25%	\$ -	-	-
Murphy-Brown LLC	93,735,070	2	2.29%	-	-	-
Duplin Land Development	81,352,907	3	1.98%	40,340,506	4	1.50%
House of Raeford	57,457,607	4	1.40%	14,348,814	10	0.53%
Guilford Mills	48,466,284	5	1.18%	51,614,001	2	1.92%
Duke Progress Energy	40,060,644	6	0.98%	-	-	-
Nash Johnson & Sons	39,908,395	7	0.97%	22,940,780	7	0.85%
Murphy Family Ventures	34,295,617	8	0.84%	-	-	-
Coastal Carolina Green Power	27,544,732	9	0.67%	-	-	-
Four County EMC	27,928,492	10	0.68%	16,417,589	9	0.61%
Carolina Turkeys	-	-	-	84,484,276	1	3.14%
Murphy Farms, Inc.	-	-	-	45,994,755	3	1.71%
Carroll's Food	-	-	-	33,747,276	5	1.25%
Murfarm, Inc.	-	-	-	33,491,808	5	1.25%
Carolina Power & Light Co.	-	-	-	20,596,656	8	0.77%
	<u>\$ 584,027,666</u>		<u>14.24%</u>	<u>\$ 363,976,461</u>		<u>13.53%</u>
Total Assessed Valuation	<u>\$ 4,099,207,534</u>			<u>\$ 2,689,056,000</u>		

Source: Duplin County, North Carolina, Annual Financial Report for the year ended June 30, 2016.

Note: This table is a ten year schedule. However, Duplin County's financial statements for the year ended June 30, 2017 had not been released at the time of this report. Therefore, the most recent ten year comparison of principal property tax payers released by Duplin County is shown above

DUPLIN COUNTY, NORTH CAROLINA
Property Tax Levies and Current Collections
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected
2017	N/A	N/A	N/A
2016	26,948,314	26,102,572	96.86%
2015	29,749,210	28,972,293	97.39%
2014	29,583,582	28,461,798	96.21%
2013	28,023,946	26,579,982	94.85%
2012	27,109,094	25,724,577	94.89%
2011	25,952,188	24,537,688	94.55%
2010	25,836,831	24,353,960	94.26%
2009	25,128,446	23,741,088	94.48%
2008	24,233,502	22,867,344	94.36%

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2017	N/A	N/A
2016	11,181,038	10,830,134
2015	12,466,250	12,140,687
2014	12,412,188	11,941,529
2013	12,001,484	11,383,095
2012	11,813,374	11,210,041
2011	11,497,412	10,870,756
2010	11,853,660	11,173,335
2009	11,650,098	11,006,888
2008	11,074,882	10,450,538

N/A = Not Available

Source: Duplin County, North Carolina, Annual Financial Report for the year ended June 30, 2016.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).



Compliance Section



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

INDEPENDENT AUDITORS' REPORT

To the Duplin County Board of Education
Kenansville, 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 Duplin County Board of Education, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Duplin County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

*October 6, 2017
West End, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance With Requirements Applicable to Each Major Federal Program
And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and
the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Duplin County Board of Education
Kenansville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Duplin County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2017. The Duplin County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Duplin County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Duplin County of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Duplin County Board of Education complied, in all material respects, with the 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, 2017.

Report on Internal Control Over Compliance

Management of the Duplin County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Duplin County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Duplin County Board of Education'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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Smith & Wike PLLC

October 6, 2017
West End, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance With Requirements Applicable to Each Major State
Program and Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and
The State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Duplin County Board of Education
Kenansville, North Carolina

Report on Compliance for Each Major State Program

We have audited Duplin County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2017. The Duplin County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Duplin County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, 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 Duplin County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Duplin County Board of Education complied, in all material respects, with the 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, 2017.

Report on Internal Control Over Compliance

Management of the Duplin County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Duplin County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance 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 Duplin County Board of Education'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 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Smith & Wike PLLC

*October 6, 2017
West End, North Carolina*

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *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)? *No*

Identification of major federal programs:

CFDA Numbers	Names of Federal Programs or Clusters
84.010	Title I - Educationally Deprived Children

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

Auditee qualified as low-risk auditee? *Yes*

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *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

No

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - 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.

Section IV - State Award Findings and Questioned Costs

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

***DUPLIN COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017***

There were no audit findings reported in the prior year.

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 398,780
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		1,195,873
National School Lunch Program	10.555		3,324,305
Summer Food Service Program for Children	10.559		26,838
Cash Assistance Subtotal			4,547,016
Total Child Nutrition Cluster:			4,945,796
Fresh Fruit and Vegetable Grant	10.582		18,788
Total U.S. Department of Agriculture			4,964,584
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	4,190,222
Education for Homeless Children	84.196	PRC 026	33,492
Race to the Top - Wireless Infrastructure	85.395	PRC 160	-
Supporting Effective Instruction	84.367	PRC 103	381,991
Rural and Low Income Education	84.658	PRC 109	206,503
English Language Acquisition Grants	84.365	PRC 104	168,966
Language Acquisition - Significant Increase	84.365	PRC 111	11,864
Special Education - State Personnel Development	84.323	PRC 082	39,263
Title I, Migrant Education	84.011	PRC 051	77,730
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	2,088,665
- Targeted Assistance	84.027	PRC 118	10,000
- Targeted Assistance for Preschool	84.027	PRC 119	3,117
- Preschool Handicapped	84.173	PRC 049	2,132
Total Special Education Cluster:			2,103,914

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Passed-through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States - Program Development	84.048	PRC 017	189,612
Total U.S. Department of Education			7,403,557
<u>U.S. Department of Defense</u> Direct Program: JROTC	NONE		157,400
<u>U.S. Department of Health and Human Services</u> <u>Health Resources and Services Administration</u> Direct Program: Head Start	93.600		1,288,193
Passed-through the N.C. Department of Public Instruction: Title V Abstinence Education	93.235	PRC 101	5,222
Total U.S. Department of Health and Human Services			1,293,415
Total federal assistance			13,818,956
State Grants:			
<u>N.C. Department of Public Instruction:</u> State Public School Fund Driver Training - SPSF School Technology Fund - SPSF Vocational Education - State Months of Employment - Program Support Funds		PRC 012 PRC 015 PRC 013 PRC 014	56,148,606 154,156 116,536 2,648,035 155,497
Passed-through Duplin County Public School Building Capital Fund - Lottery			2,172,691
Total N.C. Department of Public Instruction			61,395,521
<u>N.C. Department of Public Instruction:</u> School buses - Noncash Textbooks - Noncash			785,003 10,654
Total N.C. Department of Public Instruction - Noncash			795,657
<u>N.C. Department of Health and Human Services:</u> North Carolina Pre-Kindergarten Program			1,184,100

DUPLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Passed-through the Duplin County Partnership for Children Smart Start			192,725
Total N.C. Department of Health and Human Services			1,376,825
<u>N.C. Department of Cultural Resources</u>			
N.C. Arts Council Grant			9,049
<u>N.C. Department of Juvenile Justice and Delinquency Prevention</u>			
Gang Awareness Grant			760
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Funds			12,835
<u>Office of the Governor</u>			
Education Workforce & Innovation Program			254,197
Total State assistance			63,844,844
Total federal and State assistance			\$ 77,663,800

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 Duplin County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Duplin County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Duplin County Schools.

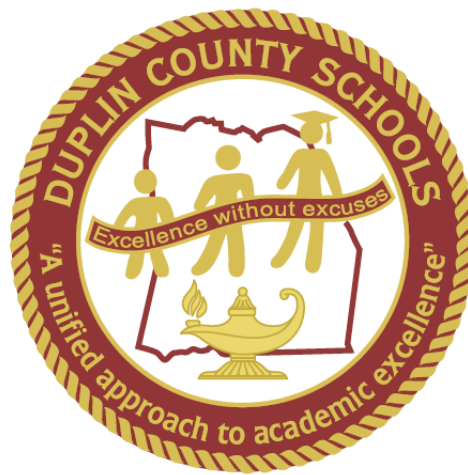
Note 2. Summary of Significant Accounting Policies

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

Duplin County Schools 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



**DUPLIN COUNTY BOARD OF EDUCATION
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