

**CASWELL COUNTY
BOARD OF EDUCATION
Yanceyville, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2018*

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Caswell County Board of Education
Yanceyville, 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 Caswell County Board of Education, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the 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 Caswell County Board of Education as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Restricted Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

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, OPEB Liability and OPEB Asset and the Schedule of Board Contributions on pages 54 through 59, 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 Caswell County Board of Education's basic financial statements. The individual nonmajor fund schedules, budgetary schedules and 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 nonmajor fund 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 nonmajor fund schedules, budgetary schedules and other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the Caswell County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Caswell County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 7, 2018
West End, North Carolina
(910) 603-0508

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Caswell 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, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

As discussed in Note 5 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. As a result, net position as previously reported at June 30, 2017 for the governmental and business-type activities decreased by \$34,356,564 and \$1,229,204 respectively.

- For the fiscal year ended June 30, 2018, the Board's total government-wide net position (not including the decrease in net position due to the GASB 75 restatement) decreased by \$1.5 million. Governmental activities net position decreased by \$1.5 million, and business-type activities net position decreased by \$26,000.
- The Board's average daily membership (ADM) for the fiscal year ended June 30, 2018 was 2,603 students, a decrease of 39 students from the 2017 ADM of 2,642.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (assets) and the Schedules of Board Contributions.*
- *Supplemental section that presents individual fund statements and schedules on a budgetary basis for certain governmental funds and the 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 funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 district's property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

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

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

Caswell 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 district-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between them. 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.

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

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

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

The proprietary fund statements are shown as Exhibits 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. Caswell County Board of Education has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

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

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded Assets and deferred outflows of resources by \$15.2 million as of June 30, 2018 as compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$21.9 million as of June 30, 2017, a decrease of \$37.1 million. As previously discussed, this decrease is primarily due to the implementation of GASB 75 during the year which had the effect of reducing beginning of the year net position by \$35.6 million. The largest component of net position is net investment in capital assets of \$21.5 million.

Following is a summary of the Statement of Net Position at June 30, 2018 and 2017:

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current assets	\$ 5,517,129	\$ 5,223,656	\$ 783,616	\$ 766,881	\$ 6,300,745	\$ 5,990,537
Capital assets	21,698,324	22,367,819	22,615	31,248	21,720,939	22,399,067
Total assets	27,215,453	27,591,475	806,231	798,129	28,021,684	28,389,604
Deferred outflows of resources	6,559,467	6,026,181	234,683	231,336	6,794,150	6,257,517
Current liabilities	1,823,466	1,957,990	40,064	41,925	1,863,530	1,999,915
Long-term liabilities	36,483,621	9,871,857	1,313,506	384,968	37,797,127	10,256,825
Total liabilities	38,307,087	11,829,847	1,353,570	426,893	39,660,657	12,256,740
Deferred inflows of resources	9,985,987	454,110	357,276	17,433	10,343,263	471,543
Net investment in						
capital assets	21,486,099	21,986,296	22,615	31,248	21,508,714	22,017,544
Restricted net position	953,903	1,002,650	3,550	-	957,453	1,002,650
Unrestricted net position (deficit)	(36,958,156)	(1,655,247)	(696,097)	553,891	(37,654,253)	(1,101,356)
Total net position (deficit)	\$ (14,518,154)	\$ 21,333,699	\$ (669,932)	\$ 585,139	\$ (15,188,086)	\$ 21,918,838

The net position of the Board's governmental activities decreased \$35.9 million during the year, from \$21.3 million at June 30, 2017 to \$(14.5) million at June 30, 2018, indicating a decline in the financial condition of the Board. The GASB 75 restatement accounted for the majority of this decrease, reducing beginning of year governmental activities net position by \$34.4million. Net investment in capital assets decreased by \$500,000 while restricted net position decreased by \$49,000 and unrestricted net position decreased by \$35.3 million. The decrease in net investment in capital assets is due to an excess of depreciation over capital additions for the year. Restricted net position decreased due primarily to an excess of expenditures over revenues in the Capital Outlay fund. Unrestricted net position decreased from a negative \$1.7 million to a negative \$37.0 million due primarily to implementation of GASB 75.

Net of a reduction of \$1.2 million to the beginning of the year net position for implementation of GASB 75, the net position of the Board's business-type activities decreased \$26,000 during the year, from \$585,000 at June 30, 2017 to \$(670,000) as of June 30, 2018. This decrease of \$26,000 is the net loss generated by our School Food Service fund offset by the profit in the Child Care fund from operations during the 2018 fiscal year. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues:						
Program revenues:						
Charges for services	\$ 656,386	\$ 693,189	\$ 309,651	\$ 322,230	\$ 966,037	\$ 1,015,419
Operating grants and contributions	20,430,208	19,397,599	1,345,255	1,406,454	21,775,463	20,804,053
Capital grants and contributions	169,298	316,088	-	-	169,298	316,088
General revenues:						
County appropriations	3,453,884	3,430,087	-	-	3,453,884	3,430,087
State appropriations	-	136,560	-	-	-	136,560
Other revenues	3,212,655	2,935,640	2,701	3,014	3,215,356	2,938,654
Total revenues	<u>27,922,431</u>	<u>26,909,163</u>	<u>1,657,607</u>	<u>1,731,698</u>	<u>29,580,038</u>	<u>28,640,861</u>
Expenses:						
Governmental activities:						
Instructional services	22,235,870	20,720,189	-	-	22,235,870	20,720,189
System-wide support services	6,797,629	6,314,199	-	-	6,797,629	6,314,199
Ancillary services	84,871	86,286	-	-	84,871	86,286
Payments to other governments	204,363	205,087	-	-	204,363	205,087
Interest on long-term debt	-	-	-	-	-	-
Unallocated depreciation	48,139	55,696	-	-	48,139	55,696
Business-type activities:						
School food service	-	-	1,662,569	1,636,391	1,662,569	1,636,391
Child care	-	-	67,753	68,823	67,753	68,823
Total expenses	<u>29,370,872</u>	<u>27,381,457</u>	<u>1,730,322</u>	<u>1,705,214</u>	<u>31,101,194</u>	<u>29,086,671</u>
Excess (deficiency) before transfers	(1,448,441)	(472,294)	(72,715)	26,484	(1,521,156)	(445,810)
Transfers in (out)	(46,848)	(63,596)	46,848	63,596	-	-
Increase (decrease) in net position	<u>(1,495,289)</u>	<u>(535,890)</u>	<u>(25,867)</u>	<u>90,080</u>	<u>(1,521,156)</u>	<u>(445,810)</u>
Beginning net position, as previously reported	21,333,699	21,869,589	585,139	495,059	21,918,838	22,364,648
Restatement	(34,356,564)	-	(1,229,204)	-	(35,585,768)	-
Beginning net position (deficit), restated	<u>(13,022,865)</u>	<u>21,869,589</u>	<u>(644,065)</u>	<u>495,059</u>	<u>(13,666,930)</u>	<u>22,364,648</u>
Ending net position (deficit)	<u>\$ (14,518,154)</u>	<u>\$ 21,333,699</u>	<u>\$ (669,932)</u>	<u>\$ 585,139</u>	<u>\$ (15,188,086)</u>	<u>\$ 21,918,838</u>

Total governmental activities generated revenues of \$27.9 million while expenses in this category totaled \$29.4 million for the year ended June 30, 2018, resulting in a decrease in net position of \$1.5 million (including transfers out to business-type activities of \$47,000). Comparatively, revenues were \$26.9 million, expenses totaled \$27.4 million and transfers out were \$64,000 for the year ended June 30, 2017,

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

resulting in a decrease in net position of \$536,000. In comparing the two years, revenues increased \$1.0 million and expenses increased by \$2.0 million. The overall increase in revenues is primarily attributable to a \$501,000 increase in the State Public School fund due to increased State funding as a result of increases in average salaries as well as a \$555,000 increase in funding from the General and Special Revenue fund as a result of a 1:1 computer Grant received. The overall increase in expenses is largely attributable to a \$360,000 increase in pension expense and the recording of \$1.7 million of OPEB expense due to the implementation of GASB 75. See the footnotes for detailed information regarding pension and OPEB-related amounts and disclosures.

The Board's primary sources of revenues were funding from the State of North Carolina, Caswell County, and the United States Government, which respectively comprised 71.7%, 12.2% and 7.3% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 74.1% of our total expenses during the most recent fiscal year. Of the remaining 25.9% of our total expenses, 21.4% was attributable to system-wide support services.

Our business-type activities generated revenues of \$1.7 million, while expenses in this category totaled \$1.7 million as well, for the year ended June 30, 2018. For the year, excluding the restatement reported due to the implementation of GASB 75, net position decreased by \$26,000 (including transfers in of \$47,000). Comparatively, revenues were \$1.7 million; expenses were \$1.7 million and transfers in were \$64,000 for the year ended June 30, 2017, resulting in an increase in net position of \$90,000. In comparing the two years, revenues decreased by \$74,000 while expenses increased by \$25,000, primarily due to the recording of \$59,000 in OPEB expense related to the implementation of GASB 75.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Caswell 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.

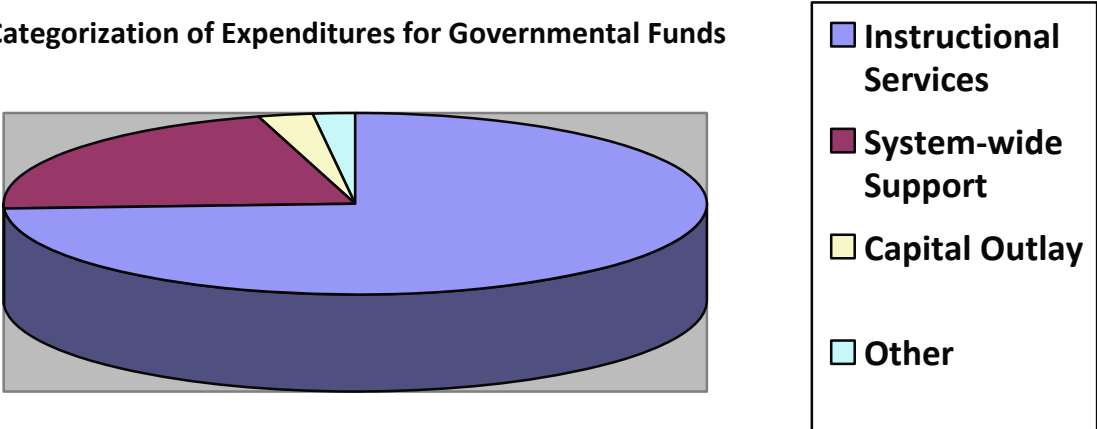
The Board's governmental funds reported a combined fund balance of \$4.5 million at June 30, 2018, an increase of \$326,000 from the amount reported at June 30, 2017. The Capital Outlay and Individual Schools funds each reported decreases in fund balance for the year, while the General fund and Other Special Revenue fund reported increases in fund balance. Overall, total governmental fund revenues increased by \$1.0 million while total expenditures increased by \$610,000 over the prior year. The increase in revenues and expenditures is attributable primarily to an increase in the State Public School Fund to fund increased teacher salaries and the local funds, which received a \$728,000 1:1 grant. There was also an increase in revenues in the Federal Grants fund of \$233,000, offset by a decrease in revenues in the Capital Outlay fund of \$200,000.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these funds are expended in the year received. In comparing the year ended June 30, 2018 to 2017, the State Public School Fund reported an increase in revenues (and expenditures) of \$501,000, or 2.6%, and the Federal Grants Fund reported an increase of \$233,000, or 12.9%.

The following chart summarizes governmental fund expenditures:

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

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type funds, the School Food Service Fund and the Child Care Fund, reported a combined decrease in net position of \$26,000 for the fiscal year ended June 30, 2018 compared to an increase of \$90,000 for the same 2017 period excluding the restatement reported due to the implementation of GASB 75. The restatement decreased net position in the School Food Service Fund and Child Care Fund by \$1.2 million and \$45,000, respectively. Net loss in the School Food Service Fund (including transfers in) was \$28,000 for the fiscal year ended June 30, 2018 compared to a net income of \$88,000 for 2017, a decrease of \$116,000. The Child Care Fund reported a net income of \$2,000 in 2018 compared to a net income of \$2,000 in 2017; there were no significant changes in the Child Care Fund expenses or child care fees.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. The Board's General Fund reported an increase in fund balance for the year ended June 30, 2018 of \$291,000, compared to an increase of \$214,000 in 2017. Revenues decreased by \$584,000 due to the creation of the Other Special Revenue fund in which special grants were transferred to. Expenditures decreased by \$662,000 over the prior year, primarily due to the creation of the Other Special Revenue fund. Through effective cost-containment and budget management practices, the Board was able to keep expenditures below budget and not use any fund balance in the current year.

Capital Assets

Total primary government capital assets were \$21.7 million at June 30, 2018 compared to \$22.4 million at June 30, 2017, a decrease of 3.0%. The decrease is attributable to an excess of depreciation expense over capital additions for the year. More detailed information about the Board's capital assets is contained in Note 3 - Detail Notes to the financial statements.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following is a summary of the Board’s capital assets, net of depreciation, at June 30, 2018 and 2017:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>
Land	\$ 1,300,521	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521	\$ 1,300,521
Construction in progress	-	-	-	-	-	-
Buildings and improvements	19,380,024	19,921,482	-	-	19,380,024	19,921,482
Equipment and furniture	319,744	243,780	22,615	31,248	342,359	275,028
Vehicles	698,035	902,036	-	-	698,035	902,036
Total	\$ 21,698,324	\$ 22,367,819	\$ 22,615	\$ 31,248	\$ 21,720,939	\$ 22,399,067

Debt Outstanding

During the year, the Board’s long-term debt decreased from \$382,000 at June 30, 2017 to \$212,000 at June 30, 2018. 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. More detailed information about the Board’s outstanding debt is contained in note 3 to the financial statements.

Economic Factors

The Board anticipates decreased enrollment over the next several years and will continue to need highly qualified teachers, technology, and equipment to increase student opportunities and achievement. County funding is a major source of income for the Board; therefore, the County’s economic outlook directly affects that of the school district. The following factors have affected the economic outlook of Caswell County.

- Caswell County’s population estimation of approximately 22,600 is a decrease of approximately 4.9% since 2010.
- The unadjusted unemployment rate in Caswell County at June 30, 2018 was 4.8%, slightly above that of the State at 4.2%.

Requests for Information

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

Amy Chandler, CPA
Chief Finance Officer
Caswell County Board of Education
P.O. Box 160
Yanceyville, NC 27379

CASWELL COUNTY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 1,480,359	\$ 176,363	\$ 1,656,722
Investments	3,233,496	509,691	3,743,187
Due from other governments	733,074	29,830	762,904
Receivables	-	1,518	1,518
Net OPEB asset	50,936	1,823	52,759
Inventories	-	64,391	64,391
Prepays	19,264	-	19,264
Capital assets:			
Land and construction in progress	1,300,521	-	1,300,521
Other capital assets, net of depreciation	20,397,803	22,615	20,420,418
Total capital assets	<u>21,698,324</u>	<u>22,615</u>	<u>21,720,939</u>
Total assets	<u>27,215,453</u>	<u>806,231</u>	<u>28,021,684</u>
Deferred Outflows of Resources	<u>6,559,467</u>	<u>234,683</u>	<u>6,794,150</u>
Liabilities			
Accounts payable and accrued expenses	175,173	608	175,781
Accrued salaries and wages payable	769,150	-	769,150
Unearned revenue	-	5,312	5,312
Long-term liabilities:			
Due within one year	879,143	34,144	913,287
Due in more than one year	1,020,414	44,709	1,065,123
Net pension liability	7,481,117	267,658	7,748,775
Net OPEB liability	<u>27,982,090</u>	<u>1,001,139</u>	<u>28,983,229</u>
Total liabilities	<u>38,307,087</u>	<u>1,353,570</u>	<u>39,660,657</u>
Deferred Inflows of Resources	<u>9,985,987</u>	<u>357,276</u>	<u>10,343,263</u>
Net position			
Net investment in capital assets	21,486,099	22,615	21,508,714
Restricted for:			
School capital outlay	708,666	-	708,666
Individual schools activities	146,002	-	146,002
DIPNC OPEB plan	99,235	3,550	102,785
Unrestricted (deficit)	<u>(36,958,156)</u>	<u>(696,097)</u>	<u>(37,654,253)</u>
Total net position (deficit)	<u>\$ (14,518,154)</u>	<u>\$ (669,932)</u>	<u>\$ (15,188,086)</u>

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

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	\$ 14,180,457	\$ -	\$ 11,476,620	\$ -	\$ (2,703,837)	\$ -	\$ (2,703,837)
Special populations	2,646,820	-	2,490,023	-	(156,797)	-	(156,797)
Alternative programs	1,688,051	-	1,375,780	-	(312,271)	-	(312,271)
School leadership	1,529,395	-	847,229	-	(682,166)	-	(682,166)
Co-curricular	532,623	379,877	-	-	(152,746)	-	(152,746)
School-based support	1,658,524	-	1,306,870	-	(351,654)	-	(351,654)
System-wide support services:							
Support and development	115,288	-	15,568	-	(99,720)	-	(99,720)
Special population support and development	143,756	-	135,299	-	(8,457)	-	(8,457)
Alternative programs and services support and development	65,625	-	60,807	-	(4,818)	-	(4,818)
Technology support	526,726	-	233,502	-	(293,224)	-	(293,224)
Operational support	4,612,299	269,553	1,754,849	169,298	(2,418,599)	-	(2,418,599)
Financial and human resource services	545,609	6,956	243,049	-	(295,604)	-	(295,604)
Accountability	184,577	-	177,315	-	(7,262)	-	(7,262)
Policy, leadership and public relations	603,749	-	233,303	-	(370,446)	-	(370,446)
Ancillary services	84,871	-	-	-	(84,871)	-	(84,871)
Non-programmed charges	204,363	-	79,994	-	(124,369)	-	(124,369)
Unallocated depreciation expense**	48,139	-	-	-	(48,139)	-	(48,139)
Total governmental activities	<u>29,370,872</u>	<u>656,386</u>	<u>20,430,208</u>	<u>169,298</u>	<u>(8,114,980)</u>	<u>-</u>	<u>(8,114,980)</u>
Business-type activities:							
School food service	1,662,569	240,008	1,345,255	-	-	(77,306)	(77,306)
Child care	67,753	69,643	-	-	-	1,890	1,890
Total business-type activities	<u>1,730,322</u>	<u>309,651</u>	<u>1,345,255</u>	<u>-</u>	<u>-</u>	<u>(75,416)</u>	<u>(75,416)</u>
Total primary government	<u>\$ 31,101,194</u>	<u>\$ 966,037</u>	<u>\$ 21,775,463</u>	<u>\$ 169,298</u>	<u>(8,114,980)</u>	<u>(75,416)</u>	<u>(8,190,396)</u>
General revenues:							
Unrestricted county and city appropriations - operating					2,955,000	-	2,955,000
Unrestricted county appropriations - capital					498,884	-	498,884
Unrestricted State appropriations - operating					2,668,011	-	2,668,011
Investment earnings, unrestricted					14,386	2,701	17,087
Miscellaneous, unrestricted					530,258	-	530,258
Transfers					(46,848)	46,848	-
Total general revenues and transfers					<u>6,619,691</u>	<u>49,549</u>	<u>6,669,240</u>
Change in net position					(1,495,289)	(25,867)	(1,521,156)
Net position - beginning					<u>21,333,699</u>	<u>585,139</u>	<u>21,918,838</u>
Restatement (Note 5)					<u>(34,356,564)</u>	<u>(1,229,204)</u>	<u>(35,585,768)</u>
Net position (deficit) - beginning, as restated					<u>(13,022,865)</u>	<u>(644,065)</u>	<u>(13,666,930)</u>
Net position (deficit) - ending					<u>\$ (14,518,154)</u>	<u>\$ (669,932)</u>	<u>\$ (15,188,086)</u>

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

**CASWELL COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 584,502	\$ -	\$ -	\$ 558,209	\$ 229,981	\$ 107,667	\$ 1,480,359
Investments	2,676,763	-	-	-	518,398	38,335	3,233,496
Due from other governments	-	677,884	55,190	-	-	-	733,074
Prepays	19,264	-	-	-	-	-	19,264
Total assets	\$ 3,280,529	\$ 677,884	\$ 55,190	\$ 558,209	\$ 748,379	\$ 146,002	\$ 5,466,193
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 135,460	\$ -	\$ -	\$ -	\$ 39,713	\$ -	\$ 175,173
Accrued salaries and wages payable	26,728	677,884	55,190	9,348	-	-	769,150
Total liabilities	162,188	677,884	55,190	9,348	39,713	-	944,323
Fund balances:							
Nonspendable:							
Prepays	19,264	-	-	-	-	-	19,264
Restricted:							
School capital outlay	-	-	-	-	708,666	-	708,666
Individual schools	-	-	-	-	-	146,002	146,002
Assigned:							
Subsequent year's expenditures	300,000	-	-	-	-	-	300,000
Special revenue programs	-	-	-	548,861	-	-	548,861
Unassigned	2,799,077	-	-	-	-	-	2,799,077
Total fund balances	3,118,341	-	-	548,861	708,666	146,002	4,521,870
Total liabilities, deferred inflows of resources and fund balances	\$ 3,280,529	\$ 677,884	\$ 55,190	\$ 558,209	\$ 748,379	\$ 146,002	\$ 5,466,193

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

CASWELL COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 3 (continued)

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

Total fund balance (All Governmental Funds)	4,521,870
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,698,324
Net OPEB asset	50,936
Deferred outflows of resources related to pensions	4,079,305
Deferred outflows of resources related to OPEB plans	2,480,162
Some liabilities, including those for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,899,557)
Net pension liability	(7,481,117)
Net OPEB liability	(27,982,090)
Deferred inflows of resources related to pensions	(263,080)
Deferred inflows of resources related to OPEB plans	<u>(9,722,907)</u>
Net position (deficit) of governmental activities	<u>\$ (14,518,154)</u>

CASWELL COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ 200,000	\$ 19,722,417	\$ -	\$ -	\$ 169,298	\$ -	\$ 20,091,715
Caswell County							
Local current expense	2,955,000	-	-	-	-	-	2,955,000
Other	-	-	-	-	465,000	-	465,000
U.S. Government	-	-	2,043,602	-	-	-	2,043,602
Other	787,045	-	-	1,139,156	154,090	379,877	2,460,168
Total revenues	3,942,045	19,722,417	2,043,602	1,139,156	788,388	379,877	28,015,485
Expenditures:							
Current:							
Instructional services:							
Regular instructional	363,910	11,410,466	156,715	851,664	-	-	12,782,755
Special populations	39,158	1,895,349	595,388	-	-	-	2,529,895
Alternative programs	253,677	384,675	991,105	-	-	-	1,629,457
School leadership	69,046	1,368,770	2,887	-	-	-	1,440,703
Co-curricular	118,221	-	-	-	-	409,029	527,250
School-based support	206,368	1,345,443	9,728	-	-	-	1,561,539
System-wide support services:							
Support and development	93,677	15,270	298	-	-	-	109,245
Special population support and development	-	69,225	66,074	-	-	-	135,299
Alternative programs and services support and development	-	8,805	52,002	-	-	-	60,807
Technology support	24,618	338,881	-	136,050	-	-	499,549
Operational support	1,548,975	2,212,229	62,200	-	-	-	3,823,404
Financial and human resource services	294,830	215,838	27,211	-	-	-	537,879
Accountability	1,377	177,315	-	-	-	-	178,692
Policy, leadership and public relations	349,344	233,303	-	-	-	-	582,647
Ancillary services	82,985	-	-	-	-	-	82,985
Non-programmed charges	204,363	-	79,994	-	-	-	284,357
Debt service:							
Principal retirement	-	-	-	-	169,298	-	169,298
Capital outlay	-	-	-	-	706,837	-	706,837
Total expenditures	3,650,549	19,675,569	2,043,602	987,714	876,135	409,029	27,642,598
Revenues over (under) expenditures	291,496	46,848	-	151,442	(87,747)	(29,152)	372,887
Other financing sources (uses):							
Transfers from (to) other funds	-	(46,848)	-	-	-	-	(46,848)
Net change in fund balance	291,496	-	-	151,442	(87,747)	(29,152)	326,039
Fund balances:							
Beginning of year, as restated	2,826,845	-	-	397,419	796,413	175,154	4,195,831
End of year	\$ 3,118,341	\$ -	\$ -	\$ 548,861	\$ 708,666	\$ 146,002	\$ 4,521,870

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

CASWELL COUNTY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 326,039
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(669,495)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,579,553
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	906,998
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	169,298
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	(2,084,759)
OPEB expense	(1,724,333)
Compensated absences	<u>1,410</u>
Total changes in net position of governmental activities	<u>\$ (1,495,289)</u>

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

CASWELL COUNTY SCHOOLS
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, 2018

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Caswell County	2,955,000	2,955,000	2,955,000	-
U.S. Government	-	-	-	-
Other	<u>586,050</u>	<u>653,479</u>	<u>787,045</u>	<u>133,566</u>
Total revenues	<u>3,741,050</u>	<u>3,808,479</u>	<u>3,942,045</u>	<u>133,566</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	314,309	381,269	363,910	17,359
Special populations	157,233	157,233	39,158	118,075
Alternative programs	221,276	255,805	253,677	2,128
School leadership	20,000	72,740	69,046	3,694
Co-curricular	118,585	118,585	118,221	364
School-based support	207,599	207,599	206,368	1,231
System-wide support services				
Support and development	77,027	94,777	93,677	1,100
Special populations	-	-	-	-
Alternative programs	-	-	-	-
Technology support	30,093	30,093	24,618	5,475
Operational support	1,608,052	1,634,841	1,548,975	85,866
Financial and human resource services	293,242	298,441	294,830	3,611
Accountability	26,401	2,500	1,377	1,123
Policy, leadership and public relations	363,271	358,071	349,344	8,727
Ancillary services				
Community	78,962	78,962	82,985	(4,023)
Nutrition	-	-	-	-
Nonprogrammed charges	<u>225,000</u>	<u>204,363</u>	<u>204,363</u>	<u>-</u>
Total expenditures	<u>3,741,050</u>	<u>3,895,279</u>	<u>3,650,549</u>	<u>244,730</u>
Revenues over (under) expenditures	-	(86,800)	291,496	378,296
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	<u>86,800</u>	-	<u>(86,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	291,496	<u>\$ 291,496</u>
Fund balances:				
Beginning of year, as restated (Note 6)			<u>2,826,845</u>	
End of year			<u>\$ 3,118,341</u>	

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

CASWELL COUNTY SCHOOLS
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, 2018

Exhibit 6 (continued)

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 19,935,219	\$ 20,825,185	\$ 19,722,417	\$ (1,102,768)
Caswell County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>19,935,219</u>	<u>20,825,185</u>	<u>19,722,417</u>	<u>(1,102,768)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	11,821,018	11,937,216	11,410,466	526,750
Special populations	1,825,996	1,885,477	1,895,349	(9,872)
Alternative programs	516,866	617,509	384,675	232,834
School leadership	1,467,303	1,481,627	1,368,770	112,857
Co-curricular	-	-	-	-
School-based support	1,414,309	1,446,298	1,345,443	100,855
System-wide support services				
Support and development	68,191	52,700	15,270	37,430
Special populations	70,193	70,233	69,225	1,008
Alternative programs	1,116	9,450	8,805	645
Technology support	232,426	384,948	338,881	46,067
Operational support	1,878,179	2,243,981	2,212,229	31,752
Financial and human resource services	241,664	235,362	215,838	19,524
Accountability	130,743	179,812	177,315	2,497
Policy, leadership and public relations	229,715	233,303	233,303	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>19,897,719</u>	<u>20,777,916</u>	<u>19,675,569</u>	<u>1,102,347</u>
Revenues over (under) expenditures	37,500	47,269	46,848	(421)
Other financing uses:				
Transfers to other funds	(37,500)	(47,269)	(46,848)	421
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

CASWELL COUNTY SCHOOLS
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, 2018

Exhibit 6 (continued)

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	-	-	-	-
U.S. Government	2,488,122	2,559,350	2,043,602	(515,748)
Other	-	-	-	-
Total revenues	<u>2,488,122</u>	<u>2,559,350</u>	<u>2,043,602</u>	<u>(515,748)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	143,226	172,755	156,715	16,040
Special populations	607,649	855,950	595,388	260,562
Alternative programs	1,092,663	1,136,157	991,105	145,052
School leadership	3,000	3,000	2,887	113
Co-curricular	-	-	-	-
School-based support	10,000	65,440	9,728	55,712
System-wide support services				
Support and development	300	300	298	2
Special populations	65,676	86,789	66,074	20,715
Alternative programs	71,023	52,082	52,002	80
Technology support	-	-	-	-
Operational support	66,645	64,052	62,200	1,852
Financial and human resource services	27,212	27,211	27,211	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	<u>400,728</u>	<u>95,614</u>	<u>79,994</u>	<u>15,620</u>
Total expenditures	<u>2,488,122</u>	<u>2,559,350</u>	<u>2,043,602</u>	<u>515,748</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

CASWELL COUNTY SCHOOLS
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, 2018

Exhibit 6 (continued)

	Other Special Revenue Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	-	-	-	-
U.S. Government	-	-	-	-
Other	<u>1,141,817</u>	<u>1,141,817</u>	<u>1,139,156</u>	<u>(2,661)</u>
Total revenues	<u>1,141,817</u>	<u>1,141,817</u>	<u>1,139,156</u>	<u>(2,661)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	951,193	951,193	851,664	99,529
Special populations	-	-	-	-
Alternative programs	-	-	-	-
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	-	-	-	-
System-wide support services				
Support and development	-	-	-	-
Special populations	-	-	-	-
Alternative programs	-	-	-	-
Technology support	190,624	190,624	136,050	54,574
Operational support	-	-	-	-
Financial and human resource services	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>1,141,817</u>	<u>1,141,817</u>	<u>987,714</u>	<u>154,103</u>
Revenues over (under) expenditures	-	-	151,442	151,442
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	151,442	<u>\$ 151,442</u>
Fund balances:				
Beginning of year, as restated (Note 6)			<u>397,419</u>	
End of year			<u>\$ 548,861</u>	

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2018**

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Assets			
Current assets:			
Cash and cash equivalents	\$ 160,853	\$ 15,510	\$ 176,363
Investments	467,704	41,987	509,691
Due from other governments	29,830	-	29,830
Receivables	1,518	-	1,518
Net OPEB asset	1,756	67	1,823
Inventories	64,391	-	64,391
Total current assets	<u>726,052</u>	<u>57,564</u>	<u>783,616</u>
Noncurrent assets:			
Capital assets:			
Furniture, equipment and vehicles, net	<u>22,615</u>	<u>-</u>	<u>22,615</u>
Total assets	<u>748,667</u>	<u>57,564</u>	<u>806,231</u>
Deferred Outflows of Resources	<u>226,068</u>	<u>8,615</u>	<u>234,683</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	608	-	608
Compensated absences	31,322	2,822	34,144
Unearned revenue	5,312	-	5,312
Total current liabilities	<u>37,242</u>	<u>2,822</u>	<u>40,064</u>
Noncurrent liabilities:			
Compensated absences	39,969	4,740	44,709
Net pension liability	257,833	9,825	267,658
Net OPEB liability	964,388	36,751	1,001,139
Total noncurrent liabilities	<u>1,262,190</u>	<u>51,316</u>	<u>1,313,506</u>
Total liabilities	<u>1,299,432</u>	<u>54,138</u>	<u>1,353,570</u>
Deferred Inflows of Resources	<u>344,161</u>	<u>13,115</u>	<u>357,276</u>
Net position			
Investment in capital assets	22,615	-	22,615
Restricted for DIPNC OPEB plan	3,420	130	3,550
Unrestricted (deficit)	<u>(694,893)</u>	<u>(1,204)</u>	<u>(696,097)</u>
Total net position (deficit)	<u>\$ (668,858)</u>	<u>\$ (1,074)</u>	<u>\$ (669,932)</u>

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

CASWELL COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018

Exhibit 8

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Operating revenues:			
Food sales	\$ 240,008	\$ -	\$ 240,008
Child care fees	-	69,643	69,643
Total operating revenues	<u>240,008</u>	<u>69,643</u>	<u>309,651</u>
Operating expenses:			
Food cost:			
Purchase of food	593,936	9,300	603,236
Donated commodities	102,260	-	102,260
Salaries and benefits	889,683	58,453	948,136
Materials and supplies	10,636	-	10,636
Repairs and maintenance	1,166	-	1,166
Depreciation	8,633	-	8,633
Non-capitalized equipment	292	-	292
Contracted services	31,912	-	31,912
Other	10,991	-	10,991
Total operating expenses	<u>1,662,569</u>	<u>67,753</u>	<u>1,730,322</u>
Operating income (loss)	<u>(1,422,561)</u>	<u>1,890</u>	<u>(1,420,671)</u>
Nonoperating revenues:			
Federal reimbursements	1,242,464	-	1,242,464
Federal commodities	102,260	-	102,260
State reimbursements	531	-	531
Interest earned	2,386	315	2,701
Total nonoperating revenues	<u>1,347,641</u>	<u>315</u>	<u>1,347,956</u>
Loss before transfers	(74,920)	2,205	(72,715)
Transfers from other funds	<u>46,848</u>	<u>-</u>	<u>46,848</u>
Change in net position	(28,072)	2,205	(25,867)
Net position, beginning of year	<u>543,295</u>	<u>41,844</u>	<u>585,139</u>
Restatement (Note 5)	<u>(1,184,081)</u>	<u>(45,123)</u>	<u>(1,229,204)</u>
Net position, beginning of year, as restated	<u>(640,786)</u>	<u>(3,279)</u>	<u>(644,065)</u>
Net position (deficit), end of year	<u>\$ (668,858)</u>	<u>\$ (1,074)</u>	<u>\$ (669,932)</u>

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

CASWELL COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018

Exhibit 9

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Cash flows from operating activities:			
Cash received from customers	\$ 249,604	\$ 69,643	\$ 319,247
Cash paid for goods and services	(665,277)	(9,300)	(674,577)
Cash paid to employees for services	(810,811)	(57,929)	(868,740)
Net cash provided (used) by operating activities	<u>(1,226,484)</u>	<u>2,414</u>	<u>(1,224,070)</u>
Cash flows from noncapital financing activities:			
Federal and State reimbursements	<u>1,249,585</u>	<u>-</u>	<u>1,249,585</u>
Cash flows from investing activities:			
Purchase of investments	(467,704)	(41,987)	(509,691)
Interest earned on investments	<u>2,386</u>	<u>315</u>	<u>2,701</u>
Net cash used by investing activities	<u>(465,318)</u>	<u>(41,672)</u>	<u>(506,990)</u>
Net increase in cash and cash equivalents	(442,217)	(39,258)	(481,475)
Cash and cash equivalents, beginning of year	<u>603,070</u>	<u>54,768</u>	<u>657,838</u>
Cash and cash equivalents, end of year	<u>\$ 160,853</u>	<u>\$ 15,510</u>	<u>\$ 176,363</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	<u>\$ (1,422,561)</u>	<u>\$ 1,890</u>	<u>\$ (1,420,671)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	8,633	-	8,633
Donated commodities	102,260	-	102,260
Salaries paid by special revenue fund	46,848	-	46,848
Changes in assets and liabilities:			
Decrease in accounts receivable	10,820	-	10,820
Increase in inventories	(4,106)	-	(4,106)
Increase in accounts payable and accrued liabilities	608	-	608
Decrease in pension liability	(65,241)	(2,298)	(67,539)
Decrease in OPEB liability	(251,979)	(9,602)	(261,581)
Decrease in OPEB asset	52	2	54
Decrease in deferred outflow	27,378	914	28,292
Increase in deferred inflow	327,359	12,484	339,843
Decrease in unearned revenue	(1,224)	-	(1,224)
Decrease in compensated absences payable	(5,331)	(976)	(6,307)
Total adjustments	<u>196,077</u>	<u>524</u>	<u>196,601</u>
Net cash used by operating activities	<u>\$ (1,226,484)</u>	<u>\$ 2,414</u>	<u>\$ (1,224,070)</u>

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018**

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$102,260 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 State Public School Fund paid salaries and benefits of \$46,848 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

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

CASWELL COUNTY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
June 30, 2018

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Cash	\$ 5,427
Investments	<u>269,822</u>
Total assets	<u><u>275,249</u></u>
Net position	
Assets held in trust for private purpose	<u>\$ 275,249</u>

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

CASWELL COUNTY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2018

Exhibit 11

	Private Purpose Trust Fund
ADDITIONS:	
Contributions and other revenue	\$ 5,163
Interest	<u>2,064</u>
Total additions	<u>7,227</u>
DEDUCTIONS:	
Scholarship payments	<u>14,523</u>
Change in net position	(7,296)
Beginning net position	<u>282,545</u>
Ending net position	<u><u>\$ 275,249</u></u>

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

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Caswell 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 Caswell 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 Caswell County, North Carolina. The Board provides public school education to the children of Caswell County not living within the boundaries of the Kannapolis Local Educational Agency. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

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

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

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

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

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].

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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

Federal Grants Fund. The Federal Grants Fund includes appropriations from the 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.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received from prekindergarten programs and other special programs.

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Private Purpose Trust. The Private Purpose Trust is used to account for scholarship and other restricted money under the control of the Board for the benefit of students in the County.

C. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. The NCCMT Government Portfolio's securities are measured at amortized cost, which is the NCCMT's share price. The STIF securities (as valued under level 2 of the fair value hierarchy) are reported at cost and maintain a constant \$1 per share value. Investments valued under level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2018**

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 with original maturities of three months or less 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. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Prepaid Expenditures

Prepaid items consist of deposits made with various insurance companies, thus, an equivalent portion of fund balance is classified as nonspendable. 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 \$2,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	<u>Years</u>
Buildings	60
Improvements	15-25
Equipment and furniture	10
Vehicles	6
Computer equipment	3

Depreciation for equipment serves multiple purposes and cannot be allocated ratably, therefore it is reported as “unallocated depreciation” on the Statement of Activities. Land and construction in progress are not depreciated.

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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. 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.

8. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 is recorded in the district-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.

9. 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 four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by NC General Statutes.

Technology expenditures – portion of fund balance that is designated by the Board of Education for the purchase of computers that is not already classified in restricted fund balance.

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The 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, and lastly board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

10. Reconciliation of District-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 \$(19,040,024) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 41,074,702
Less Accumulated Depreciation	<u>(19,376,378)</u>
Net capital assets	21,698,324
Net OPEB Asset	50,936
Pension related deferred outflows of resources	4,079,305
OPEB related deferred outflows of resources	2,480,162
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment financing	(212,225)
Compensated absences	(1,687,332)
Net pension liability	(7,481,117)
Net OPEB liability	(27,982,090)
Deferred inflows of resources related to pensions	(263,080)
Deferred inflows of resources related to OPEB	<u>(9,722,907)</u>
Total adjustment	<u>\$ (19,040,024)</u>

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-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 \$(1,821,328) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 302,203
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	(971,698)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	169,298
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,579,553
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	906,998
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	(2,084,759)
OPEB expense	(1,724,333)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	1,410
Total adjustment	<u>\$ (1,821,328)</u>

11. Defined Benefit Pension Plan and OPEB Plans

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

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Investment of idle cash

During the fiscal year ended June 30, 2018, the Board purchased investments with idle funds that violated State law [G.S. 115C-443] because their maturity exceeded the allowable 18 months after the date of purchase or the security was invested in obligations outside the State of North Carolina. The following securities are in violation of State law:

	<u>Fair Value</u>
<u>Fixed Income Securities:</u>	
Federal Home Loan Bank Step% due 7/30/2021	99,209
Federal Home Loan Bank 2.20% due 1/29/2020	148,064
Federal Home Loan Bank 3.15% due 5/2/2023	99,639
Federal National Mortgage 3% due 5/10/2023	99,902
Alexandria Virginia 4.15% due 7/1/2019	50,791
Hilton Head Island SC 4% due 12/1/2020	51,418
Oklahoma City Oklahoma 3.25% due 3/1/2022	50,663
Virginia College Bldg Auth 3% due 9/1/2019	50,240
Virginia State Bldg Auth 4.2% due 8/1/2021	51,629
	<u>\$ 701,555</u>

Management will monitor investments monthly and make necessary changes to their investment strategy and policy to ensure such investments are not purchased in the future. Subsequent to year end, the investments that violated State law were sold to bring the Board into compliance.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

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At June 30, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$1,662,149. The bank balances with the financial institutions and the State Treasurer were \$2,070,984 and \$65,360, respectively. Of these balances, \$360,510 was covered by federal depository insurance and \$1,775,834 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2018, the Board had \$889 invested with the State Treasurer in the Short Term Investment Fund and \$4,012,120 invested in fixed income securities and agency bonds.

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 1.5 years as of June 30, 2018.

Credit Rating for Bonds

The Board invests in certain fixed income mortgage backed securities whose primary holdings are governmental bonds. The credit rating of the underlying bonds held within these fixed income securities is 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 fixed income mortgage backed securities, that account for more than 5% of total invested funds.

All investments in fixed income securities and guaranteed agency bonds are measured using the market approach fair value hierarchy Level 1: Securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. At June 30, 2018, the Board's investment balances in securities were as follows:

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	<u>Cost</u>	<u>Fair Value</u>
<u>Cash Equivalents:</u>		
FDIC Insured Money Market - Principal	\$ 1,059,458	\$ 1,059,458
FDIC Insured Money Market - Income	6,482	6,482
US Treasury Bill 1/31/2019	147,240	147,240
US Treasury Bill 10/25/2018	148,558	148,558
US Treasury Bill 4/25/2019	146,766	146,766
US Treasury Bill 8/16/2018	148,577	148,577
US Treasury Bill 9/13/2018	148,322	148,322
US Treasury Bill 7/19/2018	148,782	148,782
<u>Fixed Income Securities:</u>		
Federal Farm Credit Bank 2.45% due 6/1/2020	49,975	49,734
Federal Farm Credit Bank 3% due 10/22/2022	100,000	99,451
Federal Home Loan Bank Step% due 7/30/2021	99,935	99,209
Federal Home Loan Bank 2.20% due 1/29/20201	150,000	148,064
Federal Home Loan Bank 3.15% due 5/2/2023	99,825	99,639
Federal Home Loan Mortgage Step% due 12/29/2022	99,875	98,229
Federal Home Loan Mortgage Step% due 12/29/2022	99,975	98,464
Federal Home Loan Mortgage Step% due 2/22/2023	149,850	148,209
Federal Home Loan Mortgage Step% due 5/17/2023	99,925	100,000
Federal Home Loan Mortgage Step% due 6/14/2023	99,925	100,002
Federal Home Loan Mortgage 2.5% due 1/30/2023	149,925	146,898
Federal Home Loan Mortgage 2.625% due 2/16/2023	149,888	147,608
Federal Home Loan Mortgage 2.85% due 2/23/2023	150,000	148,808
Federal Home Loan Mortgage 3.2% due 12/28/2022	100,000	99,855
Federal Home Loan Mortgage 3% due 3/15/2023	100,000	99,702
Federal National Mortgage 3% due 5/10/2023	100,000	99,902
Alexandria Virginia 4.15% due 7/1/2019	50,908	50,791
Hilton Head Island SC 4% due 12/1/2020	51,706	51,418
Oklahoma City Oklahoma 3.25% due 3/1/2022	51,133	50,663
Virginia College Bldg Auth 3% due 9/1/2019	50,230	50,240
Virginia State Bldg Auth 4.2% due 8/1/2021	52,574	51,629
Accrued Income	-	19,420
	<u>\$ 4,009,834</u>	<u>\$ 4,012,120</u>

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3. Accounts Receivable

Receivables at the district-wide level at June 30, 2018 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ -	\$ -	\$ -
Other governmental activities	<u>733,074</u>	<u>-</u>	<u>733,074</u>
Total governmental activities	<u>\$ 733,074</u>	<u>\$ -</u>	<u>\$ 733,074</u>
Business-type activities:			
School Food Service	<u>\$ 29,830</u>	<u>\$ 1,518</u>	<u>\$ 31,348</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 677,884	Operating funds from DPI
Federal Grants Fund	<u>55,190</u>	Federal grant funds
Total	<u>\$ 733,074</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 29,830</u>	Federal grant funds

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4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,300,521</u>	<u>-</u>	<u>-</u>	<u>1,300,521</u>
Capital assets being depreciated:				
Buildings and improvements	34,175,738	94,750	-	34,270,488
Equipment and furniture	1,220,145	124,103	-	1,344,248
Vehicles	4,076,095	83,350	-	4,159,445
Total capital assets being depreciated	<u>39,471,978</u>	<u>302,203</u>	<u>-</u>	<u>39,774,181</u>
Less accumulated depreciation for:				
Buildings and improvements	14,254,256	636,208	-	14,890,464
Equipment and furniture	976,365	48,139	-	1,024,504
Vehicles	3,174,059	287,351	-	3,461,410
Total accumulated depreciation	<u>18,404,680</u>	<u>971,698</u>	<u>-</u>	<u>19,376,378</u>
Total capital assets being depreciated, net	<u>21,067,298</u>			<u>20,397,803</u>
Governmental activity capital assets, net	<u>\$ 22,367,819</u>			<u>\$ 21,698,324</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,002,894	\$ -	\$ -	\$ 1,002,894
Vehicles	55,130	-	-	55,130
Total capital assets being depreciated	<u>1,058,024</u>	<u>-</u>	<u>-</u>	<u>1,058,024</u>
Less accumulated depreciation for:				
Equipment and furniture	971,646	8,633	-	980,279
Vehicles	55,130	-	-	55,130
Total accumulated depreciation	<u>1,026,776</u>	<u>8,633</u>	<u>-</u>	<u>1,035,409</u>
School Food Service capital assets, net	<u>\$ 31,248</u>			<u>\$ 22,615</u>

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Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 636,208
System-wide support services	287,351
Unallocated depreciation	<u>48,139</u>
 Total	 <u>\$ 971,698</u>

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed

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15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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

Contributions to the pension plan from the Board were \$1,636,067 for the year ended June 30, 2018
Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

At June 30, 2018, the Board reported a liability of \$7,748,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .09766% and .09865%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$2,151,099. At June 30, 2018, 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	\$ 167,979	\$ 253,503
Changes of assumptions	1,224,190	-
Net difference between projected and actual earnings on pension plan investments	1,048,672	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	148,347	18,989
Board contributions subsequent to the measurement date	1,636,067	-
Total	<u>\$ 4,225,255</u>	<u>\$ 272,492</u>

\$1,636,067 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2019	\$ 486,434
2020	1,528,703
2021	721,250
2022	(419,691)
2023	-
Thereafter	-
Total	<u>\$ 2,316,696</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 15,950,187	\$ 7,748,775	\$ 877,038

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the

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

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$918,201.

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At June 30, 2018, Board reported a liability of \$28,983,229 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .08840% and .08403%, respectively.

\$918,201 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (1,694,559)
2020	(1,694,559)
2021	(1,694,559)
2022	(1,694,559)
2023	(1,691,865)
Thereafter	<u>-</u>
Total	<u>\$ (8,470,101)</u>

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

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

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

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

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	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Net OPEB liability	\$ 34,575,328	\$ 28,983,229	\$ 24,547,901

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

	Healthcare Trend Rates		
	<u>1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)</u>	<u>(Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)</u>	<u>1% Increase (Medical- 6.00-7.50%, Pharmacy- 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)</u>
Net OPEB liability	\$ 23,676,629	\$ 28,983,229	\$ 36,036,379

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

Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be

**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2018**

permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$21,248 for the year ended June 30, 2018.

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

At June 30, 2018, Board reported an OPEB asset of \$52,759 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .08632% and .08749%, respectively.

\$21,248 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	8,630
2020		8,630
2021		8,628
2022		2,890
2023		-
Thereafter		-
Total	\$	<u>28,778</u>

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

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

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

**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2018**

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 44,853	\$ 52,759	\$ 60,683

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

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

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

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

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

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2018:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$ 1,747,080	\$ 28,945	\$ 1,776,025
OPEB Liability (Asset)	28,983,229	(52,759)	28,930,470
Proportionate share of the net OPEB liability (asset)	0.08840%	0.08632%	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	-	14,466	14,466
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	11,564	11,564
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,600,670	2,748	1,603,418
Board contributions subsequent to the measurement date	918,201	21,248	939,449
 Deferred of Inflows of Resources			
Differences between Expected and actual experience	2,078,151	-	2,078,151
Changes of assumptions	7,981,849	-	7,981,849
Net difference between projected and actual earnings on plan investments	10,771	-	10,771
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	-	-

2. Accounts Payable

Accounts payable as of June 30, 2018 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 135,460	\$ 26,728	\$ 162,188
Other Governmental	49,061	733,074	782,135
Total governmental activities	<u>\$ 184,521</u>	<u>\$ 759,802</u>	<u>\$ 944,323</u>
Business-type activities:			
School Food Service Fund	<u>\$ 608</u>	<u>\$ -</u>	<u>\$ 608</u>

**CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

3. Unearned Revenues

The balances in unearned revenues at year-end have no time restrictions and are composed of the following elements:

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

Business-type activities:

Prepayments of meals (School Food Service Fund)	<u>\$ 5,312</u>
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4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 182,445	\$ 2,331,654
Changes of assumptions	1,224,190	7,981,849
Net difference between projected and actual earnings on pension plan investments	1,060,236	10,771
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,751,765	18,989
Board contributions subsequent to the measurement date	2,575,516	-
Total	<u>\$ 6,794,152</u>	<u>\$ 10,343,263</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$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 \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk-financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Reinsurance is provided by the Fund to provide financial solvency for property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the fiscal year ended June 30, 2016 and 2017, the Board entered into such financing 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. The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2019	\$ 169,298
2020	42,927
2021	-
Total	<u>\$ 212,225</u>

**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2018**

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, 2018:

	July 1, 2017	Increases	Decreases	June 30, 2018	Current Portion
Governmental activities:					
Installment purchases	\$ 381,523	\$ -	\$ 169,298	\$ 212,225	\$ 169,298
Net pension liability	8,731,757	-	1,250,640	7,481,117	-
Net OPEB liability	35,293,366	-	7,311,276	27,982,090	-
Compensated absences	1,688,742	897,897	899,307	1,687,332	709,845
Total	\$ 46,095,388	\$ 897,897	\$ 9,630,521	\$ 37,362,764	\$ 879,143
Business-type activities:					
Net pension liability	\$ 335,197	\$ -	\$ 67,539	\$ 267,658	\$ -
Net OPEB liability	1,262,720	-	261,581	1,001,139	-
Compensated absences	85,160	39,026	45,333	78,853	34,144
Total	\$ 1,683,077	\$ 39,026	\$ 374,453	\$ 1,347,650	\$ 34,144

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases are typically liquidated by the Capital Outlay Fund.

C. Interfund Balances and Activity

Transfers to/from other Funds

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

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 46,848</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	\$ 3,118,341
Less:	
Prepays	(19,264)
Appropriated Fund Balance in the 2018-2019 budget	<u>(300,000)</u>
Remaining fund balance	<u>\$ 2,799,077</u>

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$34,356,564 and \$1,229,204, respectively.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

During the current year, the Board established a special revenue fund titled “Other Special Revenue Fund” to account for various revenues and expenditures that had been accounted for in the General Fund in the prior year. The establishment of the Other Special Revenue Fund resulted in a decrease of \$397,419 in fund balance as previously reported in the General Fund as of June 30, 2017. This amount is reflected as beginning of year fund balance in the Other Special Revenue Fund.

**CASWELL 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 FIVE FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.09766%	0.09865%	0.09863%	0.09900%	0.09600%
Board's proportionate share of the net pension liability (asset)	\$ 7,748,775	\$ 9,066,954	\$ 3,634,710	\$ 1,121,303	\$ 6,022,451
Board's covered payroll	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,898	\$ 14,918,840
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.21%	62.40%	24.53%	8.02%	40.37%
54 Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only five years of data presented.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,636,067	\$ 1,481,324	\$ 1,329,547	\$ 1,355,991	\$ 1,215,722
Contributions in relation to the contractually required contribution	<u>1,636,067</u>	<u>1,481,324</u>	<u>1,329,547</u>	<u>1,355,991</u>	<u>1,215,722</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered-employee payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only five years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.08840%	0.08403%
Board's proportionate share of the net OPEB liability	\$ 28,983,229	\$ 36,556,086
Board's covered payroll	\$ 14,842,927	\$ 14,530,568
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	195.27%	251.58%
56 Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only two years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 918,201	\$ 860,163	\$ 811,842	\$ 809,506	\$ 754,688
Contributions in relation to the contractually required contribution	<u>918,201</u>	<u>860,163</u>	<u>811,842</u>	<u>809,506</u>	<u>754,688</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered payroll	6.05%	5.81%	5.60%	5.49%	5.40%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only five years of data presented as the remaining information was not readily available.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.08632%	0.08749%
Board's proportionate share of the net OPEB asset	\$ 52,759	\$ 54,331
Board's covered payroll	\$ 14,842,927	\$ 14,530,568
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.36%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	116.23%	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only two years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 21,248	\$ 56,259	\$ 59,438	\$ 60,455	\$ 61,493
Contributions in relation to the contractually required contribution	<u>21,248</u>	<u>56,259</u>	<u>59,438</u>	<u>60,455</u>	<u>61,493</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered payroll	0.14%	0.38%	0.41%	0.41%	0.44%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only five years of data presented as the remaining information was not readily available.

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State School Nurse Initiative	\$ 200,000	\$ 200,000	\$ -
Caswell County:			
County appropriation	<u>2,955,000</u>	<u>2,955,000</u>	<u>-</u>
Other:			
Fines and forfeitures	-	92,121	92,121
Interest earned on investment	-	10,528	10,528
Indirect costs allocated	-	93,054	93,054
Rental of school property	-	27,918	27,918
Reimbursements	-	283,802	283,802
Tuition and fees	-	241,635	241,635
Miscellaneous	-	37,987	37,987
Total other	<u>653,479</u>	<u>787,045</u>	<u>787,045</u>
Total revenues	<u>3,808,479</u>	<u>3,942,045</u>	<u>787,045</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	381,269	363,910	17,359
Special populations	157,233	39,158	118,075
Alternative programs	255,805	253,677	2,128
School leadership	72,740	69,046	3,694
Co-curricular	118,585	118,221	364
School-based support	<u>207,599</u>	<u>206,368</u>	<u>1,231</u>
Total instructional services	<u>1,193,231</u>	<u>1,050,380</u>	<u>142,851</u>
System-wide support services:			
Support and development	94,777	93,677	1,100
Special population support and development	-	-	-
Alternative programs and services support and development	-	-	-
Technology support	30,093	24,618	5,475
Operational support	1,634,841	1,548,975	85,866
Financial and human resource services	298,441	294,830	3,611
Accountability	2,500	1,377	1,123
Policy, leadership and public relations	<u>358,071</u>	<u>349,344</u>	<u>8,727</u>
Total system-wide support services	<u>2,418,723</u>	<u>2,312,821</u>	<u>105,902</u>

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community	<u>78,962</u>	<u>82,985</u>	<u>(4,023)</u>
Nonprogrammed charges:			
Payments to other governments	<u>204,363</u>	<u>204,363</u>	<u>-</u>
Total expenditures	<u>3,895,279</u>	<u>3,650,549</u>	<u>244,730</u>
Revenues over (under) expenditures	(86,800)	291,496	378,296
Fund balance appropriated	<u>86,800</u>	<u>-</u>	<u>(86,800)</u>
Net change in fund balance	<u>\$ -</u>	291,496	<u>\$ 291,496</u>
Fund balance:			
Beginning of year, as restated (Note 6)		<u>2,826,845</u>	
End of year		<u>\$ 3,118,341</u>	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State Buses Appropriation	\$ 169,298	\$ 169,298	\$ -
Caswell County:			
County appropriations	465,000	465,000	-
Other:			
ABC revenues	35,000	33,884	(1,116)
Interest earned on investments	4,500	3,858	(642)
Insurance proceeds	111,519	111,519	-
Miscellaneous	4,830	4,829	(1)
Total other	155,849	154,090	(1,759)
Total revenues	790,147	788,388	(1,759)
Expenditures:			
Debt service:			
Principal retirement	169,298	169,298	-
Capital outlay:			
Real property and buildings:			
Central Office HVAC	-	94,330	-
Various other real property improvements	-	309,708	-
Total real property and buildings	390,191	404,038	(13,847)
Furnishings and equipment	125,393	219,449	(94,056)
Buses and motor vehicles	350,136	83,350	266,786
Total capital outlay	865,720	706,837	158,883
Total expenditures	1,035,018	876,135	158,883
Revenues over (under) expenditures	(244,871)	(87,747)	157,124
Fund balance appropriated	244,871	-	(244,871)
Net change in fund balance	\$ -	(87,747)	\$ (87,747)
Fund balance:			
Beginning of year		796,413	
End of year		\$ 708,666	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 245,000	\$ 240,008	\$ (4,992)
Operating expenditures:			
Business support services:			
Purchase of food	-	598,042	-
Donated commodities	-	102,260	-
Salaries and benefits	-	857,445	-
Indirect costs	-	13,060	-
Materials and supplies	-	10,636	-
Repairs and maintenance	-	1,166	-
Non-capitalized equipment	-	292	-
Contracted services	-	31,912	-
Other	-	10,991	-
Total operating expenditures	<u>1,648,100</u>	<u>1,625,804</u>	<u>22,296</u>
Operating loss	<u>(1,403,100)</u>	<u>(1,385,796)</u>	<u>17,304</u>
Nonoperating revenues:			
Federal reimbursements	1,400,000	1,242,464	(157,536)
Federal commodities	-	102,260	102,260
State reimbursements	800	531	(269)
Interest earned	<u>2,300</u>	<u>2,386</u>	<u>86</u>
Total nonoperating revenues	<u>1,403,100</u>	<u>1,347,641</u>	<u>(55,459)</u>
Revenues over (under) expenditures before other financing sources	-	(38,155)	(38,155)
Other financing sources:			
Transfers from other funds	<u>-</u>	<u>46,848</u>	<u>46,848</u>
Net change in fund balance	<u>\$ -</u>	<u>8,693</u>	<u>\$ 8,693</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(8,633)	
Net OPEB asset		(52)	
Net pension liability		65,241	
Net OPEB liability		251,979	
Deferred outflows		(27,378)	
Deferred inflows		(327,359)	
Decrease in compensated absences payable		5,331	
Increase in inventories		<u>4,106</u>	
Change in net position (full accrual)		<u>\$ (28,072)</u>	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
COMMUNITY SCHOOLS
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Child care fees	\$ 70,000	\$ 69,643	\$ (357)
Operating expenditures:			
Regular community services:			
Purchase of food	-	9,300	-
Salaries and benefits	<u>-</u>	<u>57,929</u>	<u>-</u>
Total operating expenditures	<u>70,350</u>	<u>67,229</u>	<u>3,121</u>
Nonoperating revenues:			
Interest earned	<u>350</u>	<u>315</u>	<u>(35)</u>
Revenues over expenditures	<u>\$ -</u>	2,729	<u>\$ 2,729</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		(2)	
Net pension liability		2,298	
Net OPEB liability		9,602	
Deferred outflows		(914)	
Deferred inflows		(12,484)	
Decrease in compensated absences payable		<u>976</u>	
Change in net position (full accrual)		<u>\$ 2,205</u>	



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 Caswell County Board of Education
Yanceyville, 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 Caswell County Board of Education, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Caswell County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

*November 7, 2018
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 Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Caswell 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, 2018. The Caswell 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 Caswell 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 Caswell 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 Caswell County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Caswell 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, 2018.

Report on Internal Control Over Compliance

Management of the Caswell 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 Caswell 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 Caswell 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

*November 7, 2018
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 Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major State Program

We have audited Caswell 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, 2018. The Caswell 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 Caswell 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 Caswell 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 Caswell County Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Caswell 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, 2018.

Report on Internal Control Over Compliance

Management of the Caswell 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 Caswell 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 Caswell 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

*November 7, 2018
West End, North Carolina*

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Noncompliance material to financial statements noted	<i>No</i>

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<i>No</i>

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.027	Special Education Cluster:
84.173	Special Education Program
	Special Education – Preschool Program
84.010	Title I - Educationally Deprived Children

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 750,000</i></u>
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Auditee qualified as low-risk auditee?	<i>No</i>
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**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditors' Results (Continued)
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
Career and Technical Education – State Months of Employment

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 State 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 State awards aggregating \$25,000 or more were noted.

**CASWELL COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018**

Finding: 17-01
Status: Corrected

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 102,260
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		312,558
National School Lunch Program	10.555		914,406
Summer Food Service Program for Children	10.555		15,500
Cash Assistance Subtotal			<u>1,242,464</u>
Total Child Nutrition Cluster:			<u>1,344,724</u>
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	1,083,957
Supporting Effective Instruction	84.367	PRC 103	87,074
Student Support and Academic Enrichment	84.424	PRC 108	15,750
Rural and Low Income Schools	84.358	PRC 109	63,741
<u>Office of Special Education and Rehabilitative Services</u>			
Pass-through			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	685,657
- Targeted Assistance	84.027	PRC 118	16,236
- Targeted Assistance for Preschool	84.027	PRC 119	2,057
- Preschool Handicapped	84.173	PRC 049	<u>40,183</u>
Total Special Education Cluster:			<u>744,133</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	<u>6,616</u>
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States			
- Program Development and Capacity Building	84.048	PRC 017	<u>42,331</u>
Total U.S. Department of Education			<u>2,043,602</u>
Total federal assistance			<u>3,388,326</u>

**CASWELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			18,506,510
Driver Training - SPSF		PRC 012	46,024
School Technology Fund - SPSF		PRC 015	53,659
Career and Technical Education			
- State Months of Employment		PRC 013	1,003,095
- Program Support Funds		PRC 014	113,129
			<u>19,722,417</u>
Total N.C. Department of Public Instruction			
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			169,298
<u>N.C. Department of Health and Human Services:</u>			
School Nurse Grant			200,000
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>531</u>
Total State assistance			<u>20,092,246</u>
Total federal and State assistance			<u><u>\$ 23,480,572</u></u>

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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

Caswell 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