

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2016*

**CASWELL COUNTY BOARD OF EDUCATION
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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, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 44 and 45, 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 15, 2016 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 15, 2016
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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- For the fiscal year ended June 30, 2016, the Board's total government-wide net position increased by \$564,000, or 2.6%. Governmental activities net position increased by \$474,000, or 2.2%, and business-type activities net position increased by \$90,000, or 22.3%.
- The Board experienced almost no change in enrollment from the previous year's funded average daily membership.

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 Schedule of the Board's Proportionate Share of Net Pension Liability and the Schedule of Board Contributions.*
- *Required 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 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.

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the 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.

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

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

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. Assets exceeded liabilities by \$22.4 million as of June 30, 2016 as compared to \$21.8 million as of June 30, 2015, an increase of \$564,000. The largest component of net position is net investment in capital assets of \$22.3 million, which comprises 99.8% of total net position. Following is a summary of the Statement of Net Position as of June 30, 2016 and 2015:

**Table 1
Condensed Statement of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current assets	\$ 4,994,171	\$ 5,180,305	\$ 657,962	\$ 556,457	\$ 5,652,133	\$ 5,736,762
Capital assets	22,728,933	22,623,879	42,280	57,664	22,771,213	22,681,543
Total assets	27,723,104	27,804,184	700,242	614,121	28,423,346	28,418,305
Deferred outflows of resources	1,480,508	1,487,830	56,887	48,634	1,537,395	1,536,464
Current liabilities	1,861,868	1,816,786	36,910	48,026	1,898,778	1,864,812
Long-term liabilities	4,630,380	2,069,340	192,816	78,827	4,823,196	2,148,167
Total liabilities	6,492,248	3,886,126	229,726	126,853	6,721,974	4,012,979
Deferred inflows of resources	841,775	4,009,872	32,344	131,073	874,119	4,140,945
Net investment in						
capital assets	22,287,275	22,583,043	42,280	57,664	22,329,555	22,640,707
Restricted net position	1,031,443	1,077,670	-	-	1,031,443	1,077,670
Unrestricted net position (deficit)	(1,449,129)	(2,264,697)	452,779	347,165	(996,350)	(1,917,532)
Total net position	\$ 21,869,589	\$ 21,396,016	\$ 495,059	\$ 404,829	\$ 22,364,648	\$ 21,800,845

The net position of the Board's governmental activities increased \$474,000 during the year, from \$21.4 million at June 30, 2015 to \$21.9 million at June 30, 2016, indicating an improvement in the financial condition of the Board. Net investment in capital assets decreased by \$296,000 while restricted net position decreased by \$46,000 and unrestricted net position increased by \$816,000. 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 improved from a negative \$2.3 million to a negative \$1.4 million.

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

Net position of the Board's business-type activities increased \$90,000 during the year, from \$405,000 at June 30, 2015 to \$495,000 as of June 30, 2016. This increase of \$90,000 is the net profit generated by our School Food Service fund operations offset by the loss in the Child Care fund during the 2016 fiscal year. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Revenues:						
Program revenues:						
Charges for services	\$ 532,603	\$ 572,100	\$ 348,029	\$ 350,093	\$ 880,632	\$ 922,193
Operating grants and contributions	21,019,805	20,778,945	1,438,078	1,386,806	22,457,883	22,165,751
Capital grants and contributions	20,418	217,739	-	-	20,418	217,739
General revenues:						
County appropriations	3,029,868	3,051,251	-	-	3,029,868	3,051,251
State appropriations	349,365	-	-	-	349,365	-
Other revenues	674,137	924,609	(851)	1,453	673,286	926,062
Total revenues	<u>25,626,196</u>	<u>25,544,644</u>	<u>1,785,256</u>	<u>1,738,352</u>	<u>27,411,452</u>	<u>27,282,996</u>
Expenses:						
Governmental activities:						
Instructional services	19,023,084	18,725,134	-	-	19,023,084	18,725,134
System-wide support services	5,671,019	5,650,308	-	-	5,671,019	5,650,308
Ancillary services	89,471	115,344	-	-	89,471	115,344
Payments to other governments	178,759	192,924	-	-	178,759	192,924
Unallocated depreciation	76,428	41,506	-	-	76,428	41,506
Business-type activities:						
School food service	-	-	1,739,330	1,738,029	1,739,330	1,738,029
Child care	-	-	69,558	59,321	69,558	59,321
Total expenses	<u>25,038,761</u>	<u>24,725,216</u>	<u>1,808,888</u>	<u>1,797,350</u>	<u>26,847,649</u>	<u>26,522,566</u>
Excess (deficiency) before transfers	587,435	819,428	(23,632)	(58,998)	563,803	760,430
Transfers in (out)	(113,862)	(59,674)	113,862	59,674	-	-
Increase (decrease) in net position	473,573	759,754	90,230	676	563,803	760,430
Beginning net position	21,396,016	20,636,262	404,829	404,153	21,800,845	21,040,415
Ending net position	<u>\$ 21,869,589</u>	<u>\$ 21,396,016</u>	<u>\$ 495,059</u>	<u>\$ 404,829</u>	<u>\$ 22,364,648</u>	<u>\$ 21,800,845</u>

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

Total governmental activities generated revenues of \$25.6 million while expenses in this category totaled \$25.0 million for the year ended June 30, 2016, resulting in an increase in net position of \$474,000 (including transfers out to business-type activities of \$114,000). Comparatively, revenues were \$25.5 million, expenses totaled \$24.7 million and transfers out were \$60,000 for the year ended June 30, 2015, resulting in an increase in net position of \$760,000. In comparing the two years, revenues increased \$82,000, or 0.3%, and expenses increased by \$314,000, or 1.3%. The overall increase in revenues is primarily attributable to a \$349,000 increase in funding from the State in the form of lottery proceeds. Overall, expenses increased from the prior year mainly due to a State mandated bonus and increased salaries.

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 74.5%, 11.7% and 7.6% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 73.1% of our total expenses during the most recent fiscal year. Of the remaining 26.9% of our total expenses, 20.9% was attributable to system-wide support services.

Our business-type activities generated revenues of \$1.8 million, while expenses in this category totaled \$1.8 million as well, for the year ended June 30, 2016. For the year, net position increased by \$90,000 (including transfers in of \$114,000). Comparatively, revenues were \$1.7 million, expenses were \$1.8 million and transfers in were \$60,000 for the year ended June 30, 2015, resulting in an increase in net position of \$1,000. In comparing the two years, revenues increased by \$47,000 and expenses increased by \$12,000, the majority of the increase in revenues was recognized in the School Food Service fund as this program recognized an increase in federal reimbursements.

Financial Analysis of the Board's Funds

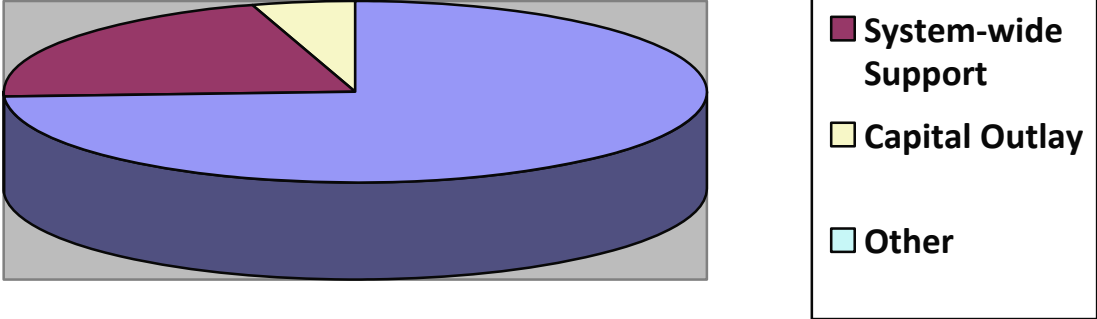
Governmental Funds: The focus of Caswell County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$4.0 million at June 30, 2016, an increase of \$5,000 from the amount reported at June 30, 2015. The Capital Outlay and Individual Schools funds each reported decreases in fund balance for the year, while the General fund reported an increase in fund balance.

Overall, total governmental fund revenues increased by \$182,000 while total expenditures increased by \$705,000 over the prior year. The increase in revenues and expenditures is attributable primarily to an increase in capital outlay funding from lottery proceeds used to finance capital outlay projects. There was also an increase in revenues and expenditures in the Federal Grants fund of \$182,000, offset by a decrease in revenues and expenditures in the State Public School fund of \$253,000.

**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 increase in net position of \$90,000 for the fiscal year ended June 30, 2016 compared to an increase of \$1,000 for the same 2015 period. Net income in the School Food Service Fund (including transfers in) was \$92,000 for the fiscal year ended June 30, 2016 compared to a loss of \$7,000 for 2015, an increase of \$85,000. The Child Care Fund reported a net loss of \$2,000 in 2016 compared to a net income of \$8,000 in 2015, a decline of \$10,000, the decline in the Child Care Fund was a result of an increase in salaries and benefits expenditures.

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, 2016 of \$53,000, compared to an increase of \$135,000 in 2015. Revenues increased by \$135,000 due to an increase in other revenues. Expenditures increased by \$218,000 over the prior year, primarily due to an increase of \$124,000 in operational support services. Through effective cost-containment and budget management practices, the Board was able to keep expenditures below budget and not use any of the \$925,000 of fund balance that had been appropriated.

Capital Assets

Total primary government capital assets were \$22.8 million at June 30, 2016 compared to \$22.7 million at June 30, 2015, an increase of 0.4%. The increase is attributable to an excess of capital additions over depreciation expense for the year. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2016 and 2015. More detailed information about the Board's capital assets is contained in note 3 to the financial statements.

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

**Table 3
Summary of Capital Assets
As of June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
Land	\$ 1,300,521	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521	\$ 1,300,521
Construction in progress	349,365	19,250	-	-	349,365	19,250
Buildings and improvements	19,959,822	20,514,254	-	-	19,959,822	20,514,254
Equipment and furniture	221,911	169,214	42,280	57,664	264,191	226,878
Vehicles	897,314	620,640	-	-	897,314	620,640
Total	<u>\$ 22,728,933</u>	<u>\$ 22,623,879</u>	<u>\$ 42,280</u>	<u>\$ 57,664</u>	<u>\$ 22,771,213</u>	<u>\$ 22,681,543</u>

Debt Outstanding

During the year, the Board's long-term debt increased from \$41,000 at June 30, 2015 to \$442,000 at June 30, 2016. 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 23,000 is a decrease of approximately 3.4% since 2010.
- The unadjusted unemployment rate in Caswell County at June 30, 2016 was 5.7%, slightly above that of the State at 4.9%.

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:

Crystal Kessler
Finance Director
Caswell County Board of Education
P.O. Box 160
Yanceyville, NC 27379

CASWELL COUNTY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2016

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 3,865,791	\$ 564,898	\$ 4,430,689
Due from other governments	1,018,186	44,655	1,062,841
Receivables	1,253	7,047	8,300
Inventories	-	41,362	41,362
Prepays	108,941	-	108,941
Capital assets:			
Land and construction in progress	1,649,886	-	1,649,886
Other capital assets, net of depreciation	21,079,047	42,280	21,121,327
Total capital assets	<u>22,728,933</u>	<u>42,280</u>	<u>22,771,213</u>
 Total assets	<u>27,723,104</u>	<u>700,242</u>	<u>28,423,346</u>
 Deferred Outflows of Resources	<u>1,480,508</u>	<u>56,887</u>	<u>1,537,395</u>
 Liabilities			
Accounts payable and accrued expenses	165,633	1,570	167,203
Accrued salaries and wages payable	788,428	-	788,428
Unearned revenue	-	5,846	5,846
Long-term liabilities:			
Net pension liability	3,500,219	134,491	3,634,710
Due within one year	907,807	29,494	937,301
Due in more than one year	<u>1,130,161</u>	<u>58,325</u>	<u>1,188,486</u>
 Total liabilities	<u>6,492,248</u>	<u>229,726</u>	<u>6,721,974</u>
 Deferred Inflows of Resources	<u>841,775</u>	<u>32,344</u>	<u>874,119</u>
 Net position			
Net investment in capital assets	22,287,275	42,280	22,329,555
Restricted for:			
Stabilization by State statute	1,253	-	1,253
School capital outlay	837,443	-	837,443
Individual schools activities	192,747	-	192,747
Unrestricted	<u>(1,449,129)</u>	<u>452,779</u>	<u>(996,350)</u>
 Total net position	<u>\$ 21,869,589</u>	<u>\$ 495,059</u>	<u>\$ 22,364,648</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, 2016**

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	\$ 12,132,144	\$ -	\$ 11,632,129	\$ -	\$ (500,015)	\$ -	\$ (500,015)
Special populations	2,377,647	-	2,436,978	-	59,331	-	59,331
Alternative programs	1,271,502	-	1,246,583	-	(24,919)	-	(24,919)
School leadership	1,243,053	-	1,293,423	-	50,370	-	50,370
Co-curricular	584,506	445,602	-	-	(138,904)	-	(138,904)
School-based support	1,414,232	-	1,225,605	-	(188,627)	-	(188,627)
System-wide support services:							
Support and development	107,115	-	92,916	-	(14,199)	-	(14,199)
Special population support and development	118,198	-	122,101	-	3,903	-	3,903
Alternative programs and services support and development	83,959	-	80,772	-	(3,187)	-	(3,187)
Technology support	384,099	-	276,857	-	(107,242)	-	(107,242)
Operational support	3,779,314	87,001	1,919,197	20,418	(1,752,698)	-	(1,752,698)
Financial and human resource services	515,028	-	295,197	-	(219,831)	-	(219,831)
Accountability	82,301	-	84,380	-	2,079	-	2,079
Policy, leadership and public relations	601,005	-	239,742	-	(361,263)	-	(361,263)
Ancillary services	89,471	-	-	-	(89,471)	-	(89,471)
Non-programmed charges	178,759	-	73,925	-	(104,834)	-	(104,834)
Unallocated depreciation expense**	76,428	-	-	-	(76,428)	-	(76,428)
Total governmental activities	25,038,761	532,603	21,019,805	20,418	(3,465,935)	-	(3,465,935)
Business-type activities:							
School food service	1,739,330	280,675	1,438,078	-	-	(20,577)	(20,577)
Child care	69,558	67,354	-	-	-	(2,204)	(2,204)
Total business-type activities	1,808,888	348,029	1,438,078	-	-	(22,781)	(22,781)
Total primary government	\$ 26,847,649	\$ 880,632	\$ 22,457,883	\$ 20,418	(3,465,935)	(22,781)	(3,488,716)
General revenues:							
Unrestricted county and city appropriations - operating					2,700,468	-	2,700,468
Unrestricted county appropriations - capital					329,400	-	329,400
Unrestricted State appropriations - capital					349,365	-	349,365
Investment earnings, unrestricted					10,053	2,165	12,218
Miscellaneous, unrestricted					664,084	(3,016)	661,068
Transfers					(113,862)	113,862	-
Total general revenues and transfers					3,939,508	113,011	4,052,519
Change in net position					473,573	90,230	563,803
Net position - beginning					21,396,016	404,829	21,800,845
Net position - ending					\$ 21,869,589	\$ 495,059	\$ 22,364,648

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

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

**CASWELL COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

Exhibit 3

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Assets						
Cash and cash equivalents	\$ 3,075,066	\$ -	\$ -	\$ 597,978	\$ 192,747	\$ 3,865,791
Due from other governments	-	686,080	86,402	245,704	-	1,018,186
Accounts receivable	1,253	-	-	-	-	1,253
Prepays	108,941	-	-	-	-	108,941
Total assets	\$ 3,185,260	\$ 686,080	\$ 86,402	\$ 843,682	\$ 192,747	\$ 4,994,171
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 159,394	\$ -	\$ -	\$ 6,239	\$ -	\$ 165,633
Accrued salaries and wages payable	15,946	686,080	86,402	-	-	788,428
Total liabilities	175,340	686,080	86,402	6,239	-	954,061
Fund balances:						
Nonspendable:						
Prepays	108,941	-	-	-	-	108,941
Restricted:						
Stabilization by State statute	1,253	-	-	-	-	1,253
School capital outlay	-	-	-	837,443	-	837,443
Individual schools	-	-	-	-	192,747	192,747
Assigned:						
Designated for technology	300,000	-	-	-	-	300,000
Special revenue programs	22,273	-	-	-	-	22,273
Unassigned	2,577,453	-	-	-	-	2,577,453
Total fund balances	3,009,920	-	-	837,443	192,747	4,040,110
Total liabilities, deferred inflows of resources and fund balances	\$ 3,185,260	\$ 686,080	\$ 86,402	\$ 843,682	\$ 192,747	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,728,933
Deferred outflows of resources related to pensions	1,480,508
Some liabilities, including those for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(2,037,968)
Net pension liability	(3,500,219)
Deferred inflows of resources related to pensions	(841,775)
Net position of governmental activities	\$ 21,869,589

CASWELL COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

Exhibit 4

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Revenues:						
State of North Carolina	\$ -	\$ 18,804,166	\$ -	\$ 369,783	\$ -	\$ 19,173,949
Caswell County						
Local current expense	2,700,468	-	-	-	-	2,700,468
Other	-	-	-	300,000	-	300,000
U.S. Government	-	-	1,964,036	-	-	1,964,036
Other	1,083,046	-	-	61,639	445,602	1,590,287
Total revenues	<u>3,783,514</u>	<u>18,804,166</u>	<u>1,964,036</u>	<u>731,422</u>	<u>445,602</u>	<u>25,728,740</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	540,688	11,184,523	196,003	-	-	11,921,214
Special populations	17,191	1,703,899	733,079	-	-	2,454,169
Alternative programs	67,700	476,790	769,793	-	-	1,314,283
School leadership	76	1,291,289	2,134	-	-	1,293,499
Co-curricular	135,147	-	-	-	452,785	587,932
School-based support	243,753	1,215,861	9,744	-	-	1,469,358
System-wide support services:						
Support and development	17,812	92,518	398	-	-	110,728
Special population support and development	645	58,835	63,266	-	-	122,746
Alternative programs and services						
support and development	6,577	15,412	65,360	-	-	87,349
Technology support	118,615	226,523	50,334	-	-	395,472
Operational support	1,677,099	1,805,335	-	-	-	3,482,434
Financial and human resource services	261,948	295,197	-	-	-	557,145
Accountability	1,233	84,380	-	-	-	85,613
Policy, leadership and public relations	372,053	239,742	-	-	-	611,795
Ancillary services	91,705	-	-	-	-	91,705
Non-programmed charges	178,759	-	73,925	-	-	252,684
Debt service:						
Principal retirement	-	-	-	20,418	-	20,418
Capital outlay	-	-	-	1,172,541	-	1,172,541
Total expenditures	<u>3,731,001</u>	<u>18,690,304</u>	<u>1,964,036</u>	<u>1,192,959</u>	<u>452,785</u>	<u>26,031,085</u>
Revenues over (under) expenditures	52,513	113,862	-	(461,537)	(7,183)	(302,345)
Other financing sources (uses):						
Transfers from (to) other funds	-	(113,862)	-	-	-	(113,862)
Installment purchase obligations issued	-	-	-	421,240	-	421,240
Total other financing sources (uses)	-	(113,862)	-	421,240	-	307,378
Net change in fund balance	52,513	-	-	(40,297)	(7,183)	5,033
Fund balances:						
Beginning of year	2,957,407	-	-	877,740	199,930	4,035,077
End of year	<u>\$ 3,009,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,443</u>	<u>\$ 192,747</u>	<u>\$ 4,040,110</u>

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, 2016

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 5,033
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciations in the current period.	105,054
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,280,351
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(28,619)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Gain on disposal of capital assets	28,619
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.	(400,822)
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	(533,984)
Compensated absences	17,941
	<hr/>
Total changes in net position of governmental activities	<u>\$ 473,573</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, 2016

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	2,700,413	2,700,468	2,700,468	-
U.S. Government	-	-	-	-
Other	1,137,376	1,137,321	1,083,046	(54,275)
Total revenues	<u>3,837,789</u>	<u>3,837,789</u>	<u>3,783,514</u>	<u>(54,275)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	1,271,588	1,057,605	540,688	516,917
Special populations	26,700	29,075	17,191	11,884
Alternative programs	93,064	122,266	67,700	54,566
School leadership	54,700	25,251	76	25,175
Co-curricular	158,859	150,441	135,147	15,294
School-based support	206,028	244,586	243,753	833
System-wide support services				
Support and development	19,000	18,668	17,812	856
Special populations	-	645	645	-
Alternative programs	7,304	6,577	6,577	-
Technology support	125,941	128,733	118,615	10,118
Operational support	1,801,651	1,984,150	1,677,099	307,051
Financial and human resource services	289,069	300,809	261,948	38,861
Accountability	3,300	3,623	1,233	2,390
Policy, leadership and public relations	362,740	360,515	372,053	(11,538)
Ancillary services				
Community	130,104	130,104	91,705	38,399
Nutrition	-	-	-	-
Nonprogrammed charges	200,000	200,000	178,759	21,241
Total expenditures	<u>4,750,048</u>	<u>4,763,048</u>	<u>3,731,001</u>	<u>1,032,047</u>
Revenues over (under) expenditures	(912,259)	(925,259)	52,513	977,772
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	912,259	925,259	-	(925,259)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	52,513	<u>\$ 52,513</u>
Fund balances:				
Beginning of year			2,957,407	
End of year			<u>\$ 3,009,920</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, 2016

Exhibit 6 (continued)

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 18,682,143	\$ 19,137,121	\$ 18,804,166	\$ (332,955)
Caswell County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>18,682,143</u>	<u>19,137,121</u>	<u>18,804,166</u>	<u>(332,955)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	10,876,597	11,296,432	11,184,523	111,909
Special populations	1,777,073	1,703,904	1,703,899	5
Alternative programs	676,649	629,565	476,790	152,775
School leadership	1,273,413	1,291,289	1,291,289	-
Co-curricular	-	-	-	-
School-based support	1,210,177	1,268,715	1,215,861	52,854
System-wide support services				
Support and development	95,458	92,518	92,518	-
Special populations	62,468	58,835	58,835	-
Alternative programs	-	15,412	15,412	-
Technology support	198,739	228,259	226,523	1,736
Operational support	1,821,712	1,819,011	1,805,335	13,676
Financial and human resource services	240,016	295,197	295,197	-
Accountability	79,207	84,380	84,380	-
Policy, leadership and public relations	312,827	239,742	239,742	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>18,624,336</u>	<u>19,023,259</u>	<u>18,690,304</u>	<u>332,955</u>
Revenues over (under) expenditures	57,807	113,862	113,862	-
Other financing uses:				
Transfers to other funds	(57,807)	(113,862)	(113,862)	-
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, 2016

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	2,080,757	2,713,909	1,964,036	(749,873)
Other	-	-	-	-
Total revenues	<u>2,080,757</u>	<u>2,713,909</u>	<u>1,964,036</u>	<u>(749,873)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	230,081	248,990	196,003	52,987
Special populations	556,171	944,215	733,079	211,136
Alternative programs	771,295	959,882	769,793	190,089
School leadership	6,500	6,500	2,134	4,366
Co-curricular	-	-	-	-
School-based support	14,500	10,000	9,744	256
System-wide support services				
Support and development	2,215	2,213	398	1,815
Special populations	101,826	316,346	63,266	253,080
Alternative programs	68,079	73,367	65,360	8,007
Technology support	41,396	41,396	50,334	(8,938)
Operational support	200	200	-	200
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	<u>288,494</u>	<u>110,800</u>	<u>73,925</u>	<u>36,875</u>
Total expenditures	<u>2,080,757</u>	<u>2,713,909</u>	<u>1,964,036</u>	<u>749,873</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>
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 NET POSITION
PROPRIETARY FUND TYPES
June 30, 2016**

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Kids Plus	
Assets			
Current assets:			
Cash and cash equivalents	\$ 513,497	\$ 51,401	\$ 564,898
Due from other governments	44,655	-	44,655
Receivables	7,047	-	7,047
Inventories	41,362	-	41,362
Total current assets	<u>606,561</u>	<u>51,401</u>	<u>657,962</u>
Noncurrent assets:			
Capital assets:			
Furniture, equipment and vehicles, net	42,280	-	42,280
Total assets	<u>648,841</u>	<u>51,401</u>	<u>700,242</u>
Deferred Outflows of Resources	<u>55,225</u>	<u>1,662</u>	<u>56,887</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,570	-	1,570
Compensated absences	27,331	2,163	29,494
Unearned revenue	5,846	-	5,846
Total current liabilities	<u>34,747</u>	<u>2,163</u>	<u>36,910</u>
Noncurrent liabilities:			
Net pension liability	130,562	3,929	134,491
Compensated absences	52,023	6,302	58,325
Total noncurrent liabilities	<u>182,585</u>	<u>10,231</u>	<u>192,816</u>
Total liabilities	<u>217,332</u>	<u>12,394</u>	<u>229,726</u>
Deferred Inflows of Resources	<u>31,399</u>	<u>945</u>	<u>32,344</u>
Net position			
Investment in capital assets	42,280	-	42,280
Unrestricted	413,055	39,724	452,779
Total net position	<u>\$ 455,335</u>	<u>\$ 39,724</u>	<u>\$ 495,059</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, 2016

Exhibit 8

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Kids Plus	
Operating revenues:			
Food sales	\$ 280,675	\$ -	\$ 280,675
Child care fees	-	67,354	67,354
Total operating revenues	<u>280,675</u>	<u>67,354</u>	<u>348,029</u>
Operating expenses:			
Food cost:			
Purchase of food	671,262	8,977	680,239
Donated commodities	110,595	-	110,595
Salaries and benefits	890,658	59,839	950,497
Materials and supplies	11,880	622	12,502
Repairs and maintenance	465	-	465
Depreciation	12,368	-	12,368
Non-capitalized equipment	541	-	541
Contracted services	30,110	-	30,110
Other	11,451	120	11,571
Total operating expenses	<u>1,739,330</u>	<u>69,558</u>	<u>1,808,888</u>
Operating loss	<u>(1,458,655)</u>	<u>(2,204)</u>	<u>(1,460,859)</u>
Nonoperating revenues:			
Federal reimbursements	1,326,485	-	1,326,485
Federal commodities	110,595	-	110,595
State reimbursements	998	-	998
Loss on disposal of capital assets	(3,016)	-	(3,016)
Interest earned	1,866	299	2,165
Total nonoperating revenues	<u>1,436,928</u>	<u>299</u>	<u>1,437,227</u>
Loss before transfers	(21,727)	(1,905)	(23,632)
Transfers from other funds	<u>113,862</u>	<u>-</u>	<u>113,862</u>
Change in net position	92,135	(1,905)	90,230
Net position, beginning of year	<u>363,200</u>	<u>41,629</u>	<u>404,829</u>
Net position, end of year	<u>\$ 455,335</u>	<u>\$ 39,724</u>	<u>\$ 495,059</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, 2016**

Exhibit 9

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Kids Plus	
Cash flows from operating activities:			
Cash received from customers	\$ 279,090	\$ 67,354	\$ 346,444
Cash paid for goods and services	(728,364)	(9,719)	(738,083)
Cash paid to employees for services	(780,557)	(57,238)	(837,795)
Net cash provided (used) by operating activities	(1,229,831)	397	(1,229,434)
Cash flows from noncapital financing activities:			
Federal and State reimbursements	1,343,654	-	1,343,654
Cash flows from investing activities:			
Interest earned on investments	1,866	299	2,165
Net increase in cash and cash equivalents	115,689	696	116,385
Cash and cash equivalents, beginning of year	397,808	50,705	448,513
Cash and cash equivalents, end of year	\$ 513,497	\$ 51,401	\$ 564,898
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	\$ (1,458,655)	\$ (2,204)	\$ (1,460,859)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	12,368	-	12,368
Donated commodities	110,595	-	110,595
Salaries paid by special revenue fund	113,862	-	113,862
Changes in assets and liabilities:			
Increase in accounts receivable	(1,015)	-	(1,015)
Increase in inventories	(276)	-	(276)
Decrease in accounts payable and accrued liabilities	(2,379)	-	(2,379)
Increase in pension liability	95,571	3,428	98,999
Increase in deferred outflow - pension	(7,278)	(975)	(8,253)
Decrease in deferred inflow - pension	(97,823)	(906)	(98,729)
Decrease in unearned revenue	(570)	-	(570)
Increase in compensated absences payable	5,769	1,054	6,823
Total adjustments	228,824	2,601	231,425
Net cash used by operating activities	\$ (1,229,831)	\$ 397	\$ (1,229,434)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$110,595 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 \$113,862 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 School Food Service Fund reported a loss on disposal of capital assets of \$3,016.

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, 2016

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Investments	\$ <u>302,032</u>
Net position	
Assets held in trust for private purpose	\$ <u><u>302,032</u></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, 2016

Exhibit 11

	Private Purpose Trust Fund
ADDITIONS:	
Contributions and other revenue	\$ 1,500
Interest	<u>2,726</u>
Total additions	<u>4,226</u>
DEDUCTIONS:	
Scholarship payments	<u>24,050</u>
Change in net position	(19,824)
Beginning net position	<u>321,856</u>
Ending net position	<u><u>\$ 302,032</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, 2016

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.

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.

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

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

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

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by 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 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.

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

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 Cash 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.

2. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

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

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

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

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, 2016 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.

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

 Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

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

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. Any amounts assigned are established by the Board’s Budget Committee.

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.

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 \$17,829,479 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on district-wide statement in governmental activities column)	\$ 40,106,590
Less accumulated depreciation	<u>(17,377,657)</u>
Net capital assets	22,728,933

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

Pension related deferred outflows of resources:	
Differences between contributions and proportional share of contributions and changes in proportion	200,157
Contributions made to the pension plan in the current fiscal year	1,280,351
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(441,658)
Compensated absences	(1,596,310)
Net pension liability	(3,500,219)
Deferred inflows of resources related to pensions:	
Differences between contributions and proportional share of contributions and changes in proportion	(64,581)
Differences between expected and actual experience	(397,975)
Difference between projected and actual earnings on plan investments	<u>(379,219)</u>
Total adjustment	<u>\$ 17,829,479</u>

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 \$468,540 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,020,098
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	(915,044)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the district-wide statements	20,418
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it only affects the district-wide statement of net position	(421,240)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,280,351
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities	(28,619)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Gain on disposal of capital assets	28,619

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

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	(533,984)
Compensated absences are accrued in the district-wide statements but not in the fund statements because they do not use current resources	<u>17,941</u>
Total adjustment	<u>\$ 468,540</u>

11. Defined Benefit Pension Plans

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Appropriations Over Net Revenues and Appropriated Fund Balance in the Budget Resolution

During the fiscal year ended June 30, 2016, the Board's budget resolution reported expenditures in excess of revenues in the State Public School Fund and Federal Grants Fund in violation of State law [G.S. 115C-425(a)] that requires the budget resolution for each fund to balance by budgeting net revenues and appropriated fund balances equal to total appropriations. The following is the amounts by which appropriations exceeded the budgeted net revenues and appropriated fund balance:

State Public School Fund	<u>\$ 292,613</u>
Federal Grants Fund	<u>\$ 364,624</u>

Management will ensure the budget resolution balances for each fund, as well as review the checklist for Statutory Compliance with the School Budget and Fiscal Control Act to ensure Board is in compliance with all budgetary compliance requirements.

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2016, the Board reported expenditures within the Before and After School Care School Fund that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance, as summarized below:

Before and After School Care Fund – Operating expenditures	\$ 11,996
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Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

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

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.

At June 30, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$2,659,629. The bank balances with the financial institutions and the State Treasurer were \$3,056,606 and \$144,904, respectively. Of these balances, \$411,617 was covered by federal depository insurance and \$2,789,893 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2016, the Board has \$2,073,092 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the district-wide level at June 30, 2016 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ -	\$ 1,253	\$ 1,253
Other governmental activities	<u>1,018,186</u>	<u>-</u>	<u>1,018,186</u>
Total governmental activities	<u>\$ 1,018,186</u>	<u>\$ 1,253</u>	<u>\$ 1,019,439</u>
Business-type activities:			
School Food Service	<u>\$ 44,655</u>	<u>\$ 7,047</u>	<u>\$ 51,702</u>

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

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 686,080	Operating funds from DPI
Federal Grants Fund	86,402	Federal grant funds
Capital Outlay Fund	<u>245,704</u>	Amounts due from County
Total	<u>\$ 1,018,186</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 44,655</u>	Federal grant funds

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

4. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	19,250	330,115	-	349,365
Total capital assets not being depreciated	<u>1,319,771</u>	<u>330,115</u>	<u>-</u>	<u>1,649,886</u>
Capital assets being depreciated:				
Buildings and improvements	33,566,923	84,784	74,019	33,577,688
Equipment and furniture	1,013,455	129,125	-	1,142,580
Vehicles	3,296,665	476,074	36,303	3,736,436
Total capital assets being depreciated	<u>37,877,043</u>	<u>689,983</u>	<u>110,322</u>	<u>38,456,704</u>
Less accumulated depreciation for:				
Buildings and improvements	13,052,669	639,216	74,019	13,617,866
Equipment and furniture	844,241	76,428	-	920,669
Vehicles	2,676,025	199,400	36,303	2,839,122
Total accumulated depreciation	<u>16,572,935</u>	<u>915,044</u>	<u>110,322</u>	<u>17,377,657</u>
Total capital assets being depreciated, net	<u>21,304,108</u>			<u>21,079,047</u>
Governmental activity capital assets, net	<u>\$ 22,623,879</u>			<u>\$ 22,728,933</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,155,474	\$ -	\$ 152,580	\$ 1,002,894
Vehicles	55,130	-	-	55,130
Total capital assets being depreciated	<u>1,210,604</u>	<u>-</u>	<u>152,580</u>	<u>1,058,024</u>
Less accumulated depreciation for:				
Equipment and furniture	1,097,810	12,368	149,564	960,614
Vehicles	55,130	-	-	55,130
Total accumulated depreciation	<u>1,152,940</u>	<u>12,368</u>	<u>149,564</u>	<u>1,015,744</u>
School Food Service capital assets, net	<u>\$ 57,664</u>			<u>\$ 42,280</u>

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

Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 639,216
System-wide support services	199,400
Unallocated depreciation	<u>76,428</u>
Total	<u>\$ 915,044</u>

5. Construction Commitments

Caswell County Board of Education has one active construction project as of June 30, 2016. At year-end, the commitments with contractors for architecture services and construction totaled \$460,074.

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.

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

Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,329,547 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$3,634,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Board's proportion was 0.09863% and 0.09564%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$575,197. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 413,267
Net difference between projected and actual earnings on pension plan investments	-	393,790
Changes in proportion and differences between Board contributions and proportionate share of contributions	207,848	67,062
Board contributions subsequent to the measurement date	1,329,547	-
Total	<u>\$ 1,537,395</u>	<u>\$ 874,119</u>

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

\$1,329,547 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (439,724)
2018	(439,724)
2019	(419,741)
2020	632,918
2021	-
Thereafter	-
	<hr/>
Total	<u>\$ (666,271)</u>

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

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the 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, 2015 are summarized in the following table:

**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 10,939,476	\$ 3,634,711	\$ (2,564,225)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan’s benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These

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

contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$811,842, \$809,506 and \$754,688, respectively. These contributions represented 5.60%, 5.49% and 5.40% of covered payroll, respectively.

Long-term Disability Benefits

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

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

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

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

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$59,438, \$60,455 and \$61,493, respectively. These contributions represented 0.41%, 0.41% and 0.44% of covered payroll, respectively.

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

2. Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 159,394	\$ 15,946	\$ 175,340
Other Governmental	<u>6,239</u>	<u>772,482</u>	<u>778,721</u>
Total governmental activities	<u>\$ 165,633</u>	<u>\$ 788,428</u>	<u>\$ 954,061</u>
Business-type activities:			
School Food Service Fund	<u>\$ 1,570</u>	<u>\$ -</u>	<u>\$ 1,570</u>

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>\$ 5,846</u>

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 413,267
Net difference between projected and actual earnings on pension plan investments	-	393,790
Changes in proportion and differences between Board contributions and proportionate share of contributions	207,848	67,062
Board contributions subsequent to the measurement date	<u>1,329,547</u>	<u>-</u>
Total	<u>\$ 1,537,395</u>	<u>\$ 874,119</u>

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

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.

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, the Board entered into such a financing contract 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, 2016 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2017	\$ 231,038
2018	105,310
2019	<u>105,310</u>
Total	<u>\$ 441,658</u>

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

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 40,836	\$ 421,240	\$ 20,418	\$ 441,658	\$ 231,038
Net pension liability	1,085,811	2,414,408	-	3,500,219	-
Compensated absences	<u>1,614,251</u>	<u>845,707</u>	<u>863,648</u>	<u>1,596,310</u>	<u>676,769</u>
Total	<u>\$ 2,740,898</u>	<u>\$ 3,681,355</u>	<u>\$ 884,066</u>	<u>\$ 5,538,187</u>	<u>\$ 907,807</u>
Business-type activities:					
Net pension liability	\$ 35,492	\$ 98,999	\$ -	\$ 134,491	\$ -
Compensated absences	<u>80,996</u>	<u>40,966</u>	<u>34,143</u>	<u>87,819</u>	<u>29,494</u>
Total	<u>\$ 116,488</u>	<u>\$ 139,965</u>	<u>\$ 34,143</u>	<u>\$ 222,310</u>	<u>\$ 29,494</u>

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

C. Interfund Balances and Activity

Transfers to/from other Funds

Transfers to/from other funds at June 30, 2016 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 113,862</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	\$ 3,009,920
Less:	
Stabilization by State statute	(1,253)
Prepays	(108,941)
Designated for technology expenditures	(300,000)
Designated for special revenue programs	<u>(22,273)</u>
Remaining fund balance	<u>\$ 2,577,453</u>

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

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.

**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 THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.09863%	0.09900%	0.09600%
Board's proportionate share of the net pension liability (asset)	\$ 3,634,710	\$ 1,121,303	\$ 6,022,451
Board's covered-employee payroll	\$ 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-employee payroll	24.53%	8.02%	40.37%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**CASWELL COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

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

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Caswell County:			
County appropriation	\$ 2,700,468	\$ 2,700,468	\$ -
Other:			
Fines and forfeitures	-	62,706	62,706
Interest earned on investment	-	6,433	6,433
Indirect costs allocated	-	73,925	73,925
Private grants and programs	-	251,603	251,603
Rental of school property	-	66,278	66,278
Reimbursements	-	591,677	591,677
Tuition and fees	-	20,723	20,723
Miscellaneous	-	9,701	9,701
Total other	<u>1,137,321</u>	<u>1,083,046</u>	<u>1,083,046</u>
Total revenues	<u>3,837,789</u>	<u>3,783,514</u>	<u>1,083,046</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	1,057,605	540,688	516,917
Special populations	29,075	17,191	11,884
Alternative programs	122,266	67,700	54,566
School leadership	25,251	76	25,175
Co-curricular	150,441	135,147	15,294
School-based support	244,586	243,753	833
Total instructional services	<u>1,629,224</u>	<u>1,004,555</u>	<u>624,669</u>
System-wide support services:			
Support and development	18,668	17,812	856
Special population support and development	645	645	-
Alternative programs and services support and development	6,577	6,577	-
Technology support	128,733	118,615	10,118
Operational support	1,984,150	1,677,099	307,051
Financial and human resource services	300,809	261,948	38,861
Accountability	3,623	1,233	2,390
Policy, leadership and public relations	360,515	372,053	(11,538)
Total system-wide support services	<u>2,803,720</u>	<u>2,455,982</u>	<u>347,738</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community	<u>130,104</u>	<u>91,705</u>	<u>38,399</u>
Nonprogrammed charges:			
Payments to other governments	<u>200,000</u>	<u>178,759</u>	<u>21,241</u>
Total expenditures	<u>4,763,048</u>	<u>3,731,001</u>	<u>1,032,047</u>
Revenues over (under) expenditures	(925,259)	52,513	977,772
Fund balance appropriated	<u>925,259</u>	<u>-</u>	<u>(925,259)</u>
Net change in fund balance	<u>\$ -</u>	52,513	<u>\$ 52,513</u>
Fund balance:			
Beginning of year		<u>2,957,407</u>	
End of year		<u>\$ 3,009,920</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ -	\$ 349,365	\$ 349,365
State Buses Appropriation	-	20,418	20,418
Total State of North Carolina	<u>-</u>	<u>369,783</u>	<u>369,783</u>
Caswell County:			
County appropriations	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Other:			
ABC revenues	27,000	29,400	2,400
Interest earned on investments	2,000	3,620	1,620
Proceeds from disposal of capital assets	<u>-</u>	<u>28,619</u>	<u>28,619</u>
Total other	<u>29,000</u>	<u>61,639</u>	<u>32,639</u>
Total revenues	<u>329,000</u>	<u>731,422</u>	<u>402,422</u>
Expenditures:			
Debt service:			
Principal retirement	<u>20,418</u>	<u>20,418</u>	<u>-</u>
Capital outlay:			
Real property and buildings:			
Oakwood Elementary - Lottery	-	349,365	-
Various other real property improvements	<u>-</u>	<u>81,714</u>	<u>-</u>
Total real property and buildings	<u>690,737</u>	<u>431,079</u>	<u>259,658</u>
Furnishings and equipment	385,434	320,222	65,212
Buses and motor vehicles	<u>421,240</u>	<u>421,240</u>	<u>-</u>
Total capital outlay	<u>1,497,411</u>	<u>1,172,541</u>	<u>324,870</u>
Total expenditures	<u>1,517,829</u>	<u>1,192,959</u>	<u>324,870</u>
Revenues over (under) expenditures	(1,188,829)	(461,537)	727,292
Other financing sources:			
Installment purchase obligations issued	<u>421,240</u>	<u>421,240</u>	<u>-</u>
Fund balance appropriated	<u>767,589</u>	<u>-</u>	<u>(767,589)</u>
Net change in fund balance	<u>\$ -</u>	<u>(40,297)</u>	<u>\$ (40,297)</u>
Fund balance:			
Beginning of year		<u>877,740</u>	
End of year		<u>\$ 837,443</u>	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 296,762	\$ 280,675	\$ (16,087)
Operating expenditures:			
Business support services:			
Purchase of food	-	598,390	-
Donated commodities	-	110,595	-
Salaries and benefits	-	894,419	-
Materials and supplies	-	11,880	-
Repairs and maintenance	-	465	-
Non-capitalized equipment	-	541	-
Contracted services	-	30,110	-
Other	-	11,451	-
Total operating expenditures	1,706,954	1,657,851	49,103
Operating loss	(1,410,192)	(1,377,176)	33,016
Nonoperating revenues:			
Federal reimbursements	1,399,971	1,326,485	(73,486)
Federal commodities	7,639	110,595	102,956
State reimbursements	1,382	998	(384)
Interest earned	1,200	1,866	666
Total nonoperating revenues	1,410,192	1,439,944	29,752
Revenues over (under) expenditures before other financing sources	-	62,768	62,768
Other financing sources:			
Transfers from other funds	-	113,862	113,862
Net change in fund balance	\$ -	176,630	\$ 176,630
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(12,368)	
Net pension liability		(95,571)	
Deferred outflows - pension		7,278	
Deferred inflows - pension		97,823	
Loss on disposal of capital assets		(3,016)	
Increase in compensated absences payable		(5,769)	
Decrease in inventories		(72,872)	
Change in net position (full accrual)		\$ 92,135	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
KIDS PLUS
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 54,661	\$ 67,354	\$ 12,693
Operating expenditures:			
Regular community services:			
Purchase of food	-	8,977	-
Salaries and benefits	-	57,238	-
Materials and supplies	-	622	-
Other	-	120	-
Total operating expenditures	54,961	66,957	(11,996)
Nonoperating revenues:			
Interest earned	300	299	(1)
Revenues over expenditures	\$ -	696	\$ 696
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net pension liability		(3,428)	
Deferred outflows - pension		975	
Deferred inflows - pension		906	
Increase in compensated absences payable		(1,054)	
Change in net position (full accrual)		\$ (1,905)	



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, 2016, 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 15, 2016.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in accompanying schedule of findings and questioned costs to be a material weakness: 16-01

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*.

Response to Findings

The Caswell County Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 15, 2016
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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 16-02. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 16-02 that we consider to be a significant deficiency.

The Caswell County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Caswell County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Anderson Smith & Wike PLLC

*November 15, 2016
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, 2016. 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, 2016

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 15, 2016
West End, North Carolina*

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

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?	Yes
• 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	Yes
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)?	Yes

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<i>No</i>

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

**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

Section II - Financial Statement Findings

Finding: 16-01

MATERIAL WEAKNESS

Criteria: A primary component of a sound internal control environment requires the accurate preparation of bank reconciliations.

Condition: As noted during the previous year's audit there was an unreconciled difference of over \$50,000 relating to the bank account reconciliation for the State Public School Fund. This unreconciled amount was not corrected during the year ended June 30, 2016.

Effect: Cash balances from the District's accounting records during the fiscal year were not fully reconciled to bank balances. Therefore, management did not have accurate financial information to utilize when making managerial decisions. The lack of accurate reconciliations also increased the risk of misappropriation of assets.

Cause: There was lack of oversight by management.

Recommendation: We recommend that the District closely examine the applicable bank reconciliations to determine the cause of the unreconciled amounts and refund the State if necessary.

Management response: The District agrees with this finding and recommendation.

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section III - Federal Award Findings and Questioned Costs

SIGNIFICANT DEFICIENCY AND NON-COMPLIANCE

Procurement and Suspension and Debarment

U.S. Department of Agriculture

**Program Name: Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA # 10.553, 10.555**

- Criteria: The Board is required to comply with all aspects of The School Budget and Fiscal Control Act (N.C. General Statute 115C-422 through 452) and should maintain records in accordance with generally accepted accounting procedures. This requires that all contracts, agreements or purchase orders have the Finance Officer's signature on the pre-audit certificate.
- Condition: The Board did not obtain the Finance Officer's signature on the pre-audit certificate for all disbursements.
- Effect: The Board was not in compliance with all requirements of The School Budget and Fiscal Control Act (N.C. General Statute 115C-422 through 452).
- Cause: A purchase order which contains the pre-audit certificate was completed but the pre-audit certificate was not signed for 5 of the 15 Child Nutrition general disbursements selected for testing.
- Questioned Cost: There are no associated questioned costs as the expenditures were properly budgeted.
- Recommendation: We recommend that management obtain the pre-audit certificate on all disbursements.
- Management response: Management agrees with this finding and will take steps to ensure that a signed pre-audit certificate is on all disbursements.

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
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2016**

Finding 16-01

Name of Contact Person: Crystal Kessler, Finance Director

Corrective Action: The District will reconcile all bank accounts on a monthly basis and investigate any prior unreconciled balances.

Proposed Completion Date: Immediately.

Finding 16-02

Name of Contact Person: Crystal Kessler, Financial Officer

Corrective Action Plan: Management will implement procedures to ensure Child Nutrition disbursements obtain a signed pre-audit certificate through the proper use of purchase orders.

Proposed Completion Date: Immediately.

**CASWELL COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016**

Finding 15-01 – Repeat finding. See **16-01**.

Finding 15-02 – Corrected.

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
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		\$ 110,595
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		351,120
National School Lunch Program	10.555		975,365
Cash Assistance Subtotal			<u>1,326,485</u>
Total Child Nutrition Cluster:			<u>1,437,080</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	877,633
Teacher Quality Enhancement	84.367	PRC 103	108,083
Rural and Low Income Schools	84.358	PRC 109	51,926
<u>Office of Special Education and Rehabilitative Services</u>			
Passw			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	791,778
- Targeted Assistance	84.027	PRC 118	9,258
- Targeted Assistance for Preschool	84.027	PRC 119	5,158
- High Need Students	84.027	PRC 114	24,901
- Preschool Handicapped	84.173	PRC 049	42,707
Total Special Education Cluster:			<u>873,802</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	<u>7,234</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	45,358
Total U.S. Department of Education			<u>1,964,036</u>
Total federal assistance			<u>3,401,116</u>

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			17,474,556
Driver Training - SPSF		PRC 012	42,351
School Technology Fund - SPSF		PRC 015	113,152
Vocational Education			
- State Months of Employment		PRC 013	995,658
- Program Support Funds		PRC 014	58,832
Passed through Caswell County:			
Public School Capital Fund - Lottery			349,365
Total N.C. Department of Public Instruction			<u>19,033,914</u>
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			20,418
Textbooks - Noncash			119,617
Total N.C. Department of Public Instruction - Noncash			<u>140,035</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			998
Total State assistance			<u>19,174,947</u>
Total federal and State assistance			<u><u>\$ 22,576,063</u></u>

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

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, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of 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