

Caswell County
Board of Education
Financial Statements
For the Year Ended
June 30, 2014

CASWELL COUNTY BOARD OF EDUCATION

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Caswell County Board of Education as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Caswell County Board of Education's basic financial statements. The individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of Caswell County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Caswell County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 17, 2014
Statesville, North Carolina
(704) 562-5039

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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, 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board had a decrease of 47 students from the previous year and is working with the local community college to target dropouts in our County. All students, regardless of age, are referred to Piedmont Community College for enrollment in its GED program.
- The Board continues to implement its alternative program setting to work with students in lieu of long-term suspension, thus reducing the dropout rate.

Overview of the Financial Statements

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

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

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

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

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Government-wide Statements

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

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

- Over time, increases or decreases in the Board's net position 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 Caswell County's (the "County") property tax base and the condition of its school buildings and other physical assets.

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

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help it cover the costs of certain services it provides. School food service and child care 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 – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund and the Federal Grants Fund.

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

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

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Caswell County Board of Education, North Carolina 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 9 and 10 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$25,846,723 as of June 30, 2014. The largest component of net position is net investment in capital assets of \$23,252,708. It comprises 90% of the total net position.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2014 and 2013						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current assets	\$ 4,904,231	\$ 5,384,831	\$ 602,559	\$ 805,842	\$ 5,506,790	\$ 6,190,673
Capital assets	<u>23,359,578</u>	<u>24,278,953</u>	<u>70,033</u>	<u>109,403</u>	<u>23,429,611</u>	<u>24,388,356</u>
Total assets	<u>28,263,809</u>	<u>29,663,784</u>	<u>672,592</u>	<u>915,245</u>	<u>28,936,401</u>	<u>30,579,029</u>
Current liabilities	1,693,964	1,309,831	35,423	18,951	1,729,387	1,328,782
Long-term liabilities	<u>1,279,409</u>	<u>1,269,634</u>	<u>80,882</u>	<u>88,802</u>	<u>1,360,291</u>	<u>1,358,436</u>
Total liabilities	<u>2,973,373</u>	<u>2,579,465</u>	<u>116,305</u>	<u>107,753</u>	<u>3,089,678</u>	<u>2,687,218</u>
Deferred inflows	<u>-</u>	<u>21,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,387</u>
Net investment						
in capital assets	23,182,675	23,925,146	70,033	109,403	23,252,708	24,034,549
Restricted net position	969,658	977,558	-	-	969,658	977,558
Unrestricted net position	<u>1,138,103</u>	<u>2,160,228</u>	<u>486,254</u>	<u>698,089</u>	<u>1,624,357</u>	<u>2,858,317</u>
Total net assets	<u>\$ 25,290,436</u>	<u>\$ 27,062,932</u>	<u>\$ 556,287</u>	<u>\$ 807,492</u>	<u>\$ 25,846,723</u>	<u>\$ 27,870,424</u>

Note that the net position of the Board's governmental activities decreased from approximately \$27.1 million at June 30, 2013 to approximately \$25.3 million at June 30, 2014. This \$1.8 million decrease was largely attributable to decreases in capital assets due to depreciation.

The net position of our business-type activities decreased \$251,205 from \$807,492 at June 30, 2013 to \$556,287 at June 30, 2014. This decrease is the amount of net loss generated by our school food service and child care operations during the 2013-2014 fiscal year. The following table shows the revenues and expenses for the Board for the current fiscal year.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2014 and 2013						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues:						
Charges for services	\$ 61,113	\$ 492,962	\$ 465,655	\$ 463,168	\$ 526,768	956,130
Operating grants and contributions	20,647,163	21,771,392	1,364,237	1,293,510	22,011,400	23,064,902
Capital grants and contributions	176,904	18,576	-	-	176,904	18,576
General revenues:						
County contributions	2,769,413	2,790,085	-	-	2,769,413	2,790,085
State contributions	-	470,720	-	-	-	470,720
Other revenues	1,110,371	423,002	1,324	1,320	1,111,695	424,322
Total revenues	<u>24,764,964</u>	<u>25,966,737</u>	<u>1,831,216</u>	<u>1,757,998</u>	<u>26,596,180</u>	<u>27,724,735</u>
Expenses:						
Governmental activities:						
Instructional services	19,705,562	19,004,762	-	-	19,705,562	19,004,762
System-wide support services	6,483,287	6,273,980	-	-	6,483,287	6,273,980
Ancillary services	111,038	190,104	-	-	111,038	190,104
Non-programmed charges	156,466	212,303	-	-	156,466	212,303
Unallocated depreciation	22,137	265,830	-	-	22,137	265,830
Business-type activities:						
Food service	-	-	2,078,481	1,822,770	2,078,481	1,822,770
Child care	-	-	62,910	67,576	62,910	67,576
Total expenses	<u>26,478,490</u>	<u>25,946,979</u>	<u>2,141,391</u>	<u>1,890,346</u>	<u>28,619,881</u>	<u>27,837,325</u>
Transfers in (out)	<u>(58,970)</u>	<u>(8,766)</u>	<u>58,970</u>	<u>8,766</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(1,772,496)	10,992	(251,205)	(123,582)	(2,023,701)	(112,590)
Beginning net position	<u>27,062,932</u>	<u>27,051,940</u>	<u>807,492</u>	<u>931,074</u>	<u>27,870,424</u>	<u>27,983,014</u>
Ending net position	<u>\$ 25,290,436</u>	<u>\$ 27,062,932</u>	<u>\$ 556,287</u>	<u>\$ 807,492</u>	<u>\$ 25,846,723</u>	<u>\$ 27,870,424</u>

Total governmental activities generated revenues of approximately \$24.8 million while expenses in this category totaled approximately \$26.5 million for the year ended June 30, 2014. Comparatively, revenues were approximately \$26.0 million and expenses totaled approximately \$26.0 million for the year ended June 30, 2013. After transfers, the decrease in net position stands at approximately \$1.8 million at June 30, 2014, compared to an increase of \$11,000 in 2013. Instructional services expenses comprised 74.4 percent of total governmental-type expenses while system-wide support services made up 24.5 percent of those expenses for 2014. County funding comprised 11.2 percent of total governmental revenue while State funding added another 75.1 percent for 2014. Much of the remaining 13.7 percent of total governmental revenue for 2014 consists of federal grants. Business-

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

type activities generated revenue of approximately \$1.8 million and had expenses of approximately \$2.1 million. Net assets decreased in the business-type activities by \$251,000, after transfers in from the governmental activities of \$58,970.

Financial Analysis of the Board's Funds

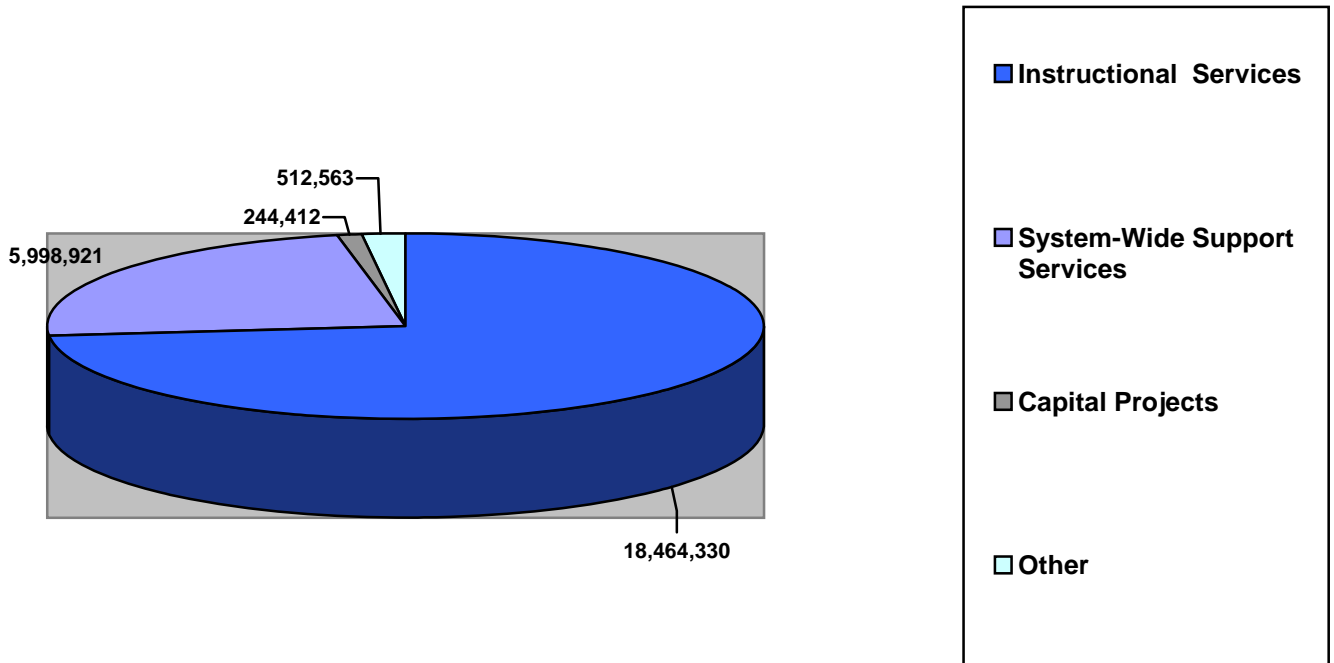
Governmental Funds: The focus of Caswell County Board of Education, North Carolina's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$3,791,808, a \$514,232 decrease from last year. The Board's General Fund had expenditures that exceeded revenues thus total fund balance decreased by \$506,332.

Proprietary Funds: The School Food Service Fund and the Child Care Fund reflected decreases in net position over last year.

Expenditures are presented on the modified accrual basis of accounting.

Categorization of Expenditures for Governmental Funds



**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

General Fund Budgetary Highlights

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

Capital Assets

Capital assets decreased by \$958,745 (3.9%) from the previous year. This decrease was due to depreciation expense exceeding capital additions in the current year. The following is a summary of the capital assets, net of depreciation at year-end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	\$ 1,300,521	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521	\$ 1,300,521
Construction in progress	-	-	-	-	-	-
Buildings and improvements	21,137,739	21,757,908	-	-	21,137,739	21,757,908
Equipment and furniture	112,342	95,946	70,033	109,403	182,375	205,349
Vehicles	808,976	1,124,578	-	-	808,976	1,124,578
Total	<u>\$ 23,359,578</u>	<u>\$ 24,278,953</u>	<u>\$ 70,033</u>	<u>\$ 109,403</u>	<u>\$ 23,429,611</u>	<u>\$ 24,388,356</u>

Debt Outstanding

During the year the Board's outstanding debt decreased by \$176,904. The decrease is due to payments made during the year on installment purchase agreements for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction.

Economic Factors

The Board anticipates a slight decrease in enrollment for the 2014-2015 school year. We continue to need highly qualified teachers, technology, and equipment to increase student achievement. Our local teacher supplement is a vital part to employing and retaining our teaching staff. The Board of County Commissioners funded a teacher supplement for the 2014-2015 school year in the amount of \$231,000. The Board of County Commissioners also funded a math, science and exceptional children hiring bonus in the amount of \$50,838 in order to attract highly qualified teachers in these disciplines.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The County is experiencing an unemployment rate of 7.6 percent as compared to the state average of 6.8 percent, therefore maintaining adequate staffing for the students of Caswell County Schools is of vital importance to the County's economy.

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:

Shannon Dennison, Finance Director
Caswell County Board of Education, North Carolina
P.O. Box 160
Yanceyville, North Carolina 27379

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,054,896	\$ 497,722	\$ 4,552,618
Due from other governments	738,097	45,802	783,899
Receivables (net)	-	13,590	13,590
Inventories	-	45,445	45,445
Prepaid expenses	111,238	-	111,238
Capital assets:			
Land, improvements, and construction in progress	1,300,521	-	1,300,521
Other capital assets, net of depreciation	22,059,057	70,033	22,129,090
Total capital assets	23,359,578	70,033	23,429,611
Total assets	28,263,809	672,592	28,936,401
LIABILITIES			
Accounts payable and accrued expenses	354,875	651	355,526
Accrued salaries and wages payable	757,548	-	757,548
Unavailable revenues	-	7,603	7,603
Long-term liabilities:			
Due within one year	581,541	27,169	608,710
Due in more than one year	1,279,409	80,882	1,360,291
Total liabilities	2,973,373	116,305	3,089,678
NET POSITION			
Net investment in capital assets	23,182,675	70,033	23,252,708
Restricted for:			
School capital outlay	759,446	-	759,446
Individual school activities	210,212	-	210,212
Unrestricted	1,138,103	486,254	1,624,357
Total net position	\$ 25,290,436	\$ 556,287	\$ 25,846,723

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 12,697,210	\$ 11,253	\$ 11,017,567	\$ -
Special populations	2,501,907	-	2,407,486	-
Alternative programs	1,706,359	-	1,534,450	-
School leadership	1,291,553	-	1,229,140	-
Co-curricular	106,829	-	-	-
School-based support	1,401,704	-	1,175,095	-
System-wide support services:				
Support and development	39,021	-	30,237	-
Special populations	137,251	-	133,502	-
Alternative programs	59,645	-	57,471	-
Technology support	359,825	-	210,567	-
Operational support	4,138,585	49,860	2,049,298	176,904
Financial and human resource services	561,994	-	340,795	-
Accountability	142,658	-	135,766	-
System-wide pupil support services	339,101	-	-	-
Policy, leadership and public relations	705,207	-	260,168	-
Ancillary services	111,038	-	-	-
Non-programmed charges	156,466	-	65,621	-
Unallocated depreciation expense*	22,137	-	-	-
Total governmental activities	<u>26,478,490</u>	<u>61,113</u>	<u>20,647,163</u>	<u>176,904</u>
Business-type activities:				
School food service	2,078,481	411,125	1,364,237	-
Child care	62,910	54,530	-	-
Total business-type activities	<u>2,141,391</u>	<u>465,655</u>	<u>1,364,237</u>	<u>-</u>
Total primary government	<u>\$ 28,619,881</u>	<u>\$ 526,768</u>	<u>\$ 22,011,400</u>	<u>\$ 176,904</u>

General revenues:

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

Transfers

Total general revenues and transfers
Change in net position

Net position-beginning
Net position-ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,668,390)	\$ -	\$ (1,668,390)
(94,421)	-	(94,421)
(171,909)	-	(171,909)
(62,413)	-	(62,413)
(106,829)	-	(106,829)
(226,609)	-	(226,609)
(8,784)	-	(8,784)
(3,749)	-	(3,749)
(2,174)	-	(2,174)
(149,258)	-	(149,258)
(1,862,523)	-	(1,862,523)
(221,199)	-	(221,199)
(6,892)	-	(6,892)
(339,101)	-	(339,101)
(445,039)	-	(445,039)
(111,038)	-	(111,038)
(90,845)	-	(90,845)
(22,137)	-	(22,137)
<u>(5,593,310)</u>	<u>-</u>	<u>(5,593,310)</u>
-	(303,119)	(303,119)
-	(8,380)	(8,380)
-	(311,499)	(311,499)
<u>(5,593,310)</u>	<u>(311,499)</u>	<u>(5,904,809)</u>
2,469,413	-	2,469,413
300,000	-	300,000
5,986	1,324	7,310
1,104,385	-	1,104,385
(58,970)	58,970	-
<u>3,820,814</u>	<u>60,294</u>	<u>3,881,108</u>
(1,772,496)	(251,205)	(2,023,701)
27,062,932	807,492	27,870,424
<u>\$ 25,290,436</u>	<u>\$ 556,287</u>	<u>\$ 25,846,723</u>

**CASWELL COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

Exhibit 3

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
ASSETS				
Cash and cash equivalents	\$ 3,074,216	\$ -	\$ 210,212	\$ 770,468
Due from other governments	-	630,086	-	-
Prepaid expenditures	111,238	-	-	-
Total assets	<u>\$ 3,185,454</u>	<u>\$ 630,086</u>	<u>\$ 210,212</u>	<u>\$ 770,468</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 343,853	\$ -	\$ -	\$ 11,022
Accrued salaries and wages payable	19,451	630,086	-	-
Total liabilities	<u>363,304</u>	<u>630,086</u>	<u>-</u>	<u>11,022</u>
Fund balances:				
Nonspendable - prepaid expenditures	111,238	-	-	-
Restricted:				
School capital outlay	-	-	-	759,446
Individual schools	-	-	210,212	-
Assigned:				
Subsequent year's expenditures	103,010	-	-	-
Unassigned	2,607,902	-	-	-
Total fund balances	<u>2,822,150</u>	<u>-</u>	<u>210,212</u>	<u>759,446</u>
Total liabilities and fund balances	<u>\$ 3,185,454</u>	<u>\$ 630,086</u>	<u>\$ 210,212</u>	<u>\$ 770,468</u>

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.

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

Major Fund		Total Governmental Funds
Federal Grants Fund		
\$ -		\$ 4,054,896
108,011		738,097
-		111,238
<u>\$ 108,011</u>		<u>\$ 4,904,231</u>

\$ -		\$ 354,875
108,011		757,548
<u>108,011</u>		<u>1,112,423</u>

-		111,238
-		759,446
-		210,212
-		103,010
-		<u>2,607,902</u>
<u>-</u>		3,791,808
<u>\$ 108,011</u>		

23,359,578

(1,860,950)

\$ 25,290,436

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 4

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
REVENUES				
State of North Carolina	\$ -	\$ 18,428,775	\$ -	\$ 176,904
Caswell County	2,469,413	-	-	300,000
U.S. Government	-	-	-	-
Other	642,639	-	415,983	53,892
Total revenues	<u>3,112,052</u>	<u>18,428,775</u>	<u>415,983</u>	<u>530,796</u>
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	105,037	10,702,171	433,473	66,390
Special populations	34,986	1,773,118	-	-
Alternative programs	131,373	497,478	-	-
School leadership	31,731	1,224,581	-	-
Co-curricular	104,291	-	-	-
School-based support	193,311	1,166,999	-	-
System-wide support services:				
Support and development	7,857	18,456	-	-
Special populations	489	38,951	-	-
Alternative programs	757	-	-	-
Technology support	140,710	210,567	-	-
Operational support	1,958,167	2,000,755	-	33,500
Financial and human resource services	207,848	340,795	-	-
Accountability	3,503	135,766	-	-
Policy, leadership and public relations	428,286	260,168	-	-
Ancillary services:				
Community	100,243	-	-	-
Nutrition	8,158	-	-	-
Non-programmed charges	161,637	-	-	-
Capital outlay	-	-	-	244,412
Debt service	-	-	-	-
Principal	-	-	-	176,904
Total expenditures	<u>3,618,384</u>	<u>18,369,805</u>	<u>433,473</u>	<u>521,206</u>
OTHER FINANCING USES				
Transfer to other fund	-	(58,970)	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(58,970)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(506,332)	-	(17,490)	9,590
Fund balances-beginning	3,328,482	-	227,702	749,856
Fund balances-ending	<u>\$ 2,822,150</u>	<u>\$ -</u>	<u>\$ 210,212</u>	<u>\$ 759,446</u>

<u>Major Fund</u>	<u>Total Governmental Funds</u>
<u>Federal Grants Fund</u>	
\$ -	\$ 18,605,679
-	2,769,413
2,277,358	2,277,358
-	1,112,514
2,277,358	24,764,964
315,396	11,622,467
634,368	2,442,472
1,036,972	1,665,823
4,559	1,260,871
-	104,291
8,096	1,368,406
11,781	38,094
94,551	133,991
57,471	58,228
-	351,277
48,543	4,040,965
-	548,643
-	139,269
-	688,454
-	100,243
-	8,158
65,621	227,258
-	244,412
-	176,904
2,277,358	25,220,226
-	(58,970)
-	-
-	(58,970)
-	(514,232)
-	4,306,040
\$ -	\$ 3,791,808

**CASWELL COUNTY BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014**

**Exhibit 4
 (Continued)**

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

Net changes in fund balances - total governmental funds	\$ (514,232)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(919,375)
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.	176,904
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.	
Compensated absences	<u>(515,793)</u>
Total changes in net position of governmental activities	<u><u>\$ (1,772,496)</u></u>

**CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014**

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	2,469,413	2,469,413	2,469,413	-
U.S. Government	-	-	-	-
Other	641,355	641,355	642,639	1,284
Total revenues	<u>3,110,768</u>	<u>3,110,768</u>	<u>3,112,052</u>	<u>1,284</u>
Expenditures:				
Current:				
Instructional services				
Regular	66,966	112,476	105,037	7,439
Special populations	40,000	50,467	34,986	15,481
Alternative programs	133,718	141,548	131,373	10,175
School leadership	47,500	53,128	31,731	21,397
Co-curricular	108,808	108,808	104,291	4,517
School-based support	205,315	213,453	193,311	20,142
System-wide support services				
Support and development	9,000	9,000	7,857	1,143
Special population support	-	489	489	-
Alternative programs and services support	1,000	1,245	757	488
Technology support	25,750	195,229	140,710	54,519
Operational support	1,749,704	2,008,628	1,958,167	50,461
Financial and human resource	206,060	207,528	207,848	(320)
Accountability	4,500	5,232	3,503	1,729
Policy, leadership and public relations	233,042	430,457	428,286	2,171
Ancillary services	107,405	116,336	108,401	7,935
Non-programmed charges	172,000	172,000	161,637	10,363
Total expenditures	<u>3,110,768</u>	<u>3,826,024</u>	<u>3,618,384</u>	<u>207,640</u>
Revenues over expenditures	-	(715,256)	(506,332)	208,924
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	-	(715,256)	(506,332)	208,924
Appropriated fund balance	-	715,256	-	(715,256)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(506,332)	<u>\$ (506,332)</u>
Fund balances, beginning of year			<u>3,328,482</u>	
Fund balances, end of year			<u>\$ 2,822,150</u>	

State Public School Fund				Federal Grants Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 18,778,943	\$ 19,658,839	\$ 18,428,775	\$ (1,230,064)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	2,990,597	2,997,400	2,277,358	(720,042)
-	-	-	-	-	-	-	-
<u>18,778,943</u>	<u>19,658,839</u>	<u>18,428,775</u>	<u>(1,230,064)</u>	<u>2,990,597</u>	<u>2,997,400</u>	<u>2,277,358</u>	<u>(720,042)</u>
10,988,817	11,436,842	10,702,171	734,671	232,973	232,973	315,396	(82,423)
1,652,562	1,713,411	1,773,118	(59,707)	838,954	842,314	634,368	207,946
608,615	793,784	497,478	296,306	1,124,634	1,125,924	1,036,972	88,952
1,247,592	1,270,077	1,224,581	45,496	10,500	10,500	4,559	5,941
-	-	-	-	-	-	-	-
1,191,380	1,173,716	1,166,999	6,717	13,000	13,000	8,096	4,904
19,134	19,134	18,456	678	11,467	11,467	11,781	(314)
37,388	39,393	38,951	442	125,210	127,143	94,551	32,592
-	-	-	-	76,176	76,176	57,471	18,705
184,134	223,598	210,567	13,031	-	-	-	-
2,040,669	2,159,654	2,000,755	158,899	54,298	54,298	48,543	5,755
362,419	364,491	340,795	23,696	-	-	-	-
110,567	136,323	135,766	557	-	-	-	-
279,308	269,310	260,168	9,142	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	503,385	503,605	65,621	437,984
<u>18,722,585</u>	<u>19,599,733</u>	<u>18,369,805</u>	<u>1,229,928</u>	<u>2,990,597</u>	<u>2,997,400</u>	<u>2,277,358</u>	<u>720,042</u>
56,358	59,106	58,970	(136)	-	-	-	-
<u>(56,358)</u>	<u>(59,106)</u>	<u>(58,970)</u>	<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>\$ -</u>				<u>\$ -</u>	

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

Exhibit 6

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 450,007	\$ 47,715	\$ 497,722
Receivables (net)	13,590	-	13,590
Due from other governments	45,802	-	45,802
Inventories	45,445	-	45,445
Total current assets	<u>554,844</u>	<u>47,715</u>	<u>602,559</u>
Noncurrent assets:			
Capital assets, net	70,033	-	70,033
Total assets	<u>624,877</u>	<u>47,715</u>	<u>672,592</u>
LIABILITIES			
Current liabilities:			
Accounts payable	412	239	651
Compensated absences	24,185	2,984	27,169
Unavailable revenues	7,603	-	7,603
Total current liabilities	<u>32,200</u>	<u>3,223</u>	<u>35,423</u>
Noncurrent liabilities:			
Compensated absences	71,999	8,883	80,882
Total liabilities	<u>104,199</u>	<u>12,106</u>	<u>116,305</u>
NET POSITION			
Net investment in capital assets	70,033	-	70,033
Unrestricted	450,645	35,609	486,254
Total net position	<u>\$ 520,678</u>	<u>\$ 35,609</u>	<u>\$ 556,287</u>

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 7

	<u>Major Fund</u>	<u>Non-major Fund</u>	<u>Total</u>
	<u>School Food Service</u>	<u>Child Care</u>	
OPERATING REVENUES			
Food sales	\$ 411,125	\$ -	\$ 411,125
Child care fees	-	54,530	54,530
Total operating revenues	<u>411,125</u>	<u>54,530</u>	<u>465,655</u>
OPERATING EXPENSES			
Food cost:			
Purchase of food	810,839	7,523	818,362
Salaries and benefits	1,004,395	54,718	1,059,113
Indirect costs	171,067	-	171,067
Repairs and maintenance	710	-	710
Fuel cost	5,624	-	5,624
Depreciation	39,370	-	39,370
Supplies and materials	11,663	49	11,712
Contracted services	23,975	-	23,975
Other	10,838	620	11,458
Total operating expenses	<u>2,078,481</u>	<u>62,910</u>	<u>2,141,391</u>
Operating income (loss)	<u>(1,667,356)</u>	<u>(8,380)</u>	<u>(1,675,736)</u>
NONOPERATING REVENUES			
Federal reimbursements	1,102,940	-	1,102,940
Federal commodities	102,873	-	102,873
State reimbursements	3,293	-	3,293
Interest earned	1,141	183	1,324
Indirect costs not paid	155,131	-	155,131
Total nonoperating revenues	<u>1,365,378</u>	<u>183</u>	<u>1,365,561</u>
Income (loss) before transfers	(301,978)	(8,197)	(310,175)
Transfer from other fund	58,970	-	58,970
Change in net position	(243,008)	(8,197)	(251,205)
Total net position - beginning	<u>763,686</u>	<u>43,806</u>	<u>807,492</u>
Total net position - ending	<u>\$ 520,678</u>	<u>\$ 35,609</u>	<u>\$ 556,287</u>

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 8

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 378,180	\$ 54,530	\$ 432,710
Cash paid for goods and services	(767,038)	(7,953)	(774,991)
Cash paid to employees for services	(932,744)	(51,740)	(984,484)
Net cash provided (used) by operating activities	<u>(1,321,602)</u>	<u>(5,163)</u>	<u>(1,326,765)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State reimbursements	<u>1,106,233</u>	<u>-</u>	<u>1,106,233</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>1,141</u>	<u>183</u>	<u>1,324</u>
Net increase (decrease) in cash and cash equivalents	<u>(214,228)</u>	<u>(4,980)</u>	<u>(219,208)</u>
Balances-beginning of the year	<u>664,235</u>	<u>52,695</u>	<u>716,930</u>
Balances-end of the year	<u>\$ 450,007</u>	<u>\$ 47,715</u>	<u>\$ 497,722</u>

CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 8
(Continued)

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Community Schools</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,667,356)	\$ (8,380)	\$ (1,675,736)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	39,370	-	39,370
Donated commodities consumed	102,873	-	102,873
Salaries paid by the State Public School Fund	58,970	-	58,970
Indirect costs not paid	155,131	-	155,131
Changes in assets and liabilities:			
(Increase) decrease in receivables	(4,710)	-	(4,710)
(Increase) decrease in due from other governments	(20,753)	-	(20,753)
(Increase) decrease in inventories	9,538	-	9,538
Increase (decrease) in accounts payable	136	239	375
Increase (decrease) in unavailable revenues	(7,482)	-	(7,482)
Increase (decrease) in compensated absences	12,681	2,978	15,659
Total adjustments	<u>345,754</u>	<u>3,217</u>	<u>348,971</u>
Net cash provided (used) by operating activities	<u>\$ (1,321,602)</u>	<u>\$ (5,163)</u>	<u>\$ (1,326,765)</u>

Noncash investing, capital, and financing activities:

Indirect costs of \$155,131 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$102,873 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid salaries and benefits of \$58,970 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 7.

**CASWELL COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
June 30, 2014**

Exhibit 9

	Private Purpose Trust
ASSETS	
Investments	<u>\$ 326,331</u>
NET POSITION	
Assets held in trust for private purpose	<u><u>\$ 326,331</u></u>

**CASWELL COUNTY BOARD OF EDUCATION
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
 For the Year Ended June 30, 2014**

Exhibit 10

	Private Purpose Trust
ADDITIONS:	
Interest	\$ 1,507
Contributions and other revenue	<u>2,650</u>
Total additions	4,157
DEDUCTIONS:	
Scholarships awarded	<u>23,777</u>
Change in net position	(19,620)
Net position, beginning of year	<u>345,951</u>
Net position, end of year	<u><u>\$ 326,331</u></u>

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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:

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 receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

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

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

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

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

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

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.

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

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

The Board reports one major enterprise fund, the 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 district.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured.

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General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose 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.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2014.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF 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.

CASWELL COUNTY BOARD OF EDUCATION
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The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents

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

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

CASWELL COUNTY BOARD OF EDUCATION
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Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2014 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position 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 three 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. Prepaid expenses is the portion of fund balance that is not an available resource because it is not a spendable resource.

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

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

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted. The Board of Education approves the appropriation.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$21,498,628 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 39,131,608
Less Accumulated Depreciation	<u>15,772,030</u>
Net capital assets	23,359,578
 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	(176,903)
Compensated absences	<u>(1,684,047)</u>
Total adjustment	<u>\$ 21,498,628</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$1,258,264) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 62,032
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(981,407)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	176,904
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.	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>(515,793)</u>
Total adjustment	<u>\$ (1,258,264)</u>

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2014, the Board of Education reported expenditures in excess of budgeted amounts within the State Public School Fund and the Federal Grants Fund.

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NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$2,830,507 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$3,179,829 and \$746,599, respectively. Of these balances, \$413,662 was covered by federal depository insurance and \$3,512,766 as covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2014, the Board had \$2,048,442 invested with the State Treasurer in the Short-Term Investment Fund ("STIF"). The STIF is unrated and had a weighted average maturity of 1.3 years at year end. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Receivables at the government-wide level at June 30, 2014, were as follows:

	Due from other governments
Governmental activities:	
Other Government Funds	\$ 738,097
Business-type activities:	
School Food Service	\$ 45,802

**CASWELL COUNTY BOARD OF EDUCATION
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Due from other governments consists of the following:

Governmental activities:			
Federal Grants Fund	\$	108,011	Federal grant funds
State Public School Fund		<u>630,086</u>	Operating funds from DPI
Total	\$	<u><u>738,097</u></u>	

Business-type activities:			
School Food Service Fund	\$	<u>45,802</u>	USDA grant reimbursement

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,300,521</u>	<u>-</u>	<u>-</u>	<u>1,300,521</u>
Capital assets being depreciated:				
Buildings and improvements	33,566,923	-	-	33,566,923
Equipment and furniture	1,010,638	38,533	-	1,049,171
Vehicles	<u>3,191,494</u>	<u>23,499</u>	<u>-</u>	<u>3,214,993</u>
Total capital assets being depreciated	<u>37,769,055</u>	<u>62,032</u>	<u>-</u>	<u>37,831,087</u>
Less accumulated depreciation for:				
Buildings and improvements	11,809,015	620,169	-	12,429,184
Equipment and furniture	914,692	22,137	-	936,829
Vehicles	<u>2,066,916</u>	<u>339,101</u>	<u>-</u>	<u>2,406,017</u>
Total accumulated depreciation	<u>14,790,623</u>	<u>981,407</u>	<u>-</u>	<u>15,772,030</u>
Total capital assets being depreciated, net	<u>22,978,432</u>			<u>22,059,057</u>
Governmental activity capital assets, net	<u>\$ 24,278,953</u>			<u>\$ 23,359,578</u>

CASWELL COUNTY BOARD OF EDUCATION
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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,155,474	\$ -	\$ -	\$ 1,155,474
Vehicles	55,130	-	-	55,130
	<u>1,210,604</u>	<u>-</u>	<u>-</u>	<u>1,210,604</u>
Less accumulated depreciation for:				
Furniture and office equipment	1,046,071	39,370	-	1,085,441
Vehicles	55,130	-	-	55,130
	<u>1,101,201</u>	<u>39,370</u>	<u>-</u>	<u>1,140,571</u>
School Food Service capital assets, net:	<u>\$ 109,403</u>			<u>\$ 70,033</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 620,169
System-wide support services	339,101
Unallocated depreciation	<u>22,137</u>
Total	<u>\$ 981,407</u>

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Caswell County Board of Education contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of

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annual covered payroll. The contribution requirements of plan members and Caswell County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013, and 2012 were \$1,214,488, \$1,192,014 and \$1,209,409, respectively, equal to the required contributions for each year.

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

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

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

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

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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, 2014, 2013, and 2012, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$754,688, \$849,150, and \$812,775, respectively. These contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

2. Other Employment Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides death benefits and disability benefits, in accordance with State statutes, to certain employees.

Death Benefits

Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

Disability Benefits

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

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

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

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

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

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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, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$61,493, \$70,495, and \$84,529, respectively. These contributions represented 0.44%, 0.44%, and 0.52% of covered payroll, respectively.

Accounts Payable

Accounts payable at June 30, 2014, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 343,853	\$ 19,451
Other Governmental	11,022	738,097
Total-governmental activities	<u>\$ 354,875</u>	<u>\$ 757,548</u>
Business-type Activities		
School Food Service	\$ 412	\$ -
Child Care Fund	239	-
Total business-type activities	<u>\$ 651</u>	<u>\$ -</u>

Unavailable Revenues

All timing restrictions have been met for unavailable revenues. The balance in unavailable revenues at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 7,603</u>

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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, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees 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. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$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 from the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

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 moneys 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 third party financing arrangements with various companies. During 2014 the Board entered into a contract for the purchase of school buses. The financing contract requires four equal principal-only payments of \$176,903.

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The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	
2015	\$	176,903

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, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Maturities</u>
Governmental activities:					
Installment purchases	\$ 353,807	\$ -	\$ 176,904	\$ 176,903	\$ 176,903
Compensated absences	<u>1,168,254</u>	<u>1,048,406</u>	<u>532,613</u>	<u>1,684,047</u>	<u>404,638</u>
Total	<u>\$ 1,522,061</u>	<u>\$ 1,048,406</u>	<u>\$ 709,517</u>	<u>\$ 1,860,950</u>	<u>\$ 581,541</u>
Business-type activities:					
Compensated absences	<u>\$ 92,392</u>	<u>\$ 51,955</u>	<u>\$ 36,296</u>	<u>\$ 108,051</u>	<u>\$ 27,169</u>

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

Transfers to/from other funds

Transfers to/from other funds at June 30, 2014, consist of the following:

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs.	<u>\$ 58,970</u>

CASWELL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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	\$ 2,822,150
Less:	
Nonspendable - prepaid expenditures	(111,238)
Appropriated Fund Balance in 2015 budget	<u>(103,010)</u>
Remaining fund balance	<u>\$ 2,607,902</u>

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 BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014**

	Exhibit A-1		
	Budget	Actual	Positive (Negative) Variance
Revenues:			
Caswell County	\$ 2,469,413	\$ 2,469,413	\$ -
Other :			
Fines and forfeitures		64,831	
Rental of school property		49,860	
Tuition and fees		11,253	
Reimbursements		287,585	
Interest		3,659	
Contracted services		133,710	
Miscellaneous		16,118	
Indirect cost allocated		75,623	
Total	641,355	642,639	(1,284)
Total revenues	3,110,768	3,112,052	(1,284)
Expenditures:			
Instructional services:			
Regular instructional	112,476	105,037	7,439
Special populations	50,467	34,986	15,481
Alternative programs	141,548	131,373	10,175
School leadership	53,128	31,731	21,397
Co-curricular	108,808	104,291	4,517
School-based support	213,453	193,311	20,142
Total instructional services	679,880	600,729	79,151
System-wide support services:			
Support and development	9,000	7,857	1,143
Special populations support and development	489	489	-
Alternative programs	1,245	757	488
Technology support	195,229	140,710	54,519
Operational support	2,008,628	1,958,167	50,461
Financial and human resource services	207,528	207,848	(320)
Accountability	5,232	3,503	1,729
Policy, leadership and public relations	430,457	428,286	2,171
Total system-wide support services	2,857,808	2,747,617	110,191
Ancillary services:			
Community	108,017	100,243	7,774
Nutrition	8,319	8,158	161
Total ancillary services	116,336	108,401	7,935

**CASWELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2014**

**Exhibit A-1
 (Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Non-Programmed charges			
Payments to other Charter Schools	<u>172,000</u>	<u>161,637</u>	<u>10,363</u>
Total expenditures	<u>3,826,024</u>	<u>3,618,384</u>	<u>207,640</u>
Revenues over (under) expenditures	(715,256)	(506,332)	(208,924)
Appropriated fund balance	<u>715,256</u>	<u>-</u>	<u>(715,256)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(506,332)</u>	<u>\$ (506,332)</u>
Fund balances:			
Beginning of year, July 1		<u>3,328,482</u>	
End of year, June 30		<u>\$ 2,822,150</u>	

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Exhibit B-1			
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 176,904	\$ 176,904	\$ -
Caswell County:			
Appropriation from county	300,000	300,000	-
Other:			
Interest earned		2,327	
Contributions		21,383	
ABC revenues		24,238	
Miscellaneous		5,944	
Total other	<u>51,383</u>	<u>53,892</u>	<u>2,509</u>
Total revenues	<u>528,287</u>	<u>530,796</u>	<u>2,509</u>
Expenditures:			
Current:			
Instructional services	102,383	66,390	35,993
System-wide support services	31,500	33,500	(2,000)
Capital Outlay:			
Paving		120,607	
Other		123,805	
Total Capital Outlay	<u>338,597</u>	<u>244,412</u>	<u>94,185</u>
Debt Service:			
Principal	176,904	176,904	-
Total expenditures	<u>649,384</u>	<u>521,206</u>	<u>128,178</u>
Revenues over (under) expenditures	(121,097)	9,590	130,687
Appropriated fund balance	<u>121,097</u>	<u>-</u>	<u>(121,097)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>9,590</u>	<u>\$ 9,590</u>
Fund balance:			
Beginning of year, July 1		<u>749,856</u>	
End of year, June 30		<u>\$ 759,446</u>	

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2014**

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ 456,000	\$ 415,835	\$ (40,165)
Operating expenditures:			
Business support services	1,956,802	1,910,169	46,633
Operating loss	<u>(1,500,802)</u>	<u>(1,494,334)</u>	<u>6,468</u>
Nonoperating revenues:			
Federal reimbursements	1,250,000	1,102,940	(147,060)
Federal commodities	100,000	102,873	2,873
State reimbursements	4,000	3,293	(707)
Interest earned	1,200	1,141	(59)
Total nonoperating revenues	<u>1,355,200</u>	<u>1,210,247</u>	<u>(144,953)</u>
Revenues under expenditures	(145,602)	(284,087)	(138,485)
Other Financing Sources:			
Appropriated fund balance	<u>145,602</u>	<u>-</u>	<u>145,602</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>\$ (284,087)</u>	<u>\$ (284,087)</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues under expenditures		\$ (284,087)	
Depreciation		39,370	
Decrease in inventory		9,538	
Indirect cost		(171,067)	
Indirect cost not paid		155,131	
Increase in receivables		(4,710)	
Increase in accounts payable		136	
Increase in compensated absences payable		<u>12,681</u>	
Change in net position (full accrual)		<u>\$ (243,008)</u>	

**CASWELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
 GAAP) - CHILD CARE FUND
 For the Year Ended June 30, 2014**

Exhibit D-1

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues			
Child care fees	\$ 59,529	\$ 54,530	\$ (4,999)
Operating expenditures:			
Business support services	<u>59,709</u>	<u>66,127</u>	<u>(6,418)</u>
Operating loss	(180)	(11,597)	(11,417)
Nonoperating revenues:			
Interest earned	<u>180</u>	<u>183</u>	<u>(3)</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ (11,414)</u>	<u>\$ (11,414)</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues under expenditures		\$ (11,414)	
Reconciling items:			
Increase in accounts payable		239	
Increase in compensated absences payable		<u>2,978</u>	
Change in net position (full accrual)		<u>\$ (8,197)</u>	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance With
*Government Auditing Standards***

INDEPENDENT AUDITORS' REPORT

To the Board of Education
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 basic 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, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Caswell County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 17, 2014.

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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 14-01 and 14-02

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 following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 14-03 and 14-04

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 response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 17, 2014
Statesville, 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
Circular A-133 and the State Single Audit Implementation Act**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Caswell County Board of Education's compliance with the types of compliance requirements described in the *OM) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Caswell County Board of Education's major federal programs for the year ended June 30, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 federal program. However, our audit does not provide a legal determination of 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

November 17, 2014
Statesville, North Carolina



**Report On Compliance With Requirements Applicable
To Each Major State Program And Internal Control Over
Compliance In Accordance With Applicable Sections Of OMB
Circular A-133 and the State Single Audit Implementation Act**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major State Program

We have audited the Caswell County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Caswell County Board of Education's major state programs for the year ended June 30, 2014. 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.

Auditors' 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 and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

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 in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

November 17, 2014
Statesville, North Carolina

**Caswell County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no

- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

**Caswell County Board of Education
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027 84.173	Special Education Cluster: Education of the Handicapped Education of the Handicapped – Preschool
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Auditee qualified as low-risk auditee? ___yes Xno

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone 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? ___yes Xno

Identification of major State programs:

Program Name
State Public School Fund

**Caswell County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 14-01

MATERIAL WEAKNESS

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

Condition: The District did not prepare bank reconciliations in a timely manner during the year. The bank account for the State Public School Fund currently has an unreconciled difference of over \$50,000.

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

Cause: There was lack of oversight by management.

Recommendation: We recommend that the District assign finance personnel with the monthly task of reconciling all bank statements to the cash accounts recorded in the accounting records, and that the Finance Officer review the reconciliations for completeness and accuracy.

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

**Caswell County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 14-02

MATERIAL WEAKNESS

Criteria: School districts can receive a refund for the County portion of sales taxes paid during the year. A district has to request this refund by completing North Carolina Form E-585.

Condition: The District has not requested sales tax refunds by completing North Carolina Form E-585 for the fiscal years ended June 30, 2011, 2012, 2013 and 2014. The refund for each year is estimated to be in excess of \$20,000.

Effect: The District did not request sales tax refunds in a timely manner thus not having the use of these funds. In addition, the District ran a high risk of losing these funds permanently. Form E-585 for the fiscal year ended June 30, 2011 is due by December 31, 2014, and any submission after this date will not be accepted by the State.

Cause: There was lack of oversight by management.

Recommendation: We recommend that the District immediately request reimbursement for sales taxes paid by completing the required E-585 forms in order to receive the funds that it is entitled to receive.

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

**Caswell County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 14-03

SIGNIFICANT DEFICIENCY

- Criteria: An effective system of internal control requires that management properly maintain the general ledger and record all necessary transactions in a timely manner to ensure that the financial statements are not materially misstated.
- Condition: The District did not post adjusting journal entries from the June 30, 2013 financial statement audit until July 2014.
- Effect: The District did not have accurate financial information to be used for making managerial decisions during the year ended June 30, 2014.
- Cause: There was lack of oversight by management.
- Recommendation: We recommend that the District post any and all adjusting journal entries in a timely manner.
- Management response: The District agrees with this finding and recommendation.

**Caswell County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 14-04

SIGNIFICANT DEFICIENCY

Criteria: State law requires that expenditures not exceed amounts appropriated.

Condition: The Board reported expenditures in excess of amounts appropriated as follows:

	<u>Budgeted Amount</u>	<u>Expenditure</u>	<u>Over Budget</u>
State Public School Fund			
Instructional Services			
Special Populations	\$ 1,713,411	\$ 1,773,118	\$ (59,707)
Federal Grants Fund			
Instructional Services			
Regular	\$ 232,973	\$ 315,396	\$ (82,423)

Effect: Funds were spent that had not been properly appropriated.

Cause: The original budget and/or budget amendments as approved by the Board were not properly entered into the general ledger software.

Recommendation: We recommend management closely monitor the input of the original budget and budget amendments into the accounting software, and check for accuracy.

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

Section III. Federal Award Findings and Questioned Costs

None

Section IV. State Award Findings and Questioned Costs

None

**Caswell County Board of Education
Corrective Action Plan
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding 14-01

Name of Contact Person: Shannon Dennison, Finance Director
Corrective Action: The District will reconcile all bank accounts on a monthly basis.
Proposed Completion Date: Immediately.

Finding 14-02

Name of Contact Person: Shannon Dennison, Finance Director
Corrective Action: The District is currently in the process of completing the required E-585 forms.
Proposed Completion Date: Immediately.

Finding 14-03

Name of Contact Person: Shannon Dennison, Finance Director
Corrective Action: The District will post adjusting journal entries in a timely manner.
Proposed Completion Date: Immediately

Finding 14-04

Name of Contact Person: Shannon Dennison, Finance Director
Corrective Action: Management will take steps to ensure that the original budget and budget amendments are properly entered in the accounting software.
Proposed Completion Date: Immediately

**Caswell County Board of Education
Corrective Action Plan
For the Year Ended June 30, 2014**

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Caswell County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

Status: No findings that would have been reported under the criteria provided in the revised Circular

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 102,873
Cash Assistance:			
School Breakfast Program	10.553		272,791
National School Lunch Program	10.555		830,149
Cash Assistance Subtotal			<u>1,102,940</u>
Total Child Nutrition Cluster:			<u><u>1,205,813</u></u>
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	1,137,162
Race to the Top - ARRA	84.395	PRC 156	141,724
Teacher Quality Enhancement	84.367	PRC 103	131,815
Rural and Low Income Schools	84.358	PRC 109	52,137
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	652,727
- Targeted Assistance	84.027	PRC 118	17,828
- High Need Students	84.027	PRC 114	52,548
- Preschool Handicapped	84.173	PRC 049	44,778
Total Special Education Cluster:			<u>767,881</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	<u>11,072</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	35,567
Total U.S. Department of Education			<u>2,277,358</u>
Total federal assistance			<u>3,483,171</u>

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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			17,272,160
Driver Training - SPSF		PRC 012	47,132
School Technology Fund - SPSF		PRC 015	75,764
Vocational Education			
- State Months of Employment		PRC 013	960,978
- Program Support Funds		PRC 014	46,485
			<u>18,402,519</u>
Total N.C. Department of Public Instruction			
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			176,904
Textbooks - Noncash			26,256
			<u>203,160</u>
Total N.C. Department of Public Instruction - Noncash			
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			3,293
			<u>18,608,972</u>
Total State assistance			
			<u>\$ 22,092,143</u>
Total federal and State assistance			

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