

FINANCIAL REPORT

OF THE

CURRITUCK COUNTY BOARD OF EDUCATION,
NORTH CAROLINA

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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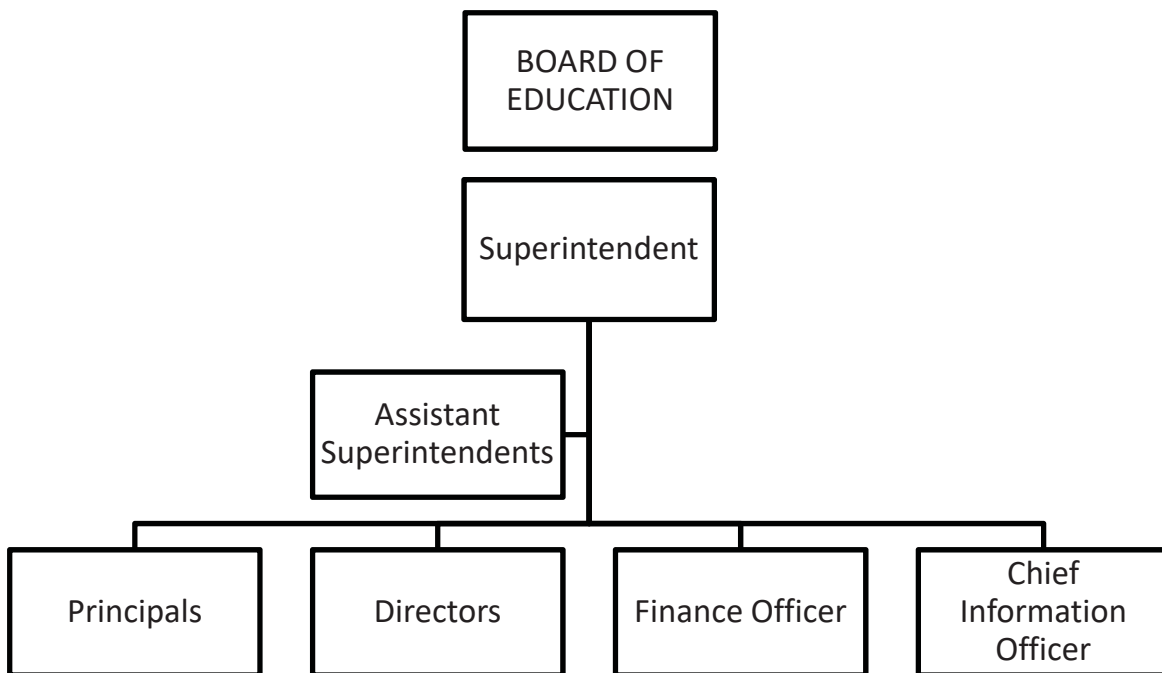
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June 30, 2017**

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INTRODUCTORY SECTION

**Currituck County Board of Education, North Carolina
Organizational Chart**



Currituck County Board of Education, North Carolina
Board of Education and Leadership Team

BOARD MEMBERS

William Dobney, Ed.D, Chairman
Karen Etheridge, Vice Chairman
Dwan Craft
Will Crodick
Janet Rose

LEADERSHIP TEAM

Position	Name
Superintendent of Schools	Mark Stefanik
Assistant Superintendent/Director of Secondary Curriculum	Renee Dowdy
Assistant Superintendent/Director of Elementary Curriculum	Matt Lutz
Chief Information Officer	Paul O'Briant
Director of Exceptional Children	Doug Towle
Director of Career-Technical Education/Instructional Management Coordinator	Donald Monroe
Executive Director of Facilities and Transportation	Matthew Mullins
Director of Human Resources	Ann Mackin
Finance Officer	Laurie Trussell
Director of Child Nutrition	Angela Rodriguez
Administrative Services Coordinator/Assistant Principal of Currituck County Middle School	Virginia Arrington
Principal of Central Elementary School	Karrie Chappell
Principal of Currituck County High School	Juvanda Crutch
Principal of Currituck County Middle School	Michelle Cowan
Principal of Jarvisburg Elementary School	Kelly Flora
Principal of J. P. Knapp Early College High School	Steve Basnight
Principal of Knotts Island Elementary School	Deborah Gorza
Principal of Moyock Elementary School	Brandi Kelly
Principal of Moyock Middle School	Abram Davenport III
Principal of Shawboro Elementary School	Greta Nelson
Principal of Dr. W. T. Griggs Elementary School	Angela Lasher

FINANCIAL SECTION

CATALFAMO AND ASSOCIATE
Certified Public Accountants
P. O. Box 502
Moyock, North Carolina 27958

Independent Auditor's Report

To the Board of Education
Currituck County, 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 Currituck County Board of Education, North Carolina, as of and for the year then ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Currituck County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Currituck County Board of Education, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Special Revenue 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 the Management's Discussion and Analysis on pages 13 through 20 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Currituck County Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and the 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 combining and individual fund financial statements and schedules, and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the Currituck County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Currituck County Board of Education's 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 Currituck County Board of Education's internal control over financial reporting and compliance.

Catalfamo and Associate
Moyock, North Carolina
November 27, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

- The government-wide total assets and deferred outflows of resources of the Currituck County Board of Education exceeded its total liabilities and deferred inflows of resources on June 30, 2017 by \$44,768,101.
- The Net Position for the Board decreased by \$3,122,114 or 6.51%, after restatement, for the year ended June 30, 2017.
- At the close of the fiscal year, the Board's total fund balance for its governmental funds was \$3,363,038 a decrease of \$643,515 from the prior year.
- On June 30, 2017, the Board's unassigned general fund balance was \$852,610, or 7.91% of general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents schedule of proportionate share of the net pension liability, schedule of Board contributions, individual fund, combining and budgetary statements for non-major governmental funds, and budgetary statement for enterprise fund.*

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

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

proprietary fund, and fiduciary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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.

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, one should consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. 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, such as the Federal Grants fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Currituck 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, a reconciliation following the governmental funds statements, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Federal Grants Fund and Special Revenue Fund.

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

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

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

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. At June 30, 2017, Currituck County Board of Education had one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. The Administrative Fund is accounted for as a private purpose trust fund.

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources

by \$44,768,101 as of June 30, 2017. The largest component of net position is net investment in capital assets of \$48,486,947, which exceeded the total net position.

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current assets	\$ 5,165,388	\$ 5,301,344	\$287,954	\$ 370,895	\$ 5,453,342	\$ 5,672,239
Capital assets	48,427,762	49,939,857	211,963	248,107	48,639,725	50,187,964
Total assets	53,593,150	55,241,201	499,917	619,002	54,093,067	55,860,203
Deferred outflows of resources	9,641,792	2,250,279	208,349	65,190	9,850,141	2,315,469
Current and other liabilities	17,050,341	7,797,735	373,511	216,239	17,423,852	8,013,974
Long-term liabilities	1,072,837	1,017,459	-	2,156	1,072,837	1,019,615
Total liabilities	18,123,178	8,815,194	373,511	218,395	18,496,689	9,033,589
Deferred inflows of resources	664,823	1,227,377	13,595	24,491	678,418	1,251,868
Net investment in capital assets	48,274,984	49,894,568	211,963	248,107	48,486,947	50,142,675
Restricted net position	1,689,076	1,574,169	-	-	1,689,076	1,574,169
Unrestricted net position (deficit)	(5,517,119)	(4,019,828)	109,197	193,199	(5,407,922)	(3,826,629)
Total net position	\$ 44,446,941	\$ 47,448,909	\$321,160	\$ 441,306	\$44,768,101	\$47,890,215

The Board's Total Net Position decreased during the fiscal year ending on June 30, 2017 by \$3,122,114. During the year, Total Assets decreased by \$1,767,136. The largest portion of the decrease in Total Assets was attributable to the decrease in Capital Assets (net of depreciation) in the amount of \$1,548,239.

For the year ended June 30, 2017, the change in Total Liabilities was made up of the following changes: increase in Current and Other Liabilities and an increase in Long-term Liabilities of \$9,409,878 and \$53,222 respectively. The largest portion of Long-term Liabilities is comprised of compensated absences, which is the calculated payout of all accumulated earned vacation leave, up to a maximum of thirty (30) days per employee, plus the related benefits (employer's social security & retirement) for all current employees at the end of the fiscal year.

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

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 729,399	\$ 791,679	\$ 462,859	\$ 516,753	\$ 1,192,258	\$ 1,308,432
Operating grants and contributions	26,222,297	25,055,594	972,606	1,041,953	27,194,903	26,097,547
Capital grants and contributions	317,892	431,933	-	-	317,892	431,933
General revenues:						
County Appropriations	10,773,759	10,503,189	-	-	10,773,759	10,503,189
Other Revenues	302,907	309,901	963	1,055	303,870	310,956
Total revenues	38,346,254	37,092,296	1,436,428	1,559,761	39,782,682	38,652,057
Expenses:						
Governmental activities:						
Instructional services	29,083,532	25,241,450	-	-	29,083,532	25,241,450
System-wide support services	10,454,956	10,585,504	-	-	10,454,956	10,585,504
Ancillary services	25,575	28,752	-	-	25,575	28,752
Non-programmed charges	83,937	67,922	-	-	83,937	67,922
Interest on long-term debt	-	-	-	-	-	-
Depreciation, unallocated	1,631,998	1,662,196	-	-	1,631,998	1,662,196
Business-type activities:						
Food service	-	-	1,624,798	1,641,762	1,624,798	1,641,762
Total expenses	41,279,998	37,585,824	1,624,798	1,641,762	42,904,796	39,227,586
Excess (deficiency) before transfers	(2,933,744)	(493,528)	(188,370)	(82,001)	(3,122,114)	(575,529)
Transfers in (out)	(68,224)	(70,983)	68,224	70,983	-	-
Increase (decrease) in net position	(3,001,968)	(564,511)	(120,146)	(11,018)	(3,122,114)	(575,529)
Net position, beginning	47,448,909	48,013,420	441,306	452,324	47,890,215	48,465,744
Net position, ending	\$ 44,446,941	\$ 47,448,909	\$ 321,160	\$ 441,306	\$ 44,768,101	\$ 47,890,215

Total governmental activities generated revenues of \$38.3 million while expenses in this category totaled \$41.3 million for the year ended June 30, 2017. Comparatively, revenues were \$37.1 million and expenses totaled \$37.6 million for the year ended June 30, 2016. After transfers to the business-type activities, the decrease in net position for governmental activities stands at \$3.0 million for the year ended June 30, 2017, compared

to \$0.56 million for 2016. Instructional services expenses comprised 70.45% of total governmental activities while system-wide support services made up 25.32% of those expenses for 2017. County appropriations comprised 28.09% of total governmental activities revenue. In 2016, County appropriations were 28.32% of total governmental activities revenue. The Business-type activity generated revenue of \$1,436,428 in 2017 and had expenses of \$1,624,798. This compares with revenue of \$1,559,761 in 2016 with expenses of \$1,641,762. For 2017, net position in the business-type activity decreased by \$120,146 after transfers in from governmental activities of \$68,224. This compares with a decrease of \$11,018 after transfers in from governmental activities of \$70,983 in 2016. During 2017, the business-type activity received transfers of \$68,224 from the Capital Outlay Fund and the State Public School Fund, compared with \$70,983 from the Capital Outlay Fund and the State Public School Fund during 2016.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$3,363,038, a \$643,515 decrease over last year. This amount is made up of the general fund, the capital outlay fund and individual schools fund and special revenue fund.

The general fund makes up the largest portion of the Board's total combined governmental fund balance. During 2017, the general fund revenues fell short of general fund expenditures by \$752,783, resulting in fund balance being decreased by this amount and ending the year with a fund balance of \$1,700,094.

The capital outlay fund balance at June 30, 2017 was \$584,836. This was an increase of \$111,018 from the prior year. The Board issued an installment purchase obligation of \$173,511, and paid \$66,022 in principal payments for state replacement school buses.

The fund balance for the special revenue fund was increased by \$35,284 during the fiscal year ended June 30, 2017, and ended the year with a balance of \$678,781.

The fund balance for the individual schools fund was decreased by \$37,034 during the fiscal year ended June 30, 2017, and ended the year with a balance of \$399,327.

The State Public School Fund and the Federal Grants Fund reported no fund balance at June 30, 2017 since unexpended appropriations revert back to the grantor agency at year-end.

Proprietary Fund: The school food service fund experienced a decrease of \$120,146 in net position from the prior year. Transfers from other funds totaled \$68,224 during 2017, compared with \$70,983 in 2016.

The school food service fund had total revenues in 2017 of \$1,436,428 and expenses of \$1,624,798, resulting in a loss of \$188,370 before transfers. This compares to \$1,559,761 in revenue and \$1,641,762 in expenses from 2016, resulting in a loss of \$82,001 before transfers.

General Fund Budgetary Highlights

A budget amendment for transfers between functions was approved once during the year, but there was no change in total appropriations. The amendment should not have a significant effect on future services or liquidity.

For the fiscal year ended June 30, 2017, actual general fund revenues came in \$24,804 under the final amended budget.

General fund expenditures during 2017 came in \$522,021 under the final amended budget. This was a direct result of reductions in spending and operational efficiencies put in place during the year.

Capital Assets

Capital assets decreased by \$1,548,239 (or 3.08%) from the previous year. Depreciation expense for the year exceeded the acquisition cost of new assets. Net capital assets for the governmental activities equaled \$48,427,762, after depreciation of \$1,870,414 for the year. There is a decrease of net capital assets for the governmental activities of \$1,512,095 for 2017. The business-type activity also experienced a decrease in their net capital assets, but their total equaled \$211,963 after depreciation of \$52,540 for the year.

The following is a summary of the capital assets, net of depreciation at year-end:

Table 3
Summary of Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,419,859	\$ 1,419,859	\$ -	\$ -	\$ 1,419,859	\$ 1,419,859
Buildings & Improvements	44,269,005	45,614,625	-	-	44,269,005	45,614,625
Furniture, equipment and motor vehicles	2,738,898	2,905,373	211,963	248,017	2,950,861	3,153,480
Total	\$ 48,427,762	\$ 49,939,857	\$ 211,963	\$ 248,017	\$ 48,639,725	\$ 50,187,964

Debt Outstanding

During the year the Board's outstanding debt on installment purchases increased by \$107,489 due to the use of installment financing to pay for a school bus. 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 Board's outstanding debt at June 30,

2017 was \$152,778. Business-type activities had no outstanding debt at June 30, 2017. The County holds virtually all debt issued for school capital construction.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors have positively affected the economic outlook of Currituck County.

- The County had a low unemployment rate of 4.0% for the month of June 2017, lower than the state average of 4.2% for that month, and lower than the County's unemployment rate of 4.8% for the month of June 2016.
- Currituck County enjoys a low property tax rate in North Carolina with a county-wide rate, before tax rates for special districts, of \$0.48 per \$100 for fiscal year 2017.
- Currituck County Schools is in a good financial position at the end of the current fiscal year, with an unassigned general fund balance of \$852,610 or 7.91% of total general fund expenditures for the fiscal year.
- Forbes Magazine ranked North Carolina the 2nd best state for business in 2016.

Requests for Information

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

Laurie Trussell, Finance Officer
Currituck County Board of Education
2958 Caratoke Highway
Currituck, NC 27929

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Basic Financial Statements

Currituck County Board of Education, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,973,103	\$ 111,766	\$ 4,084,869
Due from other governments	1,183,750	26,861	1,210,611
Receivables (net)	8,549	364	8,913
Internal balances	(14)	14	-
Inventories	-	148,949	148,949
Capital assets (Note 1):			
Land	1,419,859	-	1,419,859
Other capital assets, net of depreciation:			
Buildings and improvements	44,269,005	-	44,269,005
Equipment, furniture and motor vehicles	2,738,898	211,963	2,950,861
Total capital assets	48,427,762	211,963	48,639,725
Total assets	53,593,150	499,917	54,093,067
DEFERRED OUTFLOWS OF RESOURCES	9,641,792	208,349	9,850,141
LIABILITIES			
Accounts payable and accrued expenses	512,536	7,411	519,947
Accrued salaries and wages payable	1,289,814	-	1,289,814
Long-term liabilities:			
Net pension liability	14,023,417	331,136	14,354,553
Due within one year	1,224,574	34,964	1,259,538
Due in more than one year	1,072,837	-	1,072,837
Total liabilities	18,123,178	373,511	18,496,689
DEFERRED INFLOWS OF RESOURCES	664,823	13,595	678,418
NET POSITION			
Net investment in capital assets	48,274,984	211,963	48,486,947
Restricted:			
Stabilization by State Statute	26,132	-	26,132
Individual Schools	399,327	-	399,327
Special Revenue	678,781	-	678,781
School Capital Outlay	584,836	-	584,836
Unrestricted (deficit)	(5,517,119)	109,197	(5,407,922)
Total net position	\$ 44,446,941	\$ 321,160	\$ 44,768,101

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

Currituck County Board of Education, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 17,383,223	\$ 6,855	\$ 14,295,024	\$ -	\$ (3,081,344)	\$ -	\$ (3,081,344)
Special populations	3,649,130	-	3,323,309	-	(325,821)	-	(325,821)
Alternative programs	1,971,836	-	1,765,743	-	(206,093)	-	(206,093)
School leadership	2,641,730	-	1,407,561	-	(1,234,169)	-	(1,234,169)
Co-curricular	1,091,237	718,887	-	-	(372,350)	-	(372,350)
School-based support	2,346,376	-	1,287,988	-	(1,058,388)	-	(1,058,388)
System-wide support services:							
Support and development	275,770	-	31,599	-	(244,171)	-	(244,171)
Special population support and development	180,045	-	137,884	-	(42,161)	-	(42,161)
Alternative programs and services support and development	-	-	-	-	-	-	-
Technology support	779,050	-	295,511	-	(483,539)	-	(483,539)
Operational support	7,541,783	3,657	3,193,378	317,892	(4,026,856)	-	(4,026,856)
Financial and human resource	951,480	-	134,481	-	(816,999)	-	(816,999)
Accountability	32,750	-	2,739	-	(30,011)	-	(30,011)
System-wide pupil support	56,194	-	-	-	(56,194)	-	(56,194)
Policy, leadership and public relations	637,884	-	276,662	-	(361,222)	-	(361,222)
Ancillary services	25,575	-	196	-	(25,379)	-	(25,379)
Non-programmed charges	83,937	-	70,222	-	(13,715)	-	(13,715)
Unallocated depreciation expense, excludes direct depreciation expense of various programs	1,631,998	-	-	-	(1,631,998)	-	(1,631,998)
Total governmental activities	41,279,998	729,399	26,222,297	317,892	(14,010,410)	-	(14,010,410)
Business-type activities:							
School food service	1,624,798	462,859	972,606	-	-	\$ (189,333)	(189,333)
Total business-type activities	1,624,798	462,859	972,606	-	-	(189,333)	(189,333)
Total primary government	\$ 42,904,796	\$ 1,192,258	\$ 27,194,903	\$ 317,892	(14,010,410)	(189,333)	(14,199,743)
General revenues:							
Unrestricted county appropriations - operating					9,773,759	-	9,773,759
Unrestricted county appropriations - capital					1,000,000	-	1,000,000
Investment earnings, unrestricted					35,376	963	36,339
Miscellaneous, unrestricted					267,531	-	267,531
Total general revenues before transfers					11,076,666	963	11,077,629
Transfers					(68,224)	68,224	-
Total general revenues and transfers					11,008,442	69,187	11,077,629
Change in net position					(3,001,968)	(120,146)	(3,122,114)
Net position, beginning					47,448,909	441,306	47,890,215
Net position, ending					\$ 44,446,941	\$ 321,160	\$ 44,768,101

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

Currituck County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds				Other	Total
	General	State Public School	Special Revenue	Capital Outlay	Governmental Funds	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,362,536	\$ -	\$ 630,955	\$ 582,326	\$ 397,286	\$ 3,973,103
Accounts receivable (net)	8,089	-	200	-	260	8,549
Due from other governments	18,043	1,023,693	62,525	2,510	76,979	1,183,750
Total assets	<u>\$ 2,388,668</u>	<u>\$ 1,023,693</u>	<u>\$ 693,680</u>	<u>\$ 584,836</u>	<u>\$ 474,525</u>	<u>\$ 5,165,402</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 505,391	\$ -	\$ 5,679	\$ -	\$ 1,466	\$ 512,536
Due to other fund	-	-	14	-	-	14
Accrued salaries and wages payable	183,183	1,023,693	9,206	-	73,732	1,289,814
Total liabilities	<u>688,574</u>	<u>1,023,693</u>	<u>14,899</u>	<u>-</u>	<u>75,198</u>	<u>1,802,364</u>
Deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted:						
Stabilization by State Statute	26,132	-	-	-	-	26,132
School Capital Outlay	-	-	-	584,836	-	584,836
Special Revenue Fund	-	-	678,781	-	-	678,781
Individual Schools	-	-	-	-	399,327	399,327
Assigned:						
Subsequent years expenditures	821,352	-	-	-	-	821,352
Unassigned:	852,610	-	-	-	-	852,610
Total fund balances	<u>1,700,094</u>	<u>-</u>	<u>678,781</u>	<u>584,836</u>	<u>399,327</u>	<u>3,363,038</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,388,668</u>	<u>\$ 1,023,693</u>	<u>\$ 693,680</u>	<u>\$ 584,836</u>	<u>\$ 474,525</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.	48,427,762
Deferred outflows of resources related to pensions	9,641,792
Some liabilities are not due and payable in the current period and therefore are not reported in the funds (Note I. E. 9).	(2,297,411)
Net pension liability	(14,023,417)
Deferred inflows of resources related to pensions	(664,823)
Net position of governmental activities	<u>\$ 44,446,941</u>

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

Currituck County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds				Other	Total
	General	State Public School	Special Revenue	Capital Outlay	Governmental Funds	Governmental Funds
REVENUES						
State of North Carolina	\$ -	\$ 23,890,399	\$ 308,192	\$ 312,983	\$ -	\$ 24,511,574
Currituck County						
Local Current Expense	9,773,759	-	-	-	-	9,773,759
Other	-	-	-	1,000,000	-	1,000,000
U.S. Government	-	-	268,557	-	1,649,591	1,918,148
Other	240,196	-	241,549	8,975	722,275	1,212,995
Total revenues	10,013,955	23,890,399	818,298	1,321,958	2,371,866	38,416,476
EXPENDITURES						
Current:						
Instructional services						
Regular instructional	2,734,564	13,954,446	154,897	-	140,922	16,984,829
Special populations	329,657	2,276,868	89,803	-	880,820	3,577,148
Alternative programs	152,259	899,701	324,136	-	556,052	1,932,148
School leadership	1,175,966	1,407,561	-	-	-	2,583,527
Co-curricular	329,887	-	2,041	-	759,309	1,091,237
School-based support	988,811	1,286,413	19,676	-	1,575	2,296,475
System-wide support services						
Support and development	245,231	24,559	55	-	-	269,845
Special populations support and development	29,348	137,884	6,929	-	-	174,161
Alternative programs and services support and development	-	-	-	-	-	-
Technology support	328,247	295,511	139,663	-	-	763,421
Operational support	3,109,187	3,146,919	45,814	-	-	6,301,920
Financial and human resource	807,585	134,481	-	-	-	942,066
Accountability	29,149	2,739	-	-	-	31,888
System-wide pupil support	53,695	-	-	-	-	53,695
Policy, leadership and public relations	345,358	276,662	-	-	-	622,020
Ancillary services	23,857	196	-	-	-	24,053
Non-programmed charges	83,937	-	-	-	70,222	154,159
Debt service:						
Principal	-	-	-	66,022	-	66,022
Capital outlay:						
Buildings and improvements	-	-	-	567,013	-	567,013
Furniture and equipment	-	-	-	472,242	-	472,242
Buses and motor vehicles	-	-	-	257,409	-	257,409
Total expenditures	10,766,738	23,843,940	783,014	1,362,686	2,408,900	39,165,278
Excess (deficiency) of revenues over expenditures	(752,783)	46,459	35,284	(40,728)	(37,034)	(748,802)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	-	(46,459)	-	(21,765)	-	(68,224)
Installment purchase obligations issued	-	-	-	173,511	-	173,511
Total other financing sources (uses)	-	(46,459)	-	151,746	-	105,287
Net change in fund balance	(752,783)	-	35,284	111,018	(37,034)	(643,515)
Fund balances, beginning	2,452,877	-	643,497	473,818	436,361	4,006,553
Fund balances, ending	\$ 1,700,094	\$ -	\$ 678,781	\$ 584,836	\$ 399,327	\$ 3,363,038

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

Currituck County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because (see Note I. E. 9 also):

Net changes in fund balances - total governmental funds (from Exhibit 4)	\$ (643,515)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,512,095)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	2,235,356
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. This amount is the net effect of these differences in treating long-term debt.	(107,489)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(2,832,245)
Compensated absences	(141,980)
	<u> </u>
Change in net position of governmental activities (see Exhibit 2)	<u><u>\$ (3,001,968)</u></u>

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

Currituck County Board of Education, North Carolina
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	General Fund				State Public School Fund				Special Revenue Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:												
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 24,446,526	\$ 24,875,837	\$ 23,890,399	\$ (985,438)	\$ 292,705	\$ 308,345	\$ 308,192	\$ (153)
Currituck County	9,773,759	9,773,759	9,773,759	-	-	-	-	-	-	-	-	-
U. S. Government	-	-	-	-	-	-	-	-	120,799	272,979	268,557	(4,422)
Other	265,000	265,000	240,196	(24,804)	-	-	-	-	80,826	237,264	241,549	4,285
Total revenues	10,038,759	10,038,759	10,013,955	(24,804)	24,446,526	24,875,837	23,890,399	(985,438)	494,330	818,588	818,298	(290)
Expenditures:												
Current:												
Instructional services:												
Regular instructional	2,795,320	2,796,657	2,734,564	62,093	14,779,871	14,679,775	13,954,446	725,329	291,226	543,542	154,897	388,645
Special populations	307,973	330,973	329,657	1,316	2,226,159	2,287,764	2,276,868	10,896	99,819	103,921	89,803	14,118
Alternative programs	148,245	160,745	152,259	8,486	929,194	1,011,609	899,701	111,908	337,338	339,995	324,136	15,859
School leadership	1,227,586	1,211,654	1,175,966	35,688	1,357,255	1,412,724	1,407,561	5,163	-	-	-	-
Co-curricular	333,698	334,095	329,887	4,208	-	-	-	-	1,507	3,007	2,041	966
School-based support	997,561	997,164	988,811	8,353	1,331,387	1,328,613	1,286,413	42,200	24,636	27,386	19,676	7,710
System-wide support services:												
Support and development	236,939	255,855	245,231	10,624	30,417	31,209	24,559	6,650	2,959	12,422	55	12,367
Special population support and development	8,437	33,011	29,348	3,663	165,068	162,552	137,884	24,668	6,892	11,892	6,929	4,963
Alternative programs and services support and development	-	-	-	-	18,148	18,148	-	18,148	-	-	-	-
Technology support	337,131	337,131	328,247	8,884	184,990	300,135	295,511	4,624	131,989	150,379	139,663	10,716
Operational support	3,450,282	3,378,381	3,109,187	269,194	2,880,769	3,148,021	3,146,919	1,102	22,000	50,080	45,814	4,266
Financial and human resource	871,111	859,117	807,585	51,532	187,981	137,733	134,481	3,252	-	-	-	-
Accountability	29,756	32,256	29,149	3,107	2,500	3,500	2,739	761	-	-	-	-
System-wide pupil support	54,019	56,519	53,695	2,824	-	-	-	-	-	-	-	-
Policy, leadership and public relations	379,566	383,566	345,358	38,208	306,186	307,320	276,662	30,658	-	-	-	-
Ancillary services	36,135	36,135	23,857	12,278	196	196	196	-	-	-	-	-
Non-programmed charges	75,000	85,500	83,937	1,563	-	-	-	-	-	-	-	-
Total expenditures	11,288,759	11,288,759	10,766,738	522,021	24,400,121	24,829,299	23,843,940	985,359	918,366	1,242,624	783,014	459,610
Revenues over (under) expenditures	(1,250,000)	(1,250,000)	(752,783)	497,217	46,405	46,538	46,459	(79)	(424,036)	(424,036)	35,284	459,320
Other financing sources (uses):												
Assigned fund balance	1,250,000	1,250,000	-	(1,250,000)	-	-	-	-	424,036	424,036	-	(424,036)
Transfers to other funds	-	-	-	-	(46,405)	(46,538)	(46,459)	79	-	-	-	-
Total other financing sources (uses)	1,250,000	1,250,000	-	-	(46,405)	(46,538)	(46,459)	79	424,036	424,036	-	(424,036)
Net change in fund balance	\$ -	\$ -	(752,783)	\$ (752,783)	\$ -	\$ -	-	\$ -	\$ -	\$ -	35,284	\$ 35,284
Fund balances, beginning			2,452,877				-				643,497	
Fund balances, ending			<u>\$ 1,700,094</u>				<u>\$ -</u>				<u>\$ 678,781</u>	

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

Currituck County Board of Education, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2017

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 111,766
Due from other governments	26,861
Receivables (net)	364
Due from other fund	14
Inventories	148,949
Total current assets	<u>287,954</u>
Noncurrent assets:	
Capital assets:	
Furniture and equipment, net	211,963
Total noncurrent assets	<u>211,963</u>
Total assets	<u>\$ 499,917</u>
DEFERRED OUTFLOWS OF RESOURCES	\$ 208,349
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 7,411
Current portion of compensated absences	34,964
Total current liabilities	<u>42,375</u>
Noncurrent liabilities:	
Net pension liability	331,136
Compensated absences	-
Total noncurrent liabilities	<u>331,136</u>
Total liabilities	<u>373,511</u>
DEFERRED INFLOWS OF RESOURCES	13,595
NET POSITION	
Net investment in capital assets	211,963
Unrestricted	109,197
Total net position	<u>\$ 321,160</u>

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

Currituck County Board of Education, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
OPERATING REVENUES	
Food sales, other	\$ 462,859
Total operating revenues	<u>462,859</u>
OPERATING EXPENSES	
Food cost:	
Purchase of food	410,566
Donated commodities	100,841
Salaries and benefits	832,850
Indirect costs	141,116
Materials and supplies	57,334
Repairs and maintenance	8,399
Depreciation	52,540
Contracted services	16,213
Other	4,939
Total operating expenses	<u>1,624,798</u>
Operating income (loss)	<u>(1,161,939)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	727,251
State reimbursements	3,398
Federal commodities	100,841
Indirect costs not paid	141,116
Interest earned	963
Total nonoperating revenue	<u>973,569</u>
(expenses)	<u>973,569</u>
Income (loss) before	
contributions and transfers	(188,370)
Transfers from other funds	68,224
Change in net position	<u>(120,146)</u>
Total net position, beginning	441,306
Total net position, ending	<u>\$ 321,160</u>

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

Currituck County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 454,960
Cash paid for goods and services	(487,648)
Cash paid to employees for services	(776,318)
Net cash provided (used) by operating activities	<u>(809,006)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State reimbursements	3,398
Federal reimbursements	823,358
Net cash provided by noncapital financing activities	<u>826,756</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	963
Net increase (decrease) in cash and cash equivalents	18,713
Balances, beginning	93,053
Balances, ending	<u>\$ 111,766</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ (1,161,939)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	52,540
Donated commodities consumed	100,841
Indirect costs not paid	141,116
Non-capitalized equipment paid by capital outlay fund	5,369
Salaries paid by special revenue fund	46,459
Changes in assets and liabilities:	
(Increase) decrease in receivables	749
(Increase) decrease in inventory	4,798
(Increase) decrease in deferred outflows	(143,159)
Increase (decrease) in deferred inflows	(10,896)
Increase (decrease) in accounts payable and accrued liabilities	(9,012)
Increase (decrease) in net pension liability	165,615
Increase (decrease) in compensated absences	(1,487)
Total adjustments	<u>352,933</u>
Net cash provided (used) by operating activities	<u>\$ (809,006)</u>

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

(continued)

**Currituck County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017**

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$46,459 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reported as a transfer from other funds and an operating expense on Exhibit 8.

The Capital Outlay Fund paid for equipment of \$21,765 for the School Food Service Fund during the fiscal year. The payment is reported as a transfer from other funds on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$100,841 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$100,841 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

Indirect costs of \$141,116 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 8.

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

Currituck County Board of Education, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2017

Exhibit 10

	Private Purpose Trust
	Administrative Fund
Assets	
Cash and cash equivalents	\$ 121,416
Total assets	<u>121,416</u>
Liabilities	
Miscellaneous liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Assets held in trust for private purpose	<u><u>\$ 121,416</u></u>

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

Currituck County Board of Education, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Administrative Fund
Additions:	
Contributions and other revenue	\$ 901
Deductions:	
Instructional costs	300
Change in net position	601
Net position - beginning	120,815
Net position - ending	\$ 121,416

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

Currituck County Board of Education, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Currituck 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 Currituck County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities present 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 on 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 funds. 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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the “Local Current Expense Fund,” which is mandated by State law [G.S. 115C-426].

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

Special Revenue Fund. The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The foundation of the special revenue fund is to report specific restricted or committed revenues from State and federal sources which are not reported in another fund. Revenues from State and federal sources represent a substantial portion of the fund’s total inflows. Other miscellaneous revenues, including investment earnings, rental fees, tuition, and indirect costs that are not applicable to another fund, are also reported in the special revenue fund.

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) and is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Currituck County appropriations, restricted sales tax moneys, proceeds of Currituck County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

The Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

The Board reports the following fiduciary fund:

Administrative Fund. The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district. This fund is reported as a private purpose trust fund.

C. 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 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 to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases and installment purchase obligations are reported as other financing sources.

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools' Special Revenue Funds, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures for the Board's legally adopted budget are appropriated at the function level. Expenditures for the General, State Public School, Federal Grants, Capital Outlay, School Food Service, and Special Revenue funds may not legally exceed appropriations at the function level for these annually budgeted funds. Additionally, for the State Public School Fund and the Federal Grants Fund, expenditures may not legally exceed appropriations at the program report code (PRC) level. The Board has authorized the Superintendent to transfer appropriations within a function level in each individual fund. The Superintendent may not transfer amounts between funds nor transfer any contingency appropriations within a fund. Any increase or decrease in function levels appropriated must be approved by the governing board. During the year, two immaterial 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. The Board presents budgetary comparison statements and schedules using the same format, terminology, and classifications used in the statements of revenues, expenditures, and changes in fund balance.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of

commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The Board has no inventories in the General Fund. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1986 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

	Years
Buildings and improvements	10-50
Equipment and furniture	5-20
Motor vehicles	5-15

Depreciation for capital assets that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation expense, excludes direct depreciation expense of various programs” on the Statement of Activities.

5. Deferred Outflows and Inflows of Resources

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

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2017 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences based on prior years’ records has been made.

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

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted, as applicable. 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 Balance

In the governmental fund financial statements, fund balance is composed of five classifications, as applicable, that are designed to disclose the hierarchy of constraints 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. There are no nonspendable fund balance amounts at year end.

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

Assets held for resale - portion of fund balance that is not an available resource because it represents the year-end balance of assets held for resale, which are not spendable resources.

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

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

Restricted for School Capital Outlay - portion of fund balance that can only be used for School Capital Outlay [G.S. 159-18 through 22].

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

Restricted for Special Revenue – revenue sources restricted for expenditures for specified purposes including those of local, state, federal and other grants.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action. There are no committed fund balance amounts at year end.

Assigned Fund Balance – portion of fund balance that Currituck 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 or committed. The governing body approves the appropriation; however the budget resolution authorizes the superintendent to modify the appropriations within functional levels of individual funds.

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

Currituck County Board of Education has a revenue spending policy that provides guidance for programs with multiple revenue sources. All appropriations shall firstly be paid from revenues restricted as to use and secondly from restricted revenues.

9. Reconciliation of Government-wide and Fund Financial Statements

1. 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 total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$41,083,903 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 91,898,755
Less Accumulated Depreciation	(43,470,993)
Net capital assets	48,427,762
Pension related deferred outflows of resources	
Changes of assumptions	2,076,726
Difference between projected and actual earnings on plan investments	5,022,028
Differences between contributions and proportional share of contributions and changes in proportion	307,682
Contributions made to the pension plan in current fiscal year	2,235,356
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment financing	(152,778)
Compensated absences	(2,144,633)
Net pension liability	(14,023,417)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(664,823)
Total adjustment	\$ 41,083,903

2. 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 \$(2,358,453) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 358,319
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,870,414)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statements	(173,511)
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	66,022
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,235,356
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(2,832,245)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(141,980)
Total adjustment	<u>\$ (2,358,453)</u>

10. Defined Benefit Pension Plans

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

In accordance with State law [G. S. 115C-445], all moneys collected or received shall be deposited daily, unless the Board of Education gives its approval to require deposits only when moneys on hand reach a specific amount up to a maximum of \$250, but in any event a deposit shall be made on the last business day of the month. The Board's policy is to require deposits

when moneys on hand amount to \$250 and, regardless of the amount on hand, all funds must be deposited on the last business day of each month. Some moneys collected at the individual schools were not timely deposited as required.

Corrective Action

Management will notify all responsible individuals of the deposit requirements, and will continue to visit individual schools to monitor this requirement.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2017, the Board had deposits with banks with a carrying amount of \$462,862 and with the State Treasurer of zero. The bank balances with the financial institutions and the State Treasurer, were \$878,104 and \$391,946, respectively. Of these balances, \$250,000 was covered by federal depository insurance and \$1,020,050 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2017, the Board of Education had \$2,524 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$3,740,899 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 0.09 years at June 30, 2017. The Board has no policy for managing interest rate risk or credit risk. During the year ended June 30, 2017, the Board had no realized gains or losses from the sale of investments, and there were no unrealized gains or losses on investments at year end.

3. Accounts Receivable

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

	Due from other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ -	\$ 18,043	\$8,089	\$ 26,132
Other governmental Activities	(14)	1,165,707	460	1,166,153
Total	<u>\$(14)</u>	<u>\$ 1,183,750</u>	<u>\$8,549</u>	<u>\$ 1,192,285</u>
Business-type activities:				
School Food Service	\$14	\$ 26,861	\$ 364	\$ 27,239
Total	<u>\$14</u>	<u>\$ 26,861</u>	<u>\$ 364</u>	<u>\$ 27,239</u>

There were no significant balances of receivables that were not expected to be collected within one year of the end of the fiscal period.

Internal balances consist of amounts due to the School Food Service Fund from the Special Revenue Fund for meals served.

Due from other governments consists of the following:

Governmental activities:

General Fund	\$18,043	Revenues from County
State Public School Fund	1,023,693	Operating funds from DPI
Special Revenue Fund	62,525	Federal grants and miscellaneous revenues from County and State
Capital Outlay Fund	2,510	State funds from State appropriations
Nonmajor Governmental Funds	76,979	Federal grant funds
Total	<u>\$1,183,750</u>	
Business-type activities:		
School Food Service Fund	\$26,861	Federal funds
Total	<u>\$26,861</u>	

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,419,859	\$ -	\$ -	\$ 1,419,859
Total capital assets not being depreciated	1,419,859	-	-	1,419,859
Capital assets being depreciated:				
Buildings and improvements	80,378,496	36,857	-	80,415,353
Equipment, furniture and motor vehicles	9,855,386	321,462	113,305	10,063,543
Total capital assets being depreciated	90,233,882	358,319	113,305	90,478,896
Less accumulated depreciation for:				
Buildings and improvements	34,763,871	1,382,477	-	36,146,348
Equipment, furniture and motor vehicles	6,950,013	487,937	113,305	7,324,645
Total accumulated depreciation	41,713,884	1,870,414	113,305	43,470,993
Total capital assets being depreciated, net	48,519,998			47,007,903
Governmental activity capital assets, net	<u>\$ 49,939,857</u>			<u>\$ 48,427,762</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation expense	\$ 1,631,998
Operational support services	238,416
Total	<u>\$ 1,870,414</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,200,923	\$ 16,396	\$ 19,155	\$ 1,198,164
Total capital assets being depreciated	1,200,923	16,396	19,155	1,198,164
Less accumulated depreciation for:				
Furniture and equipment	952,816	52,540	19,155	986,201
Total accumulated depreciation	952,816	52,540	19,155	986,201
Business-type activities capital assets, net	<u>\$ 248,107</u>			<u>\$ 211,963</u>

Construction Commitments

The Board has active building improvement projects as of June 30, 2017. At year-end, the commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Moyock Middle School	\$ -	\$65,875
Currituck County High School	-	65,875
Total	<u>\$ -</u>	<u>\$131,750</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate

for the year ended June 30, 2017, was 9.98% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$2,278,650 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Board reported a liability of \$14,354,553 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2016 and at June 30, 2015, the Board's proportion was 0.156% and 0.153%, respectively.

For the year ended June 30, 2017, the Board recognized pension expense of \$2,887,100. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 678,418
Changes of assumptions	2,116,948	-
Net difference between projected and actual earnings on pension plan investments	5,119,295	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	335,248	-
Board contributions subsequent to the measurement date	2,278,650	-
Total	\$ 9,850,141	\$ 678,418

\$2,278,650 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 1,216,327
2019	1,235,699
2020	2,862,192
2021	1,578,853
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 26,998,145	\$ 14,354,553	\$ 3,723,030

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2017, 2016, and 2015, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,293,053 \$1,213,631 and \$1,174, 301, respectively. These contributions represented 6.02%, 5.60%, and 5.49% of covered payroll, respectively. For the fiscal year ended June 30, 2017, the contribution rate was increased from 5.6% to 6.02% effective January 1, 2017.

2. Long-term Disability Benefits

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

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

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

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 one might be entitled should one become age 62 during the first 36 months. If a member had less than five years of

membership as of July 31, 2007 and after they have received 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2017, 2016, and 2015, the Board paid all annual required contributions to the DIPNC for disability benefits of \$122,537, \$136,216, and \$121,340 respectively. These contributions represented 0.54%, 0.57%, and 0.52% of covered payroll, respectively.

3. Accounts Payable

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

	<u>Vendors</u>
Governmental Activities:	
General	\$ 505,391
Other Governmental	7,145
Total governmental activities	<u>\$ 512,536</u>
Business-type Activities:	
School Food Service	\$ 7,411
Total business-type activities	<u>\$ 7,411</u>

4. Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 335,248	-
Changes of assumptions	\$ 2,116,948	-
Contributions subsequent to measurement date	2,278,650	-
Net difference between projected and actual earnings on plan investments	5,119,295	-
Difference between expected and actual experience	-	678,418
Totals	<u>\$ 9,850,141</u>	<u>678,418</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is either purchased through private insurers or self-insured by the local board. Coverage is provided to the extent that employees are paid from federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent that employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction. Two school buildings and their contents are each insured for floods with coverage up to \$500,000 for the building and \$500,000 for the contents, less a \$5,000 deductible on both the building and the contents. One school building is insured for floods with coverage up to \$500,000 for the building, less a \$50,000 deductible. Flood insurance is not required on the other buildings.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees who have access to funds are bonded under a blanket bond for \$5,000.

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

6. Long-Term Obligations

a. Installment Purchase

The Board is authorized to finance the purchase of school buses under State Law [G.S. 115C-528(a)]. Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing

arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. In September 2015, the Board entered into an installment purchase contract to finance the purchase of one school bus. That financing contract requires only principal payments of \$22,644 per year. In January 2017, the Board entered into an installment purchase contract to finance the purchase of two school buses. That financing contract requires only principal payments of \$43,378 per year. Interest cost is not considered material. Two principal payments were paid during the fiscal year ended June 30, 2017. Banc of America Public Capital Corp has a security interest in the three school buses.

The future minimum payments of the installment purchase as of June 30, 2017 are as follows:

<u>Year ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$66,023	\$ -
2019	43,378	-
2020	43,377	-
2021	-	-
2022	-	-
2023-2027	-	-
Total	<u>\$152,778</u>	<u>-</u>

b. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 45,289	\$ 173,511	\$ 66,022	\$ 152,778	\$ 66,023
Net pension liability	5,472,461	8,550,956	-	14,023,417	-
Compensated absences	2,002,653	1,300,531	1,158,551	2,144,633	1,158,551
Total	\$ 7,520,403	\$ 10,024,998	\$ 1,224,573	\$ 16,320,828	\$ 1,224,574
Business-type activities:					
Net pension liability	\$ 165,521	\$ 165,615	\$ -	\$ 331,136	\$ -
Compensated absences	36,451	39,956	41,443	34,964	34,964
Total	\$ 201,972	\$ 205,571	\$ 41,443	\$ 366,100	\$ 34,964

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

C. Interfund Transfers

Transfers to/from other funds at June 30, 2017, consist of the following:

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 46,459
From the Capital Outlay Fund to the School Food Service Fund for equipment.	21,765

D. Fund Balance

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

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	1,700,094
Less:	
Stabilization by State Statute	26,132
Appropriated Fund Balance in 2017-2018 budget	821,352
Remaining Fund Balance	<u>852,610</u>

At June 30, 2017, there were no significant encumbrances.

IV. 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.

V. Subsequent Events

Management has evaluated subsequent events through November 27, 2017, the date on which the financial statements were available to be issued.

Required Supplementary Information

Schedule of the Board's Proportionate Share of the Net Pension Liability of the
Teachers' and State Employees' Retirement System

Schedule of Board's Contributions to the Teachers' and State Employees' Retirement
System

Currituck County Board of Education, North Carolina
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
 Last 4 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.156%	0.153%	0.147%	0.146%
Board's proportionate share of the net pension liability (asset)	\$ 14,354,553	\$ 5,637,982	\$ 1,722,404	\$ 1,749,198
Board's covered-employee payroll	\$ 22,070,513	\$ 21,418,774	\$ 20,210,598	\$ 20,234,428
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.03%	26.32%	8.52%	8.64%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

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

Currituck County Board of Education, North Carolina
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last 4 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,278,650	\$ 1,982,986	\$ 1,957,169	\$ 1,753,370
Contributions in relation to the contractually required contribution	(2,278,650)	(1,982,986)	(1,957,169)	(1,753,370)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 22,942,918	\$ 22,070,513	\$ 21,418,774	\$ 20,210,598
Contributions as a percentage of covered-employee payroll	9.93%	8.98%	9.14%	8.68%

**Combining and Individual Fund
Financial Statements and Schedules**

Currituck County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit A

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Currituck County:			
Local Current Expense	\$ 9,773,759	\$ 9,773,759	-
Total	9,773,759	9,773,759	-
Other :			
Fines and forfeitures	245,000	216,227	(28,773)
Interest earned on investments	20,000	23,969	3,969
Total	265,000	240,196	(24,804)
Total revenues	10,038,759	10,013,955	(24,804)
Expenditures:			
Instructional services:			
Regular instructional services:			
Regular curricular services		2,643,967	
CTE curricular services		90,597	
Total	2,796,657	2,734,564	62,093
Special populations services:			
Children with disabilities curricular services		153,884	
Pre-K children with disabilities curricular services		106,187	
Speech and language pathology services		42,776	
Academically/Intellectually gifted		21,056	
Limited English proficiency services		5,754	
Total	330,973	329,657	1,316
Alternative programs and services:			
Alternative instructional services K-12		4,218	
Attendance and social work services		18,044	
Remedial and supplemental K-12 services		99,877	
Pre-K readiness/remedial and supplemental services		29,350	
Extended day/year instructional services		770	
Total	160,745	152,259	8,486
School leadership services	1,211,654	1,175,966	35,688
Co-curricular services	334,095	329,887	4,208
School-based support services:			
Educational media services		91,182	
Student accounting		9,759	
Guidance services		269,460	
Health support services		405,928	
Safety and security support services		181,715	
Instructional technology services		30,767	
Total	997,164	988,811	8,353
System-wide support services:			
Support and development services:			
Regular curricular support and development services		194,028	
CTE curricular support and development services		51,203	
Total	255,855	245,231	10,624
Special population support and development services	33,011	29,348	3,663
Alternative programs and services support and development services	-	-	-
Technology support services	337,131	328,247	8,884

(continued)

Currituck County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit A

	Budget	Actual	Positive (Negative) Variance
Operational support services:			
Communication services		124,819	
Public utility and energy services		1,090,476	
Custodial/housekeeping services		177,529	
Transportation services		281,833	
Maintenance services		1,434,530	
Total	<u>3,378,381</u>	<u>3,109,187</u>	<u>269,194</u>
Financial and human resource services:			
Financial services		609,116	
Human resource services		198,469	
Total	<u>859,117</u>	<u>807,585</u>	<u>51,532</u>
Accountability services	<u>32,256</u>	<u>29,149</u>	<u>3,107</u>
System-wide pupil support services	<u>56,519</u>	<u>53,695</u>	<u>2,824</u>
Policy, leadership and public relations services:			
Board of education		123,024	
Legal services		25,901	
Audit services		22,900	
Leadership services		164,366	
Public relations and marketing services		9,167	
Total	<u>383,566</u>	<u>345,358</u>	<u>38,208</u>
Ancillary services:			
Community services		251	
Nutrition services		23,606	
Total	<u>36,135</u>	<u>23,857</u>	<u>12,278</u>
Non-programmed charges			
Payments to other governmental units	<u>85,500</u>	<u>83,937</u>	<u>1,563</u>
Total expenditures	<u>11,288,759</u>	<u>10,766,738</u>	<u>522,021</u>
Excess (deficiency) of revenues over expenditures	<u>(1,250,000)</u>	<u>(752,783)</u>	<u>497,217</u>
Other financing sources (uses):			
Assigned fund balance	<u>1,250,000</u>	<u>-</u>	<u>(1,250,000)</u>
Total other financing sources and uses	<u>1,250,000</u>	<u>-</u>	<u>(1,250,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(752,783)</u>	<u>(752,783)</u>
Fund balance, beginning		<u>2,452,877</u>	
Fund balance, ending		<u><u>\$ 1,700,094</u></u>	

Exhibit B

Currituck County Board of Education, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds (See Exhibit 3)
	<u>Individual Schools</u>	<u>Federal Grants Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 397,286	\$ -	\$ 397,286
Accounts receivable (net)	260	-	260
Due from other governments	3,247	73,732	76,979
Total assets	<u>400,793</u>	<u>73,732</u>	<u>474,525</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	1,466	-	1,466
Accrued salaries and wages payable	-	73,732	73,732
Total liabilities	<u>1,466</u>	<u>73,732</u>	<u>75,198</u>
Fund balances:			
Restricted:			
Individual Schools	399,327	-	399,327
Total fund balances	<u>399,327</u>	<u>-</u>	<u>399,327</u>
Total liabilities and fund balances	<u>400,793</u>	<u>73,732</u>	<u>474,525</u>

Exhibit C

Currituck County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>Individual Schools</u>	<u>Federal Grants Fund</u>	<u>Total Nonmajor Governmental Funds (See Exhibit 4)</u>
REVENUES			
U. S. Government	\$ -	\$ 1,649,591	\$ 1,649,591
State of North Carolina	-	-	-
Currituck County	-	-	-
Other	722,275	-	722,275
Total revenues	<u>722,275</u>	<u>1,649,591</u>	<u>2,371,866</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	-	140,922	140,922
Special populations	-	880,820	880,820
Alternative programs	-	556,052	556,052
Co-curricular	759,309	-	759,309
School-based support	-	1,575	1,575
Non-programmed charges	-	70,222	70,222
Total expenditures	<u>759,309</u>	<u>1,649,591</u>	<u>2,408,900</u>
Excess (deficiency) of revenues over expenditures	<u>(37,034)</u>	<u>-</u>	<u>(37,034)</u>
Net change in fund balance	(37,034)	-	(37,034)
Fund balances, beginning	436,361	-	436,361
Fund balances, ending	<u>\$ 399,327</u>	<u>\$ -</u>	<u>\$ 399,327</u>

Currituck County Board of Education, North Carolina
Federal Grants Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
U. S. Government	\$ 2,058,392	\$ 1,649,591	\$ (408,801)
Total revenues	<u>2,058,392</u>	<u>1,649,591</u>	<u>(408,801)</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	149,173	140,922	8,251
Special populations	943,313	880,820	62,493
Alternative programs	608,580	556,052	52,528
School-based support	18,753	1,575	17,178
Non-programmed charges	<u>338,573</u>	<u>70,222</u>	<u>268,351</u>
Total expenditures	<u>2,058,392</u>	<u>1,649,591</u>	<u>408,801</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Currituck County Board of Education, North Carolina
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit E

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 446,325	\$ 246,961	\$ (199,364)
State appropriations- buses	66,022	66,022	-
Total State of North Carolina	<u>512,347</u>	<u>312,983</u>	<u>(199,364)</u>
Currituck County:			
Restricted portion of sales taxes	1,000,000	1,000,000	-
Total Currituck County	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Other revenues:			
Interest earned on investments	-	4,066	4,066
Miscellaneous	-	4,909	4,909
Total other revenues	<u>-</u>	<u>8,975</u>	<u>8,975</u>
Total revenues	<u>1,512,347</u>	<u>1,321,958</u>	<u>(190,389)</u>
Expenditures:			
Capital outlay:			
Buildings and improvements:			
Moyock Elementary - Lottery	85,588	59,432	26,156
High school - Lottery	65,094	-	65,094
Moyock Middle - Lottery	103,149	30,734	72,415
Knotts Island Elememtary - Lottery	86,290	69,795	16,495
Griggs Elementary - Lottery	106,204	87,000	19,204
Central office	70,304	11,430	58,874
Schools	321,611	308,622	12,989
Total buildings and improvements	<u>838,240</u>	<u>567,013</u>	<u>271,227</u>
Furniture and equipment:			
Central office	501,750	389,596	112,154
Schools	82,842	82,646	196
Total furniture and equipment	<u>584,592</u>	<u>472,242</u>	<u>112,350</u>
Buses and motor vehicles:			
Central office	257,409	257,409	-
Total buses and motor vehicles	<u>257,409</u>	<u>257,409</u>	<u>-</u>
Debt service:			
Principal	66,022	66,022	-
Total expenditures	<u>1,746,263</u>	<u>1,362,686</u>	<u>383,577</u>
Excess (deficiency) of revenues over expenditures	<u>(233,916)</u>	<u>(40,728)</u>	<u>193,188</u>

Currituck County Board of Education, North Carolina
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit E

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Installment purchase obligations issued	173,511	173,511	-
Transfers to other funds	(24,765)	(21,765)	3,000
Assigned fund balance	85,170	-	(85,170)
Total other financing sources (uses)	<u>233,916</u>	<u>151,746</u>	<u>(82,170)</u>
Net change in fund balance	<u>\$ -</u>	111,018	<u>\$ 111,018</u>
Fund balance, beginning		<u>473,818</u>	
Fund balance, ending		<u>\$ 584,836</u>	

Currituck County Board of Education, North Carolina
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues, food sales, other	\$ 746,913	\$ 462,859	\$(284,054)
Operating expenses:			
Business support services:			
Purchase of food		405,768	
Donated commodities		100,841	
Salaries and benefits		786,817	
Indirect costs		141,116	
Materials and supplies		57,334	
Repairs and maintenance		8,399	
Depreciation		52,540	
Contracted services		16,213	
Other		4,939	
Total business support services	1,908,740	1,573,967	334,773
Other support services:			
Salaries and benefits	39,253	35,960	3,293
Total operating expenses	1,947,993	1,609,927	338,066
Operating income (loss)	(1,201,080)	(1,147,068)	54,012
Nonoperating revenues (expenses):			
Federal reimbursements	837,470	727,251	(110,219)
State reimbursements	4,833	3,398	(1,435)
Federal commodities	101,144	100,841	(303)
Indirect costs not paid	179,856	141,116	(38,740)
Interest earned	1,000	963	(37)
Total nonoperating revenues (expenses)	1,124,303	973,569	(150,734)
Excess of revenues over (under) expenses before other financing sources	(76,777)	(173,499)	(96,722)
Other financing sources:			
Transfers from other funds	76,777	68,224	(8,553)
Excess of revenues and other financing sources over (under) expenses	<u>\$ -</u>	(105,275)	<u>\$(105,275)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase (decrease) in inventory		(4,798)	
Increase (decrease) in deferred outflows		143,159	
(Increase) decrease in deferred inflows		10,896	
(Increase) decrease in net pension liability		(165,615)	
(Increase) decrease in compensated absences		1,487	
Change in net position (full accrual)		<u>\$ (120,146)</u>	

COMPLIANCE SECTION

CATALFAMO AND ASSOCIATE
Certified Public Accountants
P. O. Box 502
Moyock, North Carolina 27958

**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 Auditor's Report

To the Board of Education
Currituck County, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Currituck County Board of Education, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Currituck County Board of Education's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Currituck 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 Currituck County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Currituck County Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Currituck County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

Currituck County Board of Education's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Catalfamo and Associate

Moyock, North Carolina

November 27, 2017

CATALFAMO AND ASSOCIATE
Certified Public Accountants
P. O. Box 502
Moyock, North Carolina 27958

**Report On Compliance For Each Major Federal Program; Report on Internal Control
Over Compliance; In accordance with the Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

To the Board of Education
Currituck County, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Currituck County Board of Education's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Currituck 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 the major federal program. However, our audit does not provide a legal determination of the Currituck County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Currituck 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 the major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Currituck 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 Currituck County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Currituck County Board of Education's internal control over compliance.

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

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

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

Catalfamo and Associate

Moyock, North Carolina

November 27, 2017

CATALFAMO AND ASSOCIATE
Certified Public Accountants
P. O. Box 502
Moyock, North Carolina 27958

**Report On Compliance For Each Major State Program; Report on Internal Control Over
Compliance; In accordance with the Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

To the Board of Education
Currituck County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Currituck County Board of Education, North Carolina, 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 the Currituck County Board of Education's major state program for the year ended June 30, 2017. The Currituck County Board of Education's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Currituck County Board of Education's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Currituck 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 the major state program. However, our audit does not provide a legal determination of the Currituck County Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Currituck 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 the major state program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Currituck 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 Currituck County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Currituck County Board of Education's internal control over compliance.

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

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

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

Catalfamo and Associate
Moyock, North Carolina
November 27, 2017

Section I. Summary of Auditor's Results

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

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

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

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Identification of major federal program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major State program:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified
that are not considered to be
material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major State program: Unmodified

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

Identification of major State program(s):

Program Name
State Public School Fund

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II – Financial Statement Findings

Finding: 2017-001

**SIGNIFICANT DEFICIENCY
NONCOMPLIANCE**

Criteria: In accordance with North Carolina General Statute 115C-445, all moneys collected or received shall be deposited daily, unless the Board of Education gives its approval to require deposits only when moneys on hand reach a specific amount up to a maximum of \$250, but in any event a deposit shall be made on the last business day of the month. The Board's policy is to require deposits when moneys on hand amount to \$250 and, regardless of the amount on hand, all funds must be deposited on the last business day of each month.

Condition: Of the 50 cash receipt transactions of the individual schools' bookkeepers examined, we determined that 4 transactions had not been timely deposited in accordance with North Carolina General Statute 115C-445 and Board policy.

Context: Of the 3,943 cash receipt transactions of the individual schools' bookkeepers, we examined 50 and found 4 instances of noncompliance. The sampling was not a statistically valid sample.

Effect: Some deposits of the individual schools were not made in accordance with State law and Board policy.

Cause: In some of the individual schools, the deposit requirements were not complied with.

Identification of a repeat finding: This finding was reported in the previous fiscal year and was identified as finding 2016-001.

Recommendation: Management should continue to visit the individual schools and monitor the timeliness of individual school bank deposits.

Views of responsible
officials and planned

corrective actions: Management agrees with this finding. On-going monitoring of the schools cash receipting process and discussions with school staff are improving the timeliness of individual school bank deposits.

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section IV – State Award Findings and Questioned Costs

No matters were reported.

Currituck County Board of Education, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Section II – Financial Statement Findings

Finding: 2017-001

Name of contact person: Laurie Trussell, Finance Officer

Corrective Action Planned: Management agrees with the finding to continue to visit the individual schools and monitor the timeliness of individual school bank deposits. On-going monitoring of the schools cash receipting process and discussions with school staff are improving the timeliness of individual school bank deposits.

Anticipated Completion Date: June 30, 2018.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – State Award Findings and Questioned Costs

No matters were reported.

Currituck County Board of Education, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Finding: 2013-01:

Status: This finding has not been corrected. Finance department personnel visited individual schools during the year ended June 30, 2017, and determined there were some instances that individual school deposits had not been timely made. This finding reoccurred because some individual school personnel had not followed mandated procedures. For corrective action, monitoring of the individual schools' cash receipting process will continue to be conducted. Finance department personnel will continue to visit schools and check on the timeliness of cash deposits.

Finding: 2014-01:

Status: This finding has not been corrected. This finding initially occurred during the fiscal year ended June 30, 2013 and was reported as finding 2013-01 that year. Finance department personnel visited individual schools during the year ended June 30, 2017, and determined there were some instances that individual school deposits had not been timely made. This finding reoccurred because some individual school personnel had not followed mandated procedures. For corrective action, monitoring of the individual schools' cash receipting process will continue to be conducted. Finance department personnel will continue to visit schools and check on the timeliness of cash deposits.

Finding 2015-001:

Status: This finding has not been corrected. This finding initially occurred during the fiscal year ended June 30, 2013 and was reported as finding 2013-01 that year. This finding was reported as finding 2014-01 for the fiscal year ended June 30, 2014. Finance department personnel visited individual schools during the year ended June 30, 2017, and determined there were some instances that individual school deposits had not been timely made. This finding reoccurred because some individual school personnel had not followed mandated procedures. For corrective action, monitoring of the individual schools' cash receipting process will continue to be conducted. Finance department personnel will continue to visit schools and check on the timeliness of cash deposits.

Finding 2016-001:

Status: This finding has not been corrected. This finding initially occurred during the fiscal year ended June 30, 2013 and was reported as finding 2013-01 that year. This finding was reported as finding 2014-01 for the fiscal year ended June 30, 2014. This finding was reported as finding 2015-001 for the fiscal year ended June 30, 2015. Finance department personnel visited individual schools during the year ended June 30, 2017, and determined there were some instances that individual school deposits had not been timely made. This finding reoccurred because some individual school personnel had not followed mandated procedures. For corrective action, monitoring of the individual schools' cash receipting process will continue to be conducted. Finance department personnel will continue to visit schools and check on the timeliness of cash deposits.

Finding 2016-002:

Corrective action was taken.

Finding 2016-003:

Corrective action was taken.

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 100,841
Noncash Assistance			<u>100,841</u>
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	175,307
National School Lunch Program	10.555	PRC 035	525,314
Summer Food Service Program for Children	10.559	PRC 035	26,630
Total Cash Assistance			<u>727,251</u>
Total Child Nutrition Cluster			<u>828,092</u>
Total U. S. Department of Agriculture			<u>828,092</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041		28,363
Passed-through the Perquimans County Board of Education:			
Education for Homeless Children and Youth	84.196	PRC 026	8,744
Passed-through the Tyrrell County Board of Education:			
English Language Acquisition State Grants	84.365	PRC 104	4,554
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	PRC 050	583,350
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	838,609
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	19,530
Risk Pool	84.173	PRC 114	49,290
Special Needs Targeted Assistance	84.173	PRC 118	9,655
Preschool Targeted Assistance	84.173	PRC 119	1,501
Total Special Education Cluster			<u>918,585</u>
Career and Technical Education - Program Improvement	84.048	PRC 017	38,371
Special Education - State Personnel Development	84.323	PRC 082	682
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	PRC 103	<u>108,603</u>
Total U. S. Department of Education			<u>1,691,252</u>

(continued)

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	12.UNKNOWN		\$ 65,735
Total federal cash assistance			2,484,238
Total federal assistance			\$ 2,585,079
State Grants:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 22,176,286
Driver Training - SPSF		PRC 012	65,494
School Technology Fund - SPSF		PRC 015	122,484
Vocational Education:			
State Months of Employment		PRC 013	1,306,037
Program Support Funds		PRC 014	220,098
State Breakfast Program		PRC 035	3,398
Passed-through Currituck County:			
Public School Building Capital Fund - Lottery		PRC 076	246,961
Total N.C. Department of Public Instruction			24,140,758
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program		PRC 413	202,224
Total N.C. Department of Health and Human Services			202,224
<u>N.C. Department of Public Safety</u>			
Passed-through Currituck County:			
Juvenile Crime Prevention Program		PRC 414,415	93,976
Total N.C. Department of Public Safety			93,976
<u>N.C. Department of Natural and Cultural Resources</u>			
Division of The North Carolina Arts Council:			
Passed-through Arts of the Albemarle:			
Grassroots Arts Program		PRC 422	11,992
Total N.C. Department of Natural and Cultural Resources			11,992
Total State cash assistance			24,448,950
Noncash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriations		PRC 120	66,022
Total State noncash assistance			66,022
Total State assistance			24,514,972
Total federal and State assistance			\$ 27,100,051

(continued)

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Currituck County Board of Education under programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Currituck County Board of Education, it is not intended to and does not present the financial position, changes in net position or cash flows of Currituck County Board of Education.

2. Summary of Significant Accounting Policies

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

Currituck County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.