

FINANCIAL REPORT

OF THE

CURRITUCK COUNTY BOARD OF EDUCATION,
NORTH CAROLINA

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

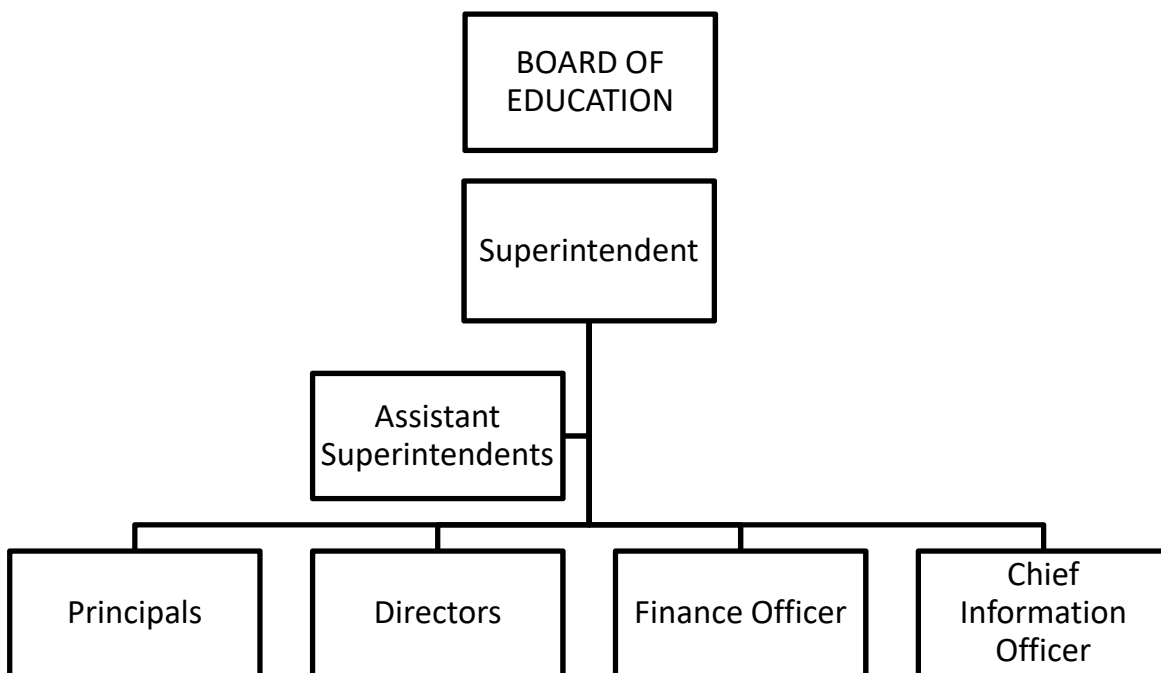
**Table of Contents - Currituck County Board of Education, North Carolina
June 30, 2018**

Exhibit		Page
	Introductory Section	
	Organizational Chart	6
	Board of Education and Leadership Team	7
	Financial Section	
	Independent Auditor's Report	9
	Management's Discussion and Analysis	13
	Basic Financial Statements:	
	Government – wide Financial Statements:	
1	Statement of Net Position	23
2	Statement of Activities	24
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	25
3	Reconciliation of the Balance Sheet to the Statement of Net Position	25
4	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	26
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	27
6	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General, State Public School, and Special Revenue Funds	28
7	Statement of Net Position – Proprietary Fund	29
8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	30
9	Statement of Cash Flows – Proprietary Fund	31
10	Statement of Fiduciary Net Position	33
11	Statement of Change in Fiduciary Net Position	34
	Notes to the Financial Statements	35
	Required Supplementary Information	
	Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	63
	Schedule of Board Contributions – Teachers' and State Employees' Retirement System	64
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund	65
	Schedule of Board Contributions – Retiree Health Benefit Fund	66
	Schedule of the Board's Proportionate Share of the Net OPEB Asset – Disability Income Plan of North Carolina	67
	Schedule of Board Contributions – Disability Income Plan Of North Carolina	68

<u>Exhibit</u>		<u>Page</u>
	Individual Fund Financial Statements and Schedules:	
A	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	70
B	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Federal Grants Fund	73
C	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund	74
D	Schedule of Revenues and Expenses – Budget and Actual (Non- GAAP) – School Food Service Fund	76
	Compliance Section	
	Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
	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	80
	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	82
	Schedule of Findings and Questioned Costs	84
	Corrective Action Plan	89
	Summary Schedule of Prior Audit Findings	90
	Schedule of Expenditures of Federal and State Awards	91

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
Dwan Craft, Vice Chairman
Karen Etheridge
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	Sandy Reynolds
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	Brian Matney
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, 2018, 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, 2018, 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 Schedules of the Board's Proportionate Share of the Net Pension Liability, Net OPEB Liability, and Net OPEB Asset, and the Schedules of Board Contributions for the Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, and Disability Income Plan of North Carolina on pages 63 through 68, 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, individual fund financial statements and schedules, and the 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 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 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 October 26, 2018 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
October 26, 2018

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

Financial Highlights

- The government-wide total liabilities and deferred inflows of resources of the Currituck County Board of Education exceeded its total assets and deferred outflows of resources on June 30, 2018 by \$17,910,744.
- The Net Position for the Board decreased by \$5,433,171, after restatement, for the year ended June 30, 2018.
- At the close of the fiscal year, the Board's total fund balance for its governmental funds was \$2,625,947, a decrease of \$737,091 from the prior year.
- On June 30, 2018, the Board's unassigned general fund balance was \$424,345, or 3.86% 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, 2018, 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 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17,910,744 as of June 30, 2018. The largest component of net position is unrestricted net position of \$(66,536,252), which exceeded the total net position (deficit).

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	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current assets	\$ 4,251,365	5,165,388	249,348	287,954	4,500,713	5,453,342
Capital assets	46,802,827	48,427,762	193,026	211,963	46,995,853	48,639,725
Total assets	51,054,192	53,593,150	442,374	499,917	51,496,566	54,093,067
Deferred outflows of resources	11,170,093	9,641,792	223,922	208,349	11,394,015	9,850,141
Current and other liabilities	2,853,325	17,050,341	36,429	373,511	2,889,754	17,423,852
Long-term liabilities	60,165,889	1,072,837	1,025,433	-	61,191,322	1,072,837
Total liabilities	63,019,214	18,123,178	1,061,862	373,511	64,081,076	18,496,689
Deferred inflows of resources	16,459,607	664,823	260,642	13,595	16,720,249	678,418
Net investment in capital assets	46,716,071	48,274,984	193,026	211,963	46,909,097	48,486,947
Restricted net position	1,715,074	1,689,076	1,337	-	1,716,411	1,689,076
Unrestricted net position	(65,685,681)	(5,517,119)	(850,571)	109,197	(66,536,252)	(5,407,922)
Total net position (deficit)	\$ (17,254,536)	44,446,941	(656,208)	321,160	(17,910,744)	44,768,101

The Board's Total Net Position (deficit) decreased during the fiscal year ending on June 30, 2018 by \$5,530,453, after restatement of \$(57,148,392). Net position has been restated because the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of Statement No. 75 required the Board to record beginning net OPEB liability and beginning net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year ended June 30, 2017). As a result, beginning net position for the governmental and business-type activities decreased by \$56,268,306 and \$880,086, respectively, and has been restated accordingly. During the year, Total Assets decreased by \$2,596,501. The largest portion of the decrease in Total Assets was attributable to the decrease in Capital Assets (net of depreciation) in the amount of \$1,643,872.

For the year ended June 30, 2018, the change in Total Liabilities was made up of the following changes: decrease in Current and Other Liabilities of \$14,534,098, and an increase in Long-term Liabilities of \$60,118,485. The largest portion of total liabilities was net OPEB liability of \$46,900,827 at June 30, 2018, and net pension liability of \$14,354,553 at June 30, 2017.

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
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 788,380	\$ 729,399	\$ 466,951	\$ 462,859	\$ 1,255,331	\$ 1,192,258
Operating grants and contributions	27,030,289	26,222,297	916,350	972,606	27,946,639	27,194,903
Capital grants and contributions	318,444	317,892	-	-	318,444	317,892
General revenues:						
County Appropriations	10,976,717	10,773,759	-	-	10,976,717	10,773,759
Other Revenues	507,955	302,907	502	963	508,457	303,870
Total revenues	39,621,785	38,346,254	1,383,803	1,436,428	41,005,588	39,782,682
Expenses:						
Governmental activities:						
Instructional services	31,788,221	29,083,532	-	-	31,788,221	29,083,532
System-wide support services	11,376,099	10,454,956	-	-	11,376,099	10,454,956
Ancillary services	36,712	25,575	-	-	36,712	25,575
Non-programmed charges	90,376	83,937	-	-	90,376	83,937
Interest on long-term debt	-	-	-	-	-	-
Depreciation, unallocated	1,621,721	1,631,998	-	-	1,621,721	1,631,998
Business-type activities:						
Food service	-	-	1,622,912	1,624,798	1,622,912	1,624,798
Total expenses	44,913,129	41,279,998	1,622,912	1,624,798	46,536,041	42,904,796
Excess (deficiency) before transfers	(5,291,344)	(2,933,744)	(239,109)	(188,370)	(5,530,453)	(3,122,114)
Transfers in (out)	(141,827)	(68,224)	141,827	68,224	-	-
Increase (decrease) in net position	(5,433,171)	(3,001,968)	(97,282)	(120,146)	(5,530,453)	(3,122,114)
Net position, beginning, previously reported	44,446,941	47,448,909	321,160	441,306	44,768,101	47,890,215
Restatement	(56,268,306)	-	(880,086)	-	(57,148,392)	-
Net position (deficit), beginning, restated	(11,821,365)	47,448,909	(558,926)	441,306	(12,380,291)	47,890,215
Net position (deficit), ending	\$ (17,254,536)	\$ 44,446,941	\$ (656,208)	\$ 321,160	\$ (17,910,744)	\$ 44,768,101

Total governmental activities generated revenues of \$39.6 million while expenses and transfers out in this category totaled \$45.0 million for the year ended June 30, 2018. Comparatively, revenues were \$38.3 million and expenses and transfers out totaled \$41.3 million for the year ended June 30, 2017. After transfers to the business-type activities, the decrease in net position for governmental activities stands at \$5.4 million for the year ended June 30, 2018, compared to \$3.0 million for 2017. Instructional services expenses comprised 70.77% of total governmental activities while system-wide support services made up 25.32% of those expenses for 2018. County appropriations comprised 27.70% of total governmental activities revenue. In 2017, County appropriations were 28.09% of total governmental activities revenue. The Business-type activity generated revenue of \$1,383,803 in 2018 and had expenses of \$1,622,912. This compares with revenue of \$1,436,428 in 2017 with expenses of \$1,624,798. For 2018, net position in the business-type activity decreased by \$97,282 after transfers in from governmental activities of \$141,827. This compares with a decrease of \$120,146 after transfers in from governmental activities of \$68,224 in 2017. During 2018, the business-type activity received transfers of \$141,827 from the General Fund, Capital Outlay Fund, and the State Public School Fund, compared with \$68,224 from the Capital Outlay Fund and the State Public School Fund during 2017.

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 \$2,625,947, a \$737,091 decrease from the previous year. This amount is made up of the general fund, capital outlay fund, 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 2018, the general fund revenues fell short of general fund expenditures by \$687,939, resulting in fund balance being decreased by this amount, and ending the year with a fund balance of \$1,012,155.

The capital outlay fund balance at June 30, 2018 was \$457,061. This was a decrease of \$127,775 from the prior year. The Board paid \$66,022 in principal payments for state replacement school buses.

The fund balance for the special revenue fund was increased by \$47,074 during the fiscal year ended June 30, 2018, and ended the year with a balance of \$725,855.

The fund balance for the individual schools fund was increased by \$31,549 during the fiscal year ended June 30, 2018, and ended the year with a balance of \$430,876.

The State Public School Fund and the Federal Grants Fund reported no fund balance at June 30, 2018 since unexpended appropriations revert back to the grantor agency at year-end.

Proprietary Fund: The school food service fund experienced a decrease of \$97,282, after restatement of \$880,086, in net position from the prior year. Transfers from other funds totaled \$141,827 during 2018, compared with \$68,224 in 2017.

The school food service fund had total revenues in 2018 of \$1,383,803 and expenses of \$1,622,912, resulting in a loss of \$239,109 before transfers. This compares to \$1,436,428 in revenue and \$1,624,798 in expenses from 2017, resulting in a loss of \$188,370 before transfers.

General Fund Budgetary Highlights

Two budget amendments for transfers between functions were approved 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, 2018, actual general fund revenues came in \$29,341 under the final amended budget, and general fund expenditures and transfers to other funds came in \$162,754 under the final amended budget.

Capital Assets

Capital assets decreased by \$1,643,872 (or 3.37%) from the previous year. Depreciation expense for the year exceeded the acquisition cost of new assets. Net capital assets for the governmental activities equaled \$46,802,287, after depreciation of \$1,875,610 for the year. There is a decrease of net capital assets for the governmental activities of \$1,625,475 for 2018. The business-type activity also experienced a decrease in their net capital assets, but their total equaled \$193,026 after depreciation of \$55,151 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,419,859	1,419,859	-	-	1,419,859	1,419,859
Buildings & Improvements	42,889,734	44,269,005	-	-	42,889,734	44,269,005
Furniture, equipment and motor vehicles	2,493,234	2,738,898	193,026	211,963	2,686,260	2,950,861
Total	\$ 46,802,827	48,427,762	193,026	211,963	46,995,853	48,639,725

Debt Outstanding

During the year the Board's outstanding debt on installment purchases decreased by \$66,022 as a result of principal payments to pay for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The Board's outstanding debt at June 30, 2018 was \$86,756. Business-type activities had no outstanding debt at June 30, 2018. 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 3.7% for the month of June 2018, lower than the state average of 4.2% for that month, and lower than the County's unemployment rate of 4.0% for the month of June 2017.
- 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 2018.
- Currituck County Schools' financial position at the end of the current fiscal year included an unassigned general fund balance of \$424,345 which amounted to 3.85% of total general fund expenditures and transfers out for the fiscal year.
- Forbes Magazine ranked North Carolina the best state for business in 2017.

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

THIS PAGE LEFT BLANK INTENTIONALLY.

Basic Financial Statements

Currituck County Board of Education, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,784,554	\$ 71,341	\$ 2,855,895
Due from other governments	1,379,164	26,858	1,406,022
Receivables (net)	2,157	2,598	4,755
Net OPEB asset	85,490	1,337	86,827
Inventories	-	147,214	147,214
Capital assets (Note 1):			
Land	1,419,859	-	1,419,859
Other capital assets, net of depreciation:			
Buildings and improvements	42,889,734	-	42,889,734
Equipment, furniture and motor vehicles	2,493,234	193,026	2,686,260
Total capital assets	46,802,827	193,026	46,995,853
Total assets	51,054,192	442,374	51,496,566
DEFERRED OUTFLOWS OF RESOURCES	11,170,093	223,922	11,394,015
LIABILITIES			
Accounts payable and accrued expenses	204,165	3,417	207,582
Accrued salaries and wages payable	1,335,763	-	1,335,763
Long-term liabilities:			
Due within one year	1,313,397	33,012	1,346,409
Due in more than one year	60,165,889	1,025,433	61,191,322
Total liabilities	63,019,214	1,061,862	64,081,076
DEFERRED INFLOWS OF RESOURCES	16,459,607	260,642	16,720,249
NET POSITION			
Net investment in capital assets	46,716,071	193,026	46,909,097
Restricted:			
Stabilization by State Statute	15,792	-	15,792
Individual Schools	430,876	-	430,876
Special Revenue	725,855	-	725,855
Capital Outlay	457,061	-	457,061
DIPNC OPEB plan	85,490	1,337	86,827
Unrestricted	(65,685,681)	(850,571)	(66,536,252)
Total net position (deficit)	\$ (17,254,536)	\$ (656,208)	\$ (17,910,744)

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 19,190,017	\$ 4,677	\$ 14,802,909	\$ -	\$ (4,382,431)	\$ -	\$ (4,382,431)
Special populations	4,173,979	-	3,507,706	-	(666,273)	-	(666,273)
Alternative programs	1,858,931	-	1,630,350	-	(228,581)	-	(228,581)
School leadership	2,807,393	-	1,426,320	-	(1,381,073)	-	(1,381,073)
Co-curricular	1,149,043	777,980	-	-	(371,063)	-	(371,063)
School-based support	2,608,858	-	1,376,106	-	(1,232,752)	-	(1,232,752)
System-wide support services:							
Support and development	259,190	-	73,572	-	(185,618)	-	(185,618)
Special population support and development	178,601	-	55,353	-	(123,248)	-	(123,248)
Alternative programs and services support and development	-	-	-	-	-	-	-
Technology support	791,245	-	322,374	-	(468,871)	-	(468,871)
Operational support	8,297,591	5,723	3,321,133	318,444	(4,652,291)	-	(4,652,291)
Financial and human resource	982,792	-	201,687	-	(781,105)	-	(781,105)
Accountability	42,924	-	38,927	-	(3,997)	-	(3,997)
System-wide pupil support	62,019	-	-	-	(62,019)	-	(62,019)
Policy, leadership and public relations	761,737	-	186,420	-	(575,317)	-	(575,317)
Ancillary services	36,712	-	-	-	(36,712)	-	(36,712)
Non-programmed charges	90,376	-	87,432	-	(2,944)	-	(2,944)
Unallocated depreciation expense, excludes direct depreciation expense of various programs	1,621,721	-	-	-	(1,621,721)	-	(1,621,721)
Total governmental activities	44,913,129	788,380	27,030,289	318,444	(16,776,016)	-	(16,776,016)
Business-type activities:							
School food service	1,622,912	466,951	916,350	-	-	\$ (239,611)	(239,611)
Total business-type activities	1,622,912	466,951	916,350	-	-	(239,611)	(239,611)
Total primary government	\$ 46,536,041	\$ 1,255,331	\$ 27,946,639	\$ 318,444	(16,776,016)	(239,611)	(17,015,627)
General revenues:							
Unrestricted county appropriations - operating					9,976,717	-	9,976,717
Unrestricted county appropriations - capital					1,000,000	-	1,000,000
Investment earnings, unrestricted					43,159	502	43,661
Miscellaneous, unrestricted					464,796	-	464,796
Total general revenues before transfers					11,484,672	502	11,485,174
Transfers					(141,827)	141,827	-
Total general revenues and transfers					11,342,845	142,329	11,485,174
Change in net position					(5,433,171)	(97,282)	(5,530,453)
Net position, beginning, previously reported					44,446,941	321,160	44,768,101
Restatement					(56,268,306)	(880,086)	(57,148,392)
Net position (deficit), beginning, restated					(11,821,365)	(558,926)	(12,380,291)
Net position (deficit), ending					\$ (17,254,536)	\$ (656,208)	\$ (17,910,744)

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, 2018

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Special Revenue	Individual Schools	Capital Outlay	Federal Grants	
ASSETS							
Cash and cash equivalents	\$ 1,324,078	\$ -	\$ 518,926	\$ 430,886	\$ 510,664	\$ -	\$ 2,784,554
Accounts receivable (net)	1,437	-	180	540	-	-	2,157
Due from other fund	13	-	-	-	-	-	13
Due from other governments	14,342	1,055,732	218,149	487	11,639	78,815	1,379,164
Total assets	<u>\$ 1,339,870</u>	<u>\$ 1,055,732</u>	<u>\$ 737,255</u>	<u>\$ 431,913</u>	<u>\$ 522,303</u>	<u>\$ 78,815</u>	<u>\$ 4,165,888</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 136,071	\$ -	\$ 1,815	\$ 1,037	\$ 65,242	\$ -	\$ 204,165
Due to other fund	-	-	13	-	-	-	13
Accrued salaries and wages payable	191,644	1,055,732	9,572	-	-	78,815	1,335,763
Total liabilities	<u>327,715</u>	<u>1,055,732</u>	<u>11,400</u>	<u>1,037</u>	<u>65,242</u>	<u>78,815</u>	<u>1,539,941</u>
Deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted:							
Stabilization by State Statute	15,792	-	-	-	-	-	15,792
School Capital Outlay	-	-	-	-	457,061	-	457,061
Special Revenue Fund	-	-	725,855	-	-	-	725,855
Individual Schools	-	-	-	430,876	-	-	430,876
Assigned:							
Subsequent years expenditures	572,018	-	-	-	-	-	572,018
Unassigned:	424,345	-	-	-	-	-	424,345
Total fund balances	<u>1,012,155</u>	<u>-</u>	<u>725,855</u>	<u>430,876</u>	<u>457,061</u>	<u>-</u>	<u>2,625,947</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,339,870</u>	<u>\$ 1,055,732</u>	<u>\$ 737,255</u>	<u>\$ 431,913</u>	<u>\$ 522,303</u>	<u>\$ 78,815</u>	

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

Net OPEB Asset	85,490
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,802,827
Deferred outflows of resources related to pensions	6,792,325
Deferred outflows of resources related to OPEB	4,377,768
Some liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 1. E. 9).	(2,739,727)
Net pension liability	(12,561,005)
Net OPEB liability	(46,178,554)
Deferred inflows of resources related to pensions	(411,118)
Deferred inflows of resources related to OPEB	(16,048,489)
Net position (deficit) of governmental activities	<u>\$ (17,254,536)</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, 2018

	Major Funds					Non-major Fund	Total
	General	State Public School	Special Revenue	Individual Schools	Capital Outlay	Federal Grants	Governmental Funds
REVENUES							
State of North Carolina	\$ -	\$ 24,465,423	\$ 355,637	\$ -	\$ 318,444	\$ -	\$ 25,139,504
Currituck County							
Local Current Expense	9,976,717	-	-	-	-	-	9,976,717
Other	-	-	-	-	1,000,000	-	1,000,000
U.S. Government	-	-	108,823	-	-	1,566,848	1,675,671
Other	340,659	-	681,617	782,413	8,840	-	1,813,529
Total revenues	<u>10,317,376</u>	<u>24,465,423</u>	<u>1,146,077</u>	<u>782,413</u>	<u>1,327,284</u>	<u>1,566,848</u>	<u>39,605,421</u>
EXPENDITURES							
Current:							
Instructional services							
Regular instructional	2,707,501	14,483,573	224,604	-	-	115,592	17,531,270
Special populations	349,566	2,485,818	200,387	-	-	817,643	3,853,414
Alternative programs	100,417	776,061	325,349	-	-	518,108	1,719,935
School leadership	1,131,064	1,426,320	-	-	-	-	2,557,384
Co-curricular	376,933	-	6,027	750,864	-	-	1,133,824
School-based support	997,557	1,355,463	30,812	-	-	20,643	2,404,475
System-wide support services							
Support and development	174,698	23,638	49,934	-	-	-	248,270
Special populations support and development	5,937	47,923	102,261	-	-	7,430	163,551
Alternative programs and services support and development	-	-	-	-	-	-	-
Technology support	309,694	322,374	117,297	-	-	-	749,365
Operational support	3,432,110	3,072,219	23,852	-	-	-	6,528,181
Financial and human resource	717,864	201,687	1,047	-	-	-	920,598
Accountability	1,160	38,927	-	-	-	-	40,087
System-wide pupil support	54,899	-	-	-	-	-	54,899
Policy, leadership and public relations	507,937	186,358	-	-	-	-	694,295
Ancillary services	4,037	62	17,433	-	-	-	21,532
Non-programmed charges	90,376	-	-	-	-	87,432	177,808
Debt service:							
Principal	-	-	-	-	66,022	-	66,022
Capital outlay:							
Buildings and improvements	-	-	-	-	773,310	-	773,310
Furniture and equipment	-	-	-	-	496,321	-	496,321
Buses and motor vehicles	-	-	-	-	66,144	-	66,144
Total expenditures	<u>10,961,750</u>	<u>24,420,423</u>	<u>1,099,003</u>	<u>750,864</u>	<u>1,401,797</u>	<u>1,566,848</u>	<u>40,200,685</u>
Excess (deficiency) of revenues over expenditures	<u>(644,374)</u>	<u>45,000</u>	<u>47,074</u>	<u>31,549</u>	<u>(74,513)</u>	<u>-</u>	<u>(595,264)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(43,565)	(45,000)	-	-	(53,262)	-	(141,827)
Installment purchase obligations issued	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(43,565)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(53,262)</u>	<u>-</u>	<u>(141,827)</u>
Net change in fund balance	(687,939)	-	47,074	31,549	(127,775)	-	(737,091)
Fund balances, beginning	1,700,094	-	678,781	399,327	584,836	-	3,363,038
Fund balances, ending	<u>\$ 1,012,155</u>	<u>\$ -</u>	<u>\$ 725,855</u>	<u>\$ 430,876</u>	<u>\$ 457,061</u>	<u>\$ -</u>	<u>\$ 2,625,947</u>

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

Exhibit 5

Currituck County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds	\$ (737,091)
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.	(1,624,935)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,475,225
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,421,302
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 the treatment of long-term debt and related items.	66,022
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	(3,608,575)
Net OPEB Expense	(2,916,781)
Compensated absences	(508,338)
Total changes in net position of governmental activities	<u><u>\$ (5,433,171)</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, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ 25,010,793	\$ 25,242,189	\$ 24,465,423	\$ (776,766)	\$ 333,942	\$ 357,339	\$ 355,637	\$ (1,702)
Currituck County	9,976,717	9,976,717	9,976,717	-	-	-	-	-	-	-	-	-
U.S. Government	-	-	-	-	-	-	-	-	101,822	105,786	108,823	3,037
Other	370,000	370,000	340,659	(29,341)	-	-	-	-	164,800	528,022	681,617	153,595
Total revenues	10,346,717	10,346,717	10,317,376	(29,341)	25,010,793	25,242,189	24,465,423	(776,766)	600,564	991,147	1,146,077	154,930
Expenditures:												
Current:												
Instructional services:												
Regular instructional	2,848,528	2,763,130	2,707,501	55,629	15,048,996	15,020,150	14,483,573	536,577	247,603	312,224	224,604	87,620
Special populations	311,013	354,013	349,566	4,447	2,366,678	2,504,957	2,485,818	19,139	138,817	289,207	200,387	88,820
Alternative programs	130,187	114,251	100,417	13,834	870,121	929,370	776,061	153,309	333,510	337,859	325,349	12,510
School leadership	1,220,427	1,138,527	1,131,064	7,463	1,426,463	1,428,400	1,426,320	2,080	-	-	-	-
Co-curricular	403,898	389,696	376,933	12,763	-	-	-	-	966	7,333	6,027	1,306
School-based support	977,220	1,000,220	997,557	2,663	1,393,157	1,375,768	1,355,463	20,305	32,681	34,453	30,812	3,641
Total instructional services	5,891,273	5,759,837	5,663,038	96,799	21,105,415	21,258,645	20,527,235	731,410	753,577	981,076	787,179	193,897
System-wide support services:												
Support and development	230,176	192,442	174,698	17,744	26,885	25,885	23,638	2,247	3,013	58,312	49,934	8,378
Special population support and development	4,748	6,748	5,937	811	65,322	62,322	47,923	14,399	100,624	103,092	102,261	831
Alternative programs and services support and development	-	-	-	-	6,240	6,240	-	6,240	-	-	-	-
Technology support	309,530	311,530	309,694	1,836	216,208	324,522	322,374	2,148	147,325	147,325	117,297	30,028
Operational support	3,359,945	3,424,647	3,432,110	(7,463)	3,158,184	3,086,352	3,072,219	14,133	22,000	27,542	23,852	3,690
Financial and human resource	721,524	732,222	717,864	14,358	202,757	202,757	201,687	1,070	149,300	228,930	1,047	227,883
Accountability	31,953	6,953	1,160	5,793	3,500	42,500	38,927	3,573	-	-	-	-
System-wide pupil support	55,026	56,026	54,899	1,127	-	-	-	-	-	-	-	-
Policy, leadership and public relations	457,500	521,536	507,937	13,599	180,936	186,936	186,358	578	-	-	-	-
Total system-wide support services	5,170,402	5,252,104	5,204,299	47,805	3,860,032	3,937,514	3,893,126	44,388	422,262	565,201	294,391	270,810
Ancillary services	15,394	15,394	4,037	11,357	346	1,030	62	968	-	20,145	17,433	2,712
Non-programmed charges	91,000	95,134	90,376	4,758	-	-	-	-	-	-	-	-
Total expenditures	11,168,069	11,122,469	10,961,750	160,719	24,965,793	25,197,189	24,420,423	776,766	1,175,839	1,566,422	1,099,003	467,419
Revenues over (under) expenditures	(821,352)	(775,752)	(644,374)	131,378	45,000	45,000	45,000	-	(575,275)	(575,275)	47,074	622,349
Other financing sources (uses):												
Assigned fund balance	821,352	821,352	-	(821,352)	-	-	-	-	575,275	575,275	-	(575,275)
Transfers to other funds	-	(45,600)	(43,565)	2,035	(45,000)	(45,000)	(45,000)	-	-	-	-	-
Total other financing sources (uses)	821,352	775,752	(43,565)	(819,317)	(45,000)	(45,000)	(45,000)	-	575,275	575,275	-	(575,275)
Net change in fund balance	\$ -	\$ -	(687,939)	\$ (687,939)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	47,074	\$ 47,074
Fund balances, beginning			1,700,094								678,781	
Fund balances, ending			<u>\$ 1,012,155</u>				<u>\$ -</u>				<u>\$ 725,855</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, 2018

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 71,341
Due from other governments	26,858
Receivables (net)	2,598
OPEB asset	1,337
Inventories	147,214
Total current assets	<u>249,348</u>
Noncurrent assets:	
Capital assets:	
Furniture and equipment, net	193,026
Total noncurrent assets	<u>193,026</u>
Total assets	<u>\$ 442,374</u>
DEFERRED OUTFLOWS OF RESOURCES	223,922
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 3,417
Current portion of compensated absences	33,012
Total current liabilities	<u>36,429</u>
Noncurrent liabilities:	
Net pension liability	299,930
Net OPEB liability	722,273
Compensated absences	3,230
Total noncurrent liabilities	<u>1,025,433</u>
Total liabilities	<u>1,061,862</u>
DEFERRED INFLOWS OF RESOURCES	260,642
NET POSITION	
Net investment in capital assets	193,026
Restricted:	
DIPNC OPEB plan	1,337
Unrestricted	(850,571)
Total net position (deficit)	<u>\$ (656,208)</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, 2018

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
OPERATING REVENUES	
Food sales, other	\$ 466,951
Total operating revenues	<u>466,951</u>
OPERATING EXPENSES	
Food cost:	
Purchase of food	412,760
Donated commodities	104,353
Salaries and benefits	848,271
Indirect costs	114,971
Materials and supplies	63,532
Repairs and maintenance	4,033
Depreciation	55,151
Contracted services	14,729
Other	5,112
Total operating expenses	<u>1,622,912</u>
Operating income (loss)	<u>(1,155,961)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	693,167
State reimbursements	3,859
Federal commodities	104,353
Interest earned	502
Indirect costs not paid	114,971
Total nonoperating revenue (expenses)	<u>916,852</u>
Income (loss) before transfers	<u>(239,109)</u>
Transfers from other funds	141,827
Change in net position	<u>(97,282)</u>
Net position, beginning, previously reported	321,160
Restatement	<u>(880,086)</u>
Net position (deficit), beginning, restated	<u>(558,926)</u>
Net position (deficit), ending	<u><u>\$ (656,208)</u></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 Year Ended June 30, 2018

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 464,732
Cash paid for goods and services	(485,378)
Cash paid to employees for services	(717,310)
Net cash provided (used) by operating activities	<u>(737,956)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State reimbursements	3,859
Federal reimbursements	693,170
Net cash provided by noncapital financing activities	<u>697,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	502
Net increase (decrease) in cash and cash equivalents	(40,425)
Balances, beginning	111,766
Balances, ending	<u>\$ 71,341</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (1,155,961)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	55,151
Donated commodities consumed	104,353
Salaries paid by state public school fund	45,000
Salaries paid by general fund	43,565
Non-capitalized equipment paid by capital outlay fund	17,047
Indirect costs not paid	114,971
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in receivables	(2,219)
(Increase) decrease in inventory	1,735
(Increase) decrease in net OPEB asset	(18)
Increase (decrease) in net pension liability	(31,206)
Increase (decrease) in net OPEB Liability	(180,779)
(Increase) decrease in deferred outflows	6,074
Increase (decrease) in deferred inflows	247,047
Increase (decrease) in accounts payable and accrued liabilities	(3,994)
Increase (decrease) in compensated absences	1,278
Total adjustments	<u>418,005</u>
Net cash provided by operating activities	<u>\$ (737,956)</u>

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

(continued)

(continued)

Currituck County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$45,000 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 General Fund paid salaries and benefits of \$43,565 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 \$53,262 for the School Food Service Fund for the fiscal year. The payment is reported as a transfer from other funds on Exhibit 8, and \$17,047 of the payment is reported as an operating expense on Exhibit 8.

Indirect costs of \$114,971 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 School Food Service Fund received donated commodities with a value of \$104,353 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$104,353 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported 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, 2018

Exhibit 10

	<u>Private Purpose Trust Administrative Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 122,318</u>
Total assets	<u>122,318</u>
LIABILITIES	<u>-</u>
NET POSITION	
Assets held in trust for private purpose	<u><u>\$ 122,318</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 Year Ended June 30, 2018

Exhibit 11

	Private Purpose Trust Administrative Fund
ADDITIONS:	
Contributions and other revenue	\$ 1,152
DEDUCTIONS:	
Instructional costs	250
Change in net position	902
Net position, beginning	121,416
Net position, ending	\$ 122,318

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

Currituck County Board of Education, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The individual Schools Fund is reported as a 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 purpose level. For budgeting and accounting, expenditures are classified into five purpose levels: Instructional services, System-wide support services, Ancillary services, Non-programmed charges, and Capital outlay. 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 purpose 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. Exhibit 6 reports General Fund expenditures in excess of the amount budgeted in the amount of \$7,463 for operational support, but there is no budgetary violation since the budget is at the purpose level and expenditures were \$47,805 less than appropriations for system-wide support services, which is the purpose level that includes operational support. 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:

	<u>Years</u>
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. The unrestricted component of net position has been significantly affected by the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018, which is described in Note VI.

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 \$(19,880,483) 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)	\$ 92,111,009
Less Accumulated Depreciation	(45,308,182)
Net capital assets	46,802,827
Net OPEB asset	85,490
Pension related deferred outflows of resources	6,792,325
OPEB related deferred outflows of resources	4,377,768
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	(86,756)
Compensated absences	(2,652,971)
Net pension liability	(12,561,005)
Net OPEB liability	(46,178,554)
Deferred inflows of resources related to pensions	(411,118)
Deferred inflows of resources related to OPEB	(16,048,489)
Total adjustment	\$ (19,880,483)

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 \$(4,696,080) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 250,675
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	(1,875,610)
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	2,475,225
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,421,302
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.	
OPEB expense	(2,916,781)
Pension expense	(3,608,575)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(508,338)
Total adjustment	<u>\$ (4,696,080)</u>

10. Defined Benefit Pension Plan and OPEB Plans

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

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.

B. Deficit Net Position

As reported in Exhibit 7, the School Food Service Fund has a deficit net position of \$656,208 at June 30, 2018. The deficit net position is due to a decrease of \$880,086 in beginning net position as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018, which is described in Note VI. For the year ended June 30, 2018, expenditures did not exceed appropriations in the School Food Service Fund. No corrective action is practical.

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, 2018, the Board had deposits with banks with a carrying amount of \$690,517 and with the State Treasurer of zero. The bank balances with the financial institutions and the State Treasurer, were \$824,535 and \$90,076, respectively. Of these balances, \$250,000 was covered by federal depository insurance and \$664,611 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2018, the Board of Education had \$2,553 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 \$2,285,143 invested with the State Treasurer in the Short Term Investment

Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.4 years at June 30, 2018. The Board has no policy for managing interest rate risk or credit risk. During the year ended June 30, 2018, 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, 2018, were as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 14,342	\$ 1,437	\$ 15,779
Other governmental Activities	1,364,822	720	1,365,542
Total	<u>\$ 1,379,164</u>	<u>\$ 2,157</u>	<u>\$ 1,381,321</u>
Business-type activities:			
School Food Service	\$ 26,858	\$ 2,598	\$ 29,456
Total	<u>\$ 26,858</u>	<u>\$ 2,598</u>	<u>\$ 29,456</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.

Due from other governments consists of the following:

Governmental activities:

General Fund	\$14,342	Revenues from County
Individual Schools Fund	487	Federal revenues
State Public School Fund	1,055,732	Operating funds from DPI
Special Revenue Fund	218,149	Federal revenues and miscellaneous revenues from County and State
Capital Outlay Fund	11,639	State funds from State appropriations
Nonmajor Governmental Funds	78,815	Federal grant funds
Total	<u>\$1,379,164</u>	
Business-type activities:		
School Food Service Fund	<u>\$26,858</u>	Federal funds
Total	<u>\$26,858</u>	

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,419,859	\$ -	\$ -	\$ 1,419,859
Total capital assets not being depreciated	1,419,859	-	-	1,419,859
Capital assets being depreciated:				
Buildings and improvements	80,415,353	-	-	80,415,353
Equipment, furniture and motor vehicles	10,063,543	250,675	38,421	10,275,797
Total capital assets being depreciated	90,478,896	250,675	38,421	90,691,150
Less accumulated depreciation for:				
Buildings and improvements	36,146,348	1,379,271	-	37,525,619
Equipment, furniture and motor vehicles	7,324,645	496,339	38,421	7,782,563
Total accumulated depreciation	43,470,993	1,875,610	38,421	45,308,182
Total capital assets being depreciated, net	47,007,903			45,382,968
Governmental activity capital assets, net	\$ 48,427,762			\$ 46,802,827

Depreciation was charged to governmental functions as follows:

Unallocated depreciation expense	\$ 1,621,721
Operational support services	253,889
Total	\$ 1,875,610

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,198,164	\$ 36,214	\$ -	\$ 1,234,378
Total capital assets being depreciated	1,198,164	36,214	-	1,234,378
Less accumulated depreciation for:				
Furniture and equipment	986,201	55,151	-	1,041,352
Total accumulated depreciation	986,201	55,151	-	1,041,352
Business-type activities capital assets, net	\$ 211,963			\$ 193,026

Construction Commitments

The Board has active building improvement projects of the Capital Outlay Fund as of June 30, 2018. At year-end, the commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Knotts Island Elementary School	\$ 6,285	\$20,563
Griggs Elementary School	11,639	50,486
Currituck County High School	-	30,500
Total	<u>\$17,924</u>	<u>\$101,549</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, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$2,513,939 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Board reported a liability of \$12,860,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was 0.162% and 0.156%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$3,665,016. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 278,801	\$ 420,748
Changes of assumptions	2,031,834	-
Net difference between projected and actual earnings on pension plan investments	1,740,521	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	382,679	-
Board contributions subsequent to the measurement date	2,513,939	-
Total	<u>\$ 6,947,774</u>	<u>\$ 420,748</u>

\$2,513,939 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 886,571
2020	2,576,345
2021	1,246,747
2022	(696,575)
2023	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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 7.20%, a decrease of 0.05% from the prior measurement date. 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 7.20 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	\$ 26,473,129	\$ 12,860,935	\$ 1,455,652

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

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

coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$1,410,884.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2018, Board reported a liability of \$46,900,827 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 0.143%.

\$1,410,884 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	(2,668,213)
2020	(2,668,213)
2021	(2,668,213)
2022	(2,668,213)
2023	(2,663,856)
Thereafter	-

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

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

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

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

	1% decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 55,949,993	\$ 46,900,827	\$ 39,723,555

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

		Healthcare Trend Rates	
1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)		(Medical -5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% increase (Medical - 6.00-7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability \$	38,313,657	\$ 46,900,827	\$ 58,314,275

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$32,649 for the year ended June 30, 2018.

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

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2018, Board reported an asset of \$86,827 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 0.142%.

\$32,649 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2019	\$	11,722
2020		11,722
2021		11,718
2022		4,755
2023		-
Thereafter		-

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

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

Discount rate. The discount rate used to measure the total OPEB liability for the DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on those assumptions, the OPEB plans' 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 OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 73,816	\$ 86,827	\$ 99,868

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

Total OPEB Expense, OPEB Liabilities (Assets), Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and OPEB expense:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$2,917,243	\$45,158	\$2,962,401
OPEB Liability (Asset)	46,900,827	(86,827)	46,814,000
Proportionate share of the net OPEB liability (asset)	0.143%	0.142%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	-	23,806	23,806
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	19,032	19,032
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,959,870	-	2,959,870
Board contributions subsequent to the measurement date	1,410,884	32,649	1,443,533
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,362,876	-	3,362,876
Changes of assumptions	12,916,274	-	12,916,274
Net difference between projected and actual earnings on plan investments	17,430	-	17,430
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	2,921	2,921

3. Accounts Payable

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

	<u>Vendors</u>
Governmental Activities:	
General	\$ 136,071
Other Governmental	68,094
Total governmental activities	<u>\$ 204,165</u>
Business-type Activities:	
School Food Service	\$ 3,417
Total business-type activities	<u>\$ 3,417</u>

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 3,342,549	2,921
Changes of assumptions	\$ 2,031,834	12,916,274
Contributions subsequent to measurement date	3,957,472	-
Net difference between projected and actual earnings on plan investments	1,759,553	17,430
Difference between expected and actual experience	302,607	3,783,624
Totals	<u>\$ 11,394,015</u>	<u>16,720,249</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 required only principal payments of \$22,644 per year, and the final payment on this financing contract was made during the year ended June 30, 2018. 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 two school buses.

The future minimum payments of the installment purchase as of June 30, 2018 are as follows:

<u>Year ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$43,378	\$ -
2020	43,378	-
2021	-	-
2022	-	-
2023	-	-
2024-2028	-	-
Total	<u>\$86,756</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, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 152,778	\$ -	\$ 66,022	\$ 86,756	\$ 43,378
Net pension liability	14,023,417	-	1,462,412	12,561,005	-
Net OPEB liability	57,736,749	-	11,558,195	46,178,554	-
Compensated absences	2,144,633	1,778,357	1,270,019	2,652,971	1,270,019
Total	\$ 74,057,577	\$ 1,778,357	\$ 14,356,648	\$ 61,479,286	\$ 1,313,397
Business-type activities:					
Net pension liability	\$ 331,136	\$ -	\$ 31,206	\$ 299,930	\$ -
Net OPEB liability	903,053	-	180,780	722,273	-
Compensated absences	34,964	34,290	33,012	36,242	33,012
Total	\$ 1,269,153	\$ 34,290	\$ 244,998	\$ 1,058,445	\$ 33,012

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

C. Interfund Balances and Transfers

At June 30, 2018, the Special Revenue Fund owed \$13 to the General Fund for reimbursements.

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

	Amount
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 45,000
From the Capital Outlay Fund to the School Food Service Fund for equipment.	53,262
From the General Fund to the School Food Service Fund for administrative costs.	43,565

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	1,012,155
Less:	
Stabilization by State Statute	15,792
Appropriated Fund Balance in 2018-2019 budget	572,018
Remaining Fund Balance	<u>424,345</u>

At June 30, 2018, 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 October 26, 2018, the date on which the financial statements were available to be issued.

VI. Change in Accounting Principles/Restatement

The Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of Statement No. required the Board to record beginning net OPEB liability and beginning net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year ended June 30, 2017). As a result, beginning net position for the governmental and business-type activities decreased by \$56,268,306 and \$880,086, respectively, and has been restated accordingly.

It was not practical to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to OPEB at the beginning of the year. In addition to the beginning net OPEB liability and beginning net OPEB asset, the only deferred inflows of resources and deferred outflows of resources included in the restatement of beginning net position was deferred outflows for contributions made by the board during the measurement period (fiscal year ended June 30, 2017).

The effects of adopting the new accounting principle on the change in net position for the fiscal year ended June 30, 2018 were decreases in net position of \$1,495,479 and \$23,389 for governmental activities and business-type activities, respectively. Proforma amounts for the immediately preceding year are not readily determinable.

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

Schedule of the Board's Proportionate Share of the Net OPEB Liability of the
Retiree Health Benefit Fund

Schedule of Board's Contributions to the Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Asset of the Disability
Income Plan of North Carolina

Schedule of Board's Contributions to the Disability Income Plan of North Carolina

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 Five Fiscal Years *

	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.162%	0.156%	0.153%	0.147%	0.146%
Board's proportionate share of the net pension liability (asset)	\$ 12,860,935	\$ 14,354,553	\$ 5,637,982	\$ 1,722,404	\$ 1,749,198
Board's covered payroll	\$ 22,832,162	\$ 21,671,976	\$ 21,389,824	\$ 20,176,866	\$ 20,218,678
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.33%	66.24%	26.36%	8.54%	8.65%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

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

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,513,939	\$ 2,278,650	\$ 1,982,986	\$ 1,957,169	\$ 1,753,370
Contributions in relation to the					
contractually required contribution	2,513,939	2,278,650	1,982,986	1,957,169	1,753,370
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 23,320,397	\$ 22,832,162	\$ 21,671,976	\$ 21,389,824	\$ 20,176,866
Contributions as a percentage of					
covered payroll	10.78%	9.98%	9.15%	9.15%	8.69%

Currituck County Board of Education, North Carolina
Schedule of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
Retiree Health Benefit Fund
Last Fiscal Year *

	2018	2017
Board's proportion of the net OPEB liability (asset)	0.143%	0.135%
Board's proportionate share of the net OPEB liability (asset)	\$ 46,900,827	\$ 58,639,802
Board's covered payroll	\$ 22,832,162	\$ 21,671,976
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	205.42%	270.58%
Plan Fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

Currituck County Board of Education, North Carolina
Schedule of Board Contributions
Retiree Health Benefit Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,410,884	\$ 1,293,053	\$ 1,213,631	\$ 1,174,301	\$ 1,089,551	\$ 1,071,590	\$ 954,512	\$ 1,051,129	\$ 995,755	\$ 959,129
Contributions in relation to the contractually required contribution	1,410,884	1,293,053	1,213,631	1,174,301	1,089,551	1,071,590	954,512	1,051,129	995,755	959,129
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 23,320,397	\$ 22,832,162	\$ 21,671,976	\$ 21,389,824	\$ 20,176,866	\$ 20,218,678	\$ 19,090,240	\$ 21,451,612	\$ 22,127,889	\$ 23,393,390
Contributions as a percentage of the covered payroll	6.05%	5.66%	5.60%	5.49%	5.40%	5.30%	5.00%	4.90%	4.50%	4.10%

Currituck County Board of Education, North Carolina
Schedule of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF NET OPEB ASSET
Disability Income Plan of North Carolina
Last Fiscal Year *

	2018	2017
Board's proportion of the net OPEB asset	0.142%	0.138%
Board's proportionate share of the net OPEB asset	\$ 86,827	\$ 85,673
Board's covered payroll	\$ 22,832,162	\$ 21,671,976
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.38%	0.40%
Plan Fiduciary net position as a percentage of the total OPEB asset	116.23%	116.06%

* 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
Disability Income Plan of North Carolina
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 32,649	\$ 86,762	\$ 88,855	\$ 87,698	\$ 88,778	\$ 88,962	\$ 99,269	\$ 111,548	\$ 115,065	\$ 121,646
Contributions in relation to the contractually required contribution	32,649	86,762	88,855	87,698	88,778	88,962	99,269	111,548	115,065	121,646
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 23,320,397	\$ 22,832,162	\$ 21,671,976	\$ 21,389,824	\$ 20,176,866	\$ 20,218,678	\$ 19,090,240	\$ 21,451,612	\$ 22,127,889	\$ 23,393,390
Contributions as a percentage of the covered payroll	0.14%	0.38%	0.41%	0.41%	0.44%	0.44%	0.52%	0.52%	0.52%	0.52%

**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 Year Ended June 30, 2018

Exhibit A

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Currituck County:			
Local Current Expense	9,976,717	9,976,717	-
Total	9,976,717	9,976,717	-
Other :			
Fines and forfeitures	345,000	312,477	(32,523)
Interest earned on investments	25,000	28,182	3,182
Total	370,000	340,659	(29,341)
Total revenues	10,346,717	10,317,376	(29,341)
Expenditures:			
Instructional services:			
Regular instructional services:			
Regular curricular services		2,593,409	
CTE curricular services		114,092	
Total	2,763,130	2,707,501	55,629
Special populations services:			
Children with disabilities curricular services		168,898	
Pre-K children with disabilities curricular services		112,712	
Speech and language pathology services		44,214	
Academically/Intellectually gifted curricular services		15,399	
Limited English proficiency services		8,343	
Total	354,013	349,566	4,447
Alternative programs and services:			
Alternative instructional services K-12		4,823	
Attendance and social work services		7,212	
Remedial and supplemental K-12 services		54,647	
Pre-K readiness/remedial and supplemental services		28,110	
Extended day/year instructional services		5,625	
Total	114,251	100,417	13,834
School leadership services	1,138,527	1,131,064	7,463
Co-curricular services	389,696	376,933	12,763

(continued)

Currituck County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

Exhibit A

	Budget	Actual	Positive (Negative) Variance
School-based support services:			
Educational media services		105,006	
Student accounting		254	
Guidance services		287,235	
Health support services		413,196	
Safety and security support services		185,127	
Instructional technology services		6,739	
Total	<u>1,000,220</u>	<u>997,557</u>	<u>2,663</u>
System-wide support services:			
Support and development services:			
Regular curricular support and development services		122,279	
CTE curricular support and development services		52,419	
Total	<u>192,442</u>	<u>174,698</u>	<u>17,744</u>
Special population support and development services	<u>6,748</u>	<u>5,937</u>	<u>811</u>
Alternative programs and services support and development services	<u>-</u>	<u>-</u>	<u>-</u>
Technology support services	<u>311,530</u>	<u>309,694</u>	<u>1,836</u>
Operational support services:			
Communication services		170,888	
Public utility and energy services		1,166,646	
Custodial/housekeeping services		177,089	
Transportation services		443,541	
Maintenance services		1,473,946	
Total	<u>3,424,647</u>	<u>3,432,110</u>	<u>(7,463)</u>
Financial and human resource services:			
Financial services		587,006	
Human resource services		130,858	
Total	<u>732,222</u>	<u>717,864</u>	<u>14,358</u>

(continued)

Currituck County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

Exhibit A

	Budget	Actual	Positive (Negative) Variance
Accountability services:			
Student testing services		1,160	
Total	6,953	1,160	5,793
System-wide pupil support services:			
Student accounting support services		54,899	
Total	56,026	54,899	1,127
Policy, leadership and public relations services:			
Board of education		132,182	
Legal services		33,205	
Audit services		23,463	
Leadership services		307,778	
Public relations and marketing services		11,309	
Total	521,536	507,937	13,599
Ancillary services	15,394	4,037	11,357
Non-programmed charges	95,134	90,376	4,758
Total expenditures	11,122,469	10,961,750	160,719
Excess (deficiency) of revenues over expenditures	(775,752)	(644,374)	131,378
Other financing sources (uses):			
Assigned fund balance	821,352	-	(821,352)
Transfers to other funds	(45,600)	(43,565)	2,035
Total other financing sources (uses)	775,752	(43,565)	(819,317)
Net change in fund balance	\$ -	(687,939)	\$ (687,939)
Fund balance, beginning		1,700,094	
Fund balance, ending		\$ 1,012,155	

Currituck County Board of Education, North Carolina
Federal Grants Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

Exhibit B

	Budget	Actual	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 1,913,989	\$ 1,566,848	\$ (347,141)
Total revenues	<u>1,913,989</u>	<u>1,566,848</u>	<u>(347,141)</u>
Expenditures:			
Instructional services	1,632,079	1,471,985	160,094
System-wide supporting services	8,894	7,431	1,463
Non-programmed charges	<u>273,016</u>	<u>87,432</u>	<u>185,584</u>
Total expenditures	<u>1,913,989</u>	<u>1,566,848</u>	<u>347,141</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ -</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 Year Ended June 30, 2018

Exhibit C

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	428,225	252,422	(175,803)
State appropriations- buses	66,022	66,022	-
Total State of North Carolina	<u>494,247</u>	<u>318,444</u>	<u>(175,803)</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	-	5,973	5,973
Miscellaneous	-	2,867	2,867
Total other revenues	<u>-</u>	<u>8,840</u>	<u>8,840</u>
Total revenues	<u>1,494,247</u>	<u>1,327,284</u>	<u>(166,963)</u>
Expenditures:			
Capital outlay:			
Buildings and improvements:			
High School - Lottery	141,912	99,696	42,216
Knotts Island Elementary - Lottery	20,000	6,285	13,715
Moyock Elementary - Lottery	1,898	-	1,898
Moyock Middle School - Lottery	112,415	102,372	10,043
Griggs Elementary - Lottery	152,000	44,069	107,931
Central Office	291,495	81,373	210,122
Schools	439,515	439,515	-
Total buildings and improvements	<u>1,159,235</u>	<u>773,310</u>	<u>385,925</u>
Furniture and equipment:			
Central Office	382,456	345,438	37,018
Schools	154,341	150,883	3,458
Total furniture and equipment	<u>536,797</u>	<u>496,321</u>	<u>40,476</u>
Buses and motor vehicles:			
Central Office	86,144	66,144	20,000
Debt service:			
Principal	66,022	66,022	-
Total expenditures	<u>1,848,198</u>	<u>1,401,797</u>	<u>446,401</u>
Excess (deficiency) of revenues over expenditures	<u>(353,951)</u>	<u>(74,513)</u>	<u>279,438</u>

(continued)

Currituck County Board of Education, North Carolina
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

Exhibit C

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources:			
Transfers to other funds	(53,262)	(53,262)	-
Assigned fund balance	<u>407,213</u>	<u>-</u>	<u>(407,213)</u>
Total other financing sources	<u>353,951</u>	<u>(53,262)</u>	<u>(407,213)</u>
Net change in fund balance	<u>\$ -</u>	(127,775)	<u>\$ (127,775)</u>
Fund balance, beginning		<u>584,836</u>	
Fund balance, ending		<u>\$ 457,061</u>	

Currituck County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2018

Exhibit D

	Budget	Actual	Variance Positive (Negative)
Operating revenues, food sales, other	\$ 760,244	\$ 466,951	\$ (293,293)
Operating expenditures:			
Business support services:			
Purchase of food		411,025	
Donated commodities		104,353	
Salaries and benefits		770,885	
Indirect costs		114,971	
Materials and supplies		63,532	
Repairs and maintenance		4,033	
Depreciation		55,151	
Contracted services		14,729	
Other		5,112	
Total business support services	1,968,184	1,543,791	424,393
Other support services:			
Salaries and benefits	35,225	34,990	235
Total operating expenditures	2,003,409	1,578,781	424,628
Operating loss	(1,243,165)	(1,111,830)	131,335
Nonoperating revenues (expenditures):			
Federal reimbursements	758,818	693,167	(65,651)
State reimbursements	4,077	3,859	(218)
Federal commodities	102,990	104,353	1,363
Interest earned	1,000	502	(498)
Indirect costs not paid	207,903	114,971	(92,932)
Total nonoperating revenues (expenditures)	1,074,788	916,852	(157,936)
Excess of revenues over (under) expenditures before other financing sources	(168,377)	(194,978)	(26,601)
Other financing sources:			
Transfers from other funds	168,377	141,827	(26,550)
Excess of revenues and other sources over expenditures	\$ -	(53,151)	\$ (53,151)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase (decrease) in net OPEB asset		18	
(Increase) decrease in net pension liability		31,206	
(Increase) decrease in net OPEB liability		180,779	
Increase (decrease) in deferred outflows		(6,074)	
(Increase) decrease in deferred inflows		(247,047)	
(Increase) decrease in compensated absences		(1,278)	
Increase (decrease) in inventory		(1,735)	
Change in net position (full accrual)		\$ (97,282)	

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, 2018, 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 October 26, 2018.

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 2018-001 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 2018-001.

Currituck County Board of Education's Response to Findings

The Currituck County Board of Education's response to the findings identified in our audit is 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

October 26, 2018

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 each of Currituck County Board of Education's major federal programs for the year ended June 30, 2018. The Currituck County Board of Education's major federal programs are 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 each of Currituck County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each 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 each of its major federal programs for the year ended June 30, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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

October 26, 2018

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 each of Currituck County Board of Education's major state programs for the year ended June 30, 2018. The Currituck County Board of Education's major state programs are 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 each of Currituck County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, 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 each 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 each of its major state programs for the year ended June 30, 2018.

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 each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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
October 26, 2018

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

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 ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ 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 ☒ no

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Identification of major federal program(s):

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
10.559	
84.027, 84.173	Special Education Cluster

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

Vocational Education – State Months of Employment

Currituck County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II – Financial Statement Findings

Finding: 2018-001

**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 73 cash receipt transactions of the individual schools' bookkeepers examined, we determined that 2 transactions had not been timely deposited in accordance with North Carolina General Statute 115C-445 and Board policy.

Context: Of the 4061 cash receipt transactions of the individual schools' bookkeepers, we examined 73 and found 2 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 an individual school, 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 2017-001.

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, 2018

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, 2018

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, 2018

Section II – Financial Statement Findings

Finding: 2018-001

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, 2019.

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, 2018

Finding: 2013-01:

Status: This finding has not been corrected. Finance department personnel visited individual schools during the year ended June 30, 2018, 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, 2018, 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, 2018, 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, 2018, 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 2017-001:

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. This finding was reported as finding 2016-001 for the fiscal year ended June 30, 2016. Finance department personnel visited individual schools during the year ended June 30, 2018, 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.

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 104,353
Noncash Assistance			<u>104,353</u>
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	166,507
National School Lunch Program	10.555	PRC 035	497,720
Summer Food Service Program for Children	10.559	PRC 035	28,940
Total Cash Assistance			<u>693,167</u>
Total Child Nutrition Cluster			<u>797,520</u>
Total U. S. Department of Agriculture			<u>797,520</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041		37,668
Passed-through the Tyrrell County Board of Education:			
English Language Acquisition State Grants	84.365	PRC 104	3,857
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	550,746
Education for Homeless Children and Youth	84.196	PRC 026	13,483
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	809,095
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	20,221
Risk Pool	84.173	PRC 114	25,811
Special Needs Targeted Assistance	84.173	PRC 118	9,553
Preschool Targeted Assistance	84.173	PRC 119	2,337
Total Special Education Cluster			<u>867,017</u>
Career and Technical Education - Program Improvement	84.048	PRC 017	40,442
Special Education - State Personnel Development	84.323	PRC 082	160
Student Support and Academic Enrichment Program	84.424	PRC 108	14,245
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	PRC 103	<u>80,755</u>
Total U. S. Department of Education			<u>1,608,373</u>

(continued)

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	12.UNKNOWN		\$ 67,298
Total federal cash assistance			2,368,838
Total federal assistance			\$ 2,473,191
State Grants:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 22,855,500
Driver Training - SPSF		PRC 012	61,888
School Technology Fund - SPSF		PRC 015	47,254
Vocational Education:			
State Months of Employment		PRC 013	1,258,176
Program Support Funds		PRC 014	242,605
State Breakfast Program		PRC 035	3,859
Demo Classroom		PRC 861	8,000
Passed-through Currituck County:			
Public School Building Capital Fund - Lottery		PRC 076	252,422
Total N.C. Department of Public Instruction			24,729,704
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program		PRC 413	247,234
Total N.C. Department of Health and Human Services			247,234
<u>N.C. Department of Public Safety</u>			
Passed-through Currituck County:			
Juvenile Crime Prevention Program		PRC 414,415	88,947
Total N.C. Department of Public Safety			88,947
<u>N.C. Department of Natural and Cultural Resources</u>			
Division of The North Carolina Arts Council:			
Grassroots Arts Program		PRC 422	11,456
Total N.C. Department of Natural and Cultural Resources			11,456
Total State cash assistance			25,077,341
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			25,143,363
Total federal and State assistance			\$ 27,616,554

(continued)

CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

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

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, 2018. 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 as to reimbursement.

3. Indirect Cost Rate

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