

**FINANCIAL REPORT**

**OF THE**

**CURRITUCK COUNTY BOARD OF EDUCATION,**  
**NORTH CAROLINA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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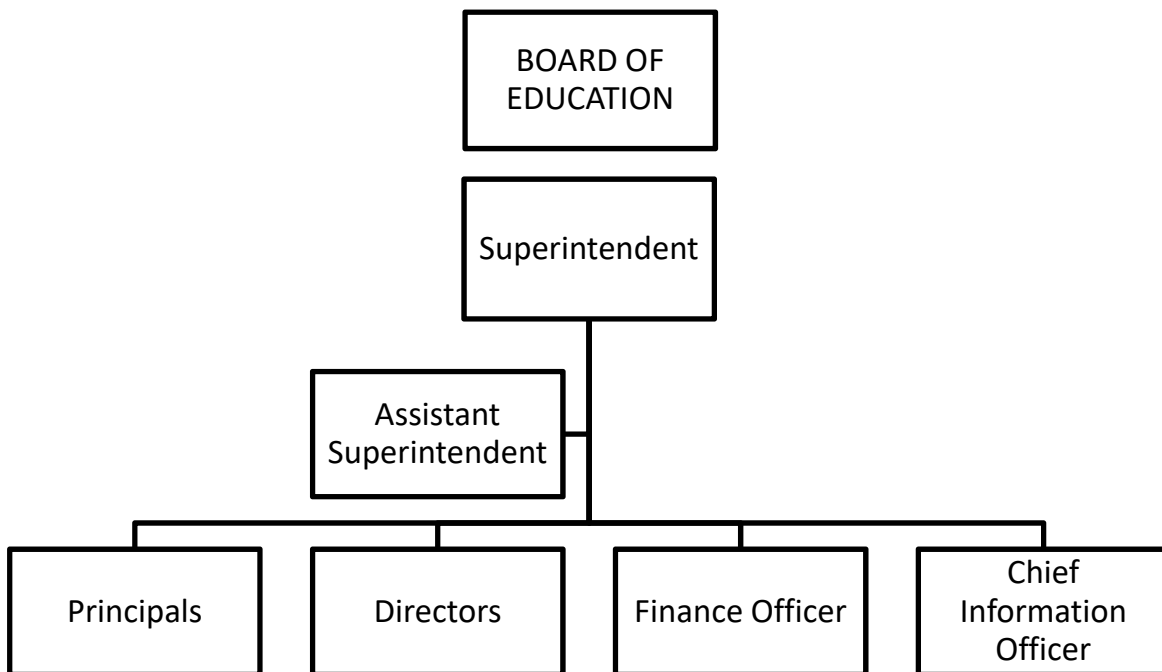
**Currituck County Board of Education, North Carolina**  
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## **INTRODUCTORY SECTION**

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



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

**BOARD MEMBERS**

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

**LEADERSHIP TEAM**

<b>Position</b>	<b>Name</b>
Superintendent of Schools	Mark Stefanik
Assistant Superintendent	Sandy Kinzel
Chief Information Officer	Paul O'Briant
Director of Exceptional Children	Doug Towle
Director of Career-Technical Education/ Instructional Management Coordinator	Donald Monroe
Executive Director of Facilities	Matthew Mullins
Director of Human Resources	Ann Mackin
Finance Officer	Laurie Trussell
Director of Child Nutrition	Angela Rodriguez
Director of Secondary Education/Administrative Services Coordinator	Virginia Arrington
Principal of Central Elementary School	Dan Palimetakis
Principal of Currituck County High School	Renee Dowdy
Principal of Currituck County Middle School	Matthew Lutz
Principal of Jarvisburg Elementary School	Daun Belangia
Principal of J. P. Knapp Early College High School	Steve Basnight
Principal of Knotts Island Elementary School	Deborah Gorza
Principal of Moyock Elementary School	Whitney Bisbing
Principal of Moyock Middle School	Tommy Wilson
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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 20 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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

The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Currituck County Board of Education's internal control over financial reporting and compliance.

Catalfamo and Associate  
Moyock, North Carolina  
December 7, 2016

## **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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The government-wide total assets and deferred outflows of resources of the Currituck County Board of Education exceeded its total liabilities and deferred inflows of resources on June 30, 2016 by \$47,890,215.
- The Net Position for the Board decreased by \$575,529 or 1.19%, after restatement, for the year ended June 30, 2016.
- At the close of the fiscal year, the Board's total fund balance for its governmental funds was \$4,006,553 a decrease of \$535,442 from the prior year.
- On June 30, 2016, the Board's unassigned general fund balance was \$1,182,384, or 11.68% 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, 2016, Currituck County Board of Education had one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. The Administrative Fund is accounted for as a private purpose trust fund.

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

### ***Financial Analysis of the Schools as a Whole***

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

by \$47,890,215 as of June 30, 2016. The largest component of net position is net investment in capital assets of \$50,142,675, which exceeded the total net position.

Following is a summary of the Statement of Net Position:

Table 1  
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current assets	\$ 5,301,344	\$ 5,874,406	\$ 370,895	\$ 388,492	\$ 5,672,239	\$ 6,262,898
Capital assets	49,939,857	51,606,998	248,107	284,372	50,187,964	51,891,370
Total assets	55,241,201	57,481,404	619,002	672,864	55,860,203	58,154,268
Deferred outflows of resources	2,250,279	1,977,607	65,190	56,758	2,315,469	2,034,365
Current and other liabilities	7,797,735	4,247,479	216,239	96,909	8,013,974	4,344,388
Long-term liabilities	1,017,459	1,150,818	2,156	6,828	1,019,615	1,157,646
Total liabilities	8,815,194	5,398,297	218,395	103,737	9,033,589	5,502,034
Deferred inflows of resources	1,227,377	6,047,294	24,491	173,561	1,251,868	6,220,855
Net investment in capital assets	49,894,568	51,606,998	248,107	284,372	50,142,675	51,891,370
Restricted net position	1,574,169	1,744,751	-	-	1,574,169	1,744,751
Unrestricted net position (deficit)	(4,019,828)	(5,338,329)	193,199	167,952	(3,826,629)	(5,170,377)
Total net position	\$ 47,448,909	\$ 48,013,420	\$ 441,306	\$ 452,324	\$ 47,890,215	\$ 48,465,744

The Board's Total Net Position decreased during the fiscal year ending on June 30, 2016 by \$575,529. During the year, Total Assets decreased by \$2,294,065. The largest portion of the decrease in Total Assets was attributable to the decrease in Capital Assets (net of depreciation) in the amount of \$1,703,406.

For the year ended June 30, 2016, the change in Total Liabilities was made up of the following changes: increase in Current Liabilities and a decrease in Long-term Liabilities of \$3,669,586 and \$138,031 respectively. The largest portion of Long-term Liabilities is comprised of compensated absences, which is the calculated payout of all accumulated earned vacation leave, up to a maximum of thirty (30) days per employee, plus the related benefits (employer's social security & retirement) for all current employees at the end of the fiscal year.

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



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

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2016	2015	2016	2015	2016	2015
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 791,679	\$ 749,877	\$ 516,753	\$ 531,071	\$ 1,308,432	\$ 1,280,948
Operating grants and contributions	25,055,594	24,541,674	1,041,953	997,930	26,097,547	25,539,604
Capital grants and contributions	431,933	218,698	-	-	431,933	218,698
<b>General revenues:</b>						
County Appropriations	10,503,189	10,353,526	-	-	10,503,189	10,353,526
Other Revenues	309,901	294,994	1,055	1,086	310,956	296,080
<b>Total revenues</b>	<b>37,092,296</b>	<b>36,158,769</b>	<b>1,559,761</b>	<b>1,530,087</b>	<b>38,652,057</b>	<b>37,688,856</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	25,241,450	25,075,715	-	-	25,241,450	25,075,715
System-wide support services	10,585,504	9,794,014	-	-	10,585,504	9,794,014
Ancillary services	28,752	39,181	-	-	28,752	39,181
Non-programmed charges	67,922	97,443	-	-	67,922	97,443
Interest on long-term debt	-	-	-	-	-	-
Depreciation, unallocated	1,662,196	1,727,207	-	-	1,662,196	1,727,207
<b>Business-type activities:</b>						
Food service	-	-	1,641,762	1,609,901	1,641,762	1,609,901
<b>Total expenses</b>	<b>37,585,824</b>	<b>36,733,560</b>	<b>1,641,762</b>	<b>1,609,901</b>	<b>39,227,586</b>	<b>38,343,461</b>
Excess (deficiency) before transfers	(493,528)	(574,791)	(82,001)	(79,814)	(575,529)	(654,605)
Transfers in (out)	(70,983)	(63,609)	70,983	63,609	-	-
Increase (decrease) in net position	(564,511)	(638,400)	(11,018)	(16,205)	(575,529)	(654,605)
Net position, beginning, previously reported	-	55,561,914	-	666,854	-	56,228,768
Net position, beginning, restated	48,013,420	48,651,820	452,324	468,529	48,465,744	49,120,349
Net position, ending	\$ 47,448,909	\$ 48,013,420	\$ 441,306	\$ 452,324	\$ 47,890,215	\$ 48,465,744

Total governmental activities generated revenues of \$37.1 million while expenses in this category totaled \$37.6 million for the year ended June 30, 2016. Comparatively, revenues were \$36.2 million and expenses totaled \$36.7 million for the year ended June 30, 2015. After transfers to the business-type activities, the decrease in net position for governmental activities stands at \$0.56 million for the year ended June 30, 2016,

compared to \$0.64 million for 2015. Instructional services expenses comprised 67.16% of total governmental activities while system-wide support services made up 28.16% of those expenses for 2016. County appropriations comprised 28.32% of total governmental activities revenue. In 2015, County appropriations were 28.63% of total governmental activities revenue. The Business-type activity generated revenue of \$1,559,761 in 2016 and had expenses of \$1,641,762. This compares with revenue of \$1,530,087 in 2015 with expenses of \$1,609,901. For 2016, net position in the business-type activity decreased by \$11,018 after transfers in from governmental activities of \$70,983. This compares with a decrease of \$16,205 after transfers in from governmental activities of \$63,609 in 2015. During 2016, the business-type activity received transfers of \$70,983 from the Capital Outlay Fund and the State Public School Fund, compared with \$63,609 from the Capital Outlay Fund and the State Public School Fund during 2015.

### ***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 \$4,006,553, a \$535,442 decrease over last year. This amount is made up of the general fund, the capital outlay fund and individual schools fund and special revenue fund.

The general fund makes up the largest portion of the Board's total combined governmental fund balance. During 2016, the general fund revenues fell short of general fund expenditures by \$366,407, resulting in fund balance being decreased by this amount and ending the year with a fund balance of \$2,452,877.

The capital outlay fund balance at June 30, 2016 was \$473,818. This was a decrease of \$137,197 from the prior year. The Board paid \$45,289 in principal payments for a state replacement school bus.

The fund balance for the special revenue fund was decreased by \$96,425 during the fiscal year ended June 30, 2016, and ended the year with a balance of \$643,497.

The fund balance for the individual schools fund was increased by \$64,587 during the fiscal year ended June 30, 2016, and ended the year with a balance of \$436,361.

The State Public School Fund and the Federal Grants Fund reported no fund balance at June 30, 2016 since unexpended appropriations revert back to the grantor agency at year-end.

**Proprietary Fund:** The school food service fund experienced a decrease of \$11,018 in net position from the prior year. Transfers from other funds totaled \$70,983 during 2016, compared with \$63,609 in 2015.

The school food service fund had total revenues in 2016 of \$1,559,761 and expenses of \$1,641,762, resulting in a loss of \$82,001 before transfers. This compares to \$1,530,087 in revenue and \$1,609,901 in expenses from 2015, resulting in a loss of \$79,814 before transfers.

### ***General Fund Budgetary Highlights***

Budget amendments for transfers between functions were approved twice during the year, but there was no change in total appropriations. Those amendments should not have a significant effect on future services or liquidity.

For the fiscal year ended June 30, 2016, actual general fund revenues came in \$7,396 over the final amended budget.

General fund expenditures during 2016 came in \$708,124 under the final amended budget. This was a direct result of reductions in spending and operational efficiencies put in place during the year.

### ***Capital Assets***

Capital assets decreased by \$1,703,406 (or 3.28%) from the previous year. Depreciation expense for the year exceeded the acquisition cost of new assets. Net capital assets for the governmental activities equaled \$49,939,857, after depreciation of \$1,903,157 for the year. There is a decrease of net capital assets for the governmental activities of \$1,667,141 for 2016. The business-type activity also experienced a decrease in their net capital assets, but their total equaled \$248,107 after depreciation of \$51,466 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,419,859	\$ 1,419,859	\$ -	\$ -	\$ 1,419,859	\$ 1,419,859
Buildings & Improvements	45,614,625	46,996,873	-	-	45,614,625	46,996,873
Furniture, equipment and motor vehicles	2,905,373	3,190,266	248,107	284,372	3,153,480	3,474,638
Total	\$ 49,939,857	\$ 51,606,998	\$ 248,107	\$ 284,372	\$ 50,187,964	\$ 51,891,370

### ***Debt Outstanding***

During the year the Board's outstanding debt on installment purchases increased by \$45,289 due to the use of installment financing to pay for a school bus. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The Board's outstanding debt at June 30,

2016 was \$45,289. Business-type activities had no outstanding debt at June 30, 2016. The County holds virtually all debt issued for school capital construction.

### *Economic Factors*

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

- The County had a low unemployment rate of 4.8% for the month of June 2016, lower than the state average of 4.9% for that month, and lower than the County's unemployment rate of 5.7% for the month of June 2015.
- 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 2016.
- Currituck County Schools is in a good financial position at the end of the current fiscal year, with an unassigned general fund balance of \$1,182,384 or 11.68% of total general fund expenditures for the fiscal year.
- Forbes Magazine ranked North Carolina the 2<sup>nd</sup> best state for business in 2016.

### *Requests for Information*

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

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

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## **Basic Financial Statements**

**Currituck County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,221,090	\$ 93,053	\$ 4,314,143
Due from other governments	1,074,725	122,968	1,197,693
Receivables (net)	5,968	688	6,656
Internal balances	(439)	439	-
Inventories	-	153,747	153,747
Capital assets (Note 1):			
Land	1,419,859	-	1,419,859
Other capital assets, net of depreciation:			
Buildings and improvements	45,614,625	-	45,614,625
Equipment, furniture and motor vehicles	2,905,373	248,107	3,153,480
Total capital assets	49,939,857	248,107	50,187,964
Total assets	55,241,201	619,002	55,860,203
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	2,250,279	65,190	2,315,469
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	112,239	16,423	128,662
Accrued salaries and wages payable	1,182,552	-	1,182,552
Long-term liabilities:			
Net pension liability	5,472,461	165,521	5,637,982
Due within one year	1,030,483	34,295	1,064,778
Due in more than one year	1,017,459	2,156	1,019,615
Total liabilities	8,815,194	218,395	9,033,589
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,227,377	24,491	1,251,868
<b>NET POSITION</b>			
Net investment in capital assets	49,894,568	248,107	50,142,675
Restricted:			
Stabilization by State Statute	20,493	-	20,493
Individual Schools	436,361	-	436,361
Special Revenue	643,497	-	643,497
School Capital Outlay	473,818	-	473,818
Unrestricted (deficit)	(4,019,828)	193,199	(3,826,629)
Total net position	\$ 47,448,909	\$ 441,306	\$ 47,890,215

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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 14,547,640	\$ 2,629	\$ 13,343,676	\$ -	\$ (1,201,335)	\$ -	\$ (1,201,335)
Special populations	3,313,582	-	3,154,815	-	(158,767)	-	(158,767)
Alternative programs	1,881,724	-	1,770,460	-	(111,264)	-	(111,264)
School leadership	2,409,201	-	1,396,996	-	(1,012,205)	-	(1,012,205)
Co-curricular	1,038,671	784,103	-	-	(254,568)	-	(254,568)
School-based support	2,050,632	-	1,073,326	-	(977,306)	-	(977,306)
System-wide support services:							
Support and development	247,137	-	44,447	-	(202,690)	-	(202,690)
Special population support and development	167,243	-	164,623	-	(2,620)	-	(2,620)
Alternative programs and services support and development	16,899	-	16,899	-	-	-	-
Technology support	899,671	-	339,775	-	(559,896)	-	(559,896)
Operational support	7,639,594	4,947	3,219,711	431,933	(3,983,003)	-	(3,983,003)
Financial and human resource	902,899	-	155,024	-	(747,875)	-	(747,875)
Accountability	27,208	-	-	-	(27,208)	-	(27,208)
System-wide pupil support	49,740	-	-	-	(49,740)	-	(49,740)
Policy, leadership and public relations	635,113	-	313,378	-	(321,735)	-	(321,735)
Ancillary services	28,752	-	-	-	(28,752)	-	(28,752)
Non-programmed charges	67,922	-	62,464	-	(5,458)	-	(5,458)
Unallocated depreciation expense, excludes direct depreciation expense of various programs	1,662,196	-	-	-	(1,662,196)	-	(1,662,196)
Total governmental activities	37,585,824	791,679	25,055,594	431,933	(11,306,618)	-	(11,306,618)
Business-type activities:							
School food service	1,641,762	516,753	1,041,953	-	-	\$ (83,056)	(83,056)
Total business-type activities	1,641,762	516,753	1,041,953	-	-	(83,056)	(83,056)
Total primary government	\$ 39,227,586	\$ 1,308,432	\$ 26,097,547	\$ 431,933	(11,306,618)	(83,056)	(11,389,674)
General revenues:							
Unrestricted county appropriations - operating					9,503,189	-	9,503,189
Unrestricted county appropriations - capital					1,000,000	-	1,000,000
Investment earnings, unrestricted					27,440	1,055	28,495
Miscellaneous, unrestricted					282,461	-	282,461
Total general revenues before transfers					10,813,090	1,055	10,814,145
Transfers					(70,983)	70,983	-
Total general revenues and transfers					10,742,107	72,038	10,814,145
Change in net position					(564,511)	(11,018)	(575,529)
Net position, beginning					48,013,420	452,324	48,465,744
Net position, ending					\$ 47,448,909	\$ 441,306	\$ 47,890,215

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, 2016**

	<b>Major Funds</b>			<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>State Public School</b>	<b>Special Revenue</b>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,668,582	\$ -	\$ 633,767	\$ 918,741	\$ 4,221,090
Accounts receivable (net)	5,340	-	214	414	5,968
Due from other governments	15,153	967,632	20,140	71,800	1,074,725
Total assets	<u>\$ 2,689,075</u>	<u>\$ 967,632</u>	<u>\$ 654,121</u>	<u>\$ 990,955</u>	<u>\$ 5,301,783</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 96,258	\$ -	\$ 6,087	\$ 9,894	\$ 112,239
Due to other fund	439	-	-	-	439
Accrued salaries and wages payable	139,501	967,632	4,537	70,882	1,182,552
Total liabilities	<u>236,198</u>	<u>967,632</u>	<u>10,624</u>	<u>80,776</u>	<u>1,295,230</u>
Deferred inflows of resources:	-	-	-	-	-
Fund balances:					
Restricted:					
Stabilization by State Statute	20,493	-	-	-	20,493
School Capital Outlay	-	-	-	473,818	473,818
Special Revenue Fund	-	-	643,497	-	643,497
Individual Schools	-	-	-	436,361	436,361
Assigned:					
Subsequent years expenditures	1,250,000	-	-	-	1,250,000
Unassigned:	1,182,384	-	-	-	1,182,384
Total fund balances	<u>2,452,877</u>	<u>-</u>	<u>643,497</u>	<u>910,179</u>	<u>4,006,553</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,689,075</u>	<u>\$ 967,632</u>	<u>\$ 654,121</u>	<u>\$ 990,955</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,939,857
Deferred outflows of resources related to pensions	2,250,279
Some liabilities are not due and payable in the current period and therefore are not reported in the funds (Note I. E. 9).	(2,047,942)
Net pension liability	(5,472,461)
Deferred inflows of resources related to pensions	(1,227,377)
Net position of governmental activities	<u>\$ 47,448,909</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, 2016**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>State Public School</b>	<b>Special Revenue</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>REVENUES</b>					
State of North Carolina	\$ -	\$ 22,779,343	\$ 299,612	\$ 429,651	\$ 23,508,606
Currituck County					
Local Current Expense	9,503,189	-	-	-	9,503,189
Other	-	-	-	1,000,000	1,000,000
U.S. Government	-	-	257,582	1,635,036	1,892,618
Other	252,396	-	205,590	792,079	1,250,065
Total revenues	<u>9,755,585</u>	<u>22,779,343</u>	<u>762,784</u>	<u>3,856,766</u>	<u>37,154,478</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional services					
Regular instructional	2,121,138	13,024,822	214,419	137,190	15,497,569
Special populations	342,234	2,229,844	82,044	779,856	3,433,978
Alternative programs	168,977	1,013,917	317,090	454,134	1,954,118
School leadership	1,113,146	1,396,996	-	-	2,510,142
Co-curricular	311,608	-	4,733	722,297	1,038,638
School-based support	1,057,700	1,065,528	23,006	7,798	2,154,032
System-wide support services					
Support and development	226,984	32,420	2,151	-	261,555
Special populations support and development	5,987	164,623	7,843	-	178,453
Alternative programs and services support and development	-	16,899	-	-	16,899
Technology support	404,044	145,899	190,256	193,876	934,075
Operational support	3,048,143	3,174,404	17,667	-	6,240,214
Financial and human resource	789,203	155,024	-	-	944,227
Accountability	30,881	-	-	-	30,881
System-wide pupil support	51,188	-	-	-	51,188
Policy, leadership and public relations	356,155	313,378	-	-	669,533
Ancillary services	26,682	282	-	-	26,964
Non-programmed charges	67,922	-	-	62,182	130,104
<b>Debt service:</b>					
Principal	-	-	-	45,289	45,289
<b>Capital outlay:</b>					
Buildings and improvements	-	-	-	714,091	714,091
Furniture and equipment	-	-	-	667,018	667,018
Buses and motor vehicles	-	-	-	210,547	210,547
Total expenditures	<u>10,121,992</u>	<u>22,734,036</u>	<u>859,209</u>	<u>3,994,278</u>	<u>37,709,515</u>
Excess (deficiency) of revenues over expenditures	<u>(366,407)</u>	<u>45,307</u>	<u>(96,425)</u>	<u>(137,512)</u>	<u>(555,037)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	(45,307)	-	(25,676)	(70,983)
Installment purchase obligations issued	-	-	-	90,578	90,578
Total other financing sources (uses)	<u>-</u>	<u>(45,307)</u>	<u>-</u>	<u>64,902</u>	<u>19,595</u>
Net change in fund balance	<u>(366,407)</u>	<u>-</u>	<u>(96,425)</u>	<u>(72,610)</u>	<u>(535,442)</u>
Fund balances, beginning	<u>2,819,284</u>	<u>-</u>	<u>739,922</u>	<u>982,789</u>	<u>4,541,995</u>
Fund balances, ending	<u>\$ 2,452,877</u>	<u>\$ -</u>	<u>\$ 643,497</u>	<u>\$ 910,179</u>	<u>\$ 4,006,553</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, 2016**

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

Net changes in fund balances - total governmental funds (from Exhibit 4)	\$ (535,442)
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.	(1,667,141)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,923,402
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in treating long-term debt.	(45,289)
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	(628,924)
Compensated absences	388,883
	<hr/>
Change in net position of governmental activities (see Exhibit 2)	<u><u>\$ (564,511)</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, 2016**

	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)
<b>Revenues:</b>												
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 23,119,617	\$ 23,739,503	\$ 22,779,343	\$ (960,160)	\$ 293,815	\$ 303,645	\$ 299,612	\$ (4,033)
Currituck County	9,503,189	9,503,189	9,503,189	-	-	-	-	-	-	-	-	-
U. S. Government	-	-	-	-	-	-	-	-	105,958	272,490	257,582	(14,908)
Other	245,000	245,000	252,396	7,396	-	-	-	-	135,144	215,878	205,590	(10,288)
Total revenues	9,748,189	9,748,189	9,755,585	7,396	23,119,617	23,739,503	22,779,343	(960,160)	534,917	792,013	762,784	(29,229)
<b>Expenditures:</b>												
Current:												
Instructional services:												
Regular instructional	2,209,804	2,206,694	2,121,138	85,556	13,587,887	13,738,710	13,024,822	713,888	374,259	567,259	214,419	352,840
Special populations	344,950	355,750	342,234	13,516	2,063,559	2,249,380	2,229,844	19,536	104,317	110,817	82,044	28,773
Alternative programs	168,842	175,644	168,977	6,667	1,029,934	1,132,184	1,013,917	118,267	327,473	341,122	317,090	24,032
School leadership	1,172,221	1,170,831	1,113,146	57,685	1,407,390	1,419,132	1,396,996	22,136	-	-	-	-
Co-curricular	331,646	331,646	311,608	20,038	-	-	-	-	2,618	11,119	4,733	6,386
School-based support	1,114,335	1,112,226	1,057,700	54,526	1,041,955	1,090,079	1,065,528	24,551	46,238	47,238	23,006	24,232
System-wide support services:												
Support and development	270,637	270,637	226,984	43,653	34,367	40,771	32,420	8,351	-	10,933	2,151	8,782
Special population support and development	8,319	8,319	5,987	2,332	183,674	184,293	164,623	19,670	9,111	8,843	7,843	1,000
Alternative programs and services support and development	-	-	-	-	6,148	18,148	16,899	1,249	-	-	-	-
Technology support	432,321	432,321	404,044	28,277	92,380	147,125	145,899	1,226	168,327	193,183	190,256	2,927
Operational support	3,361,802	3,308,771	3,048,143	260,628	3,177,182	3,202,051	3,174,404	27,647	23,000	21,925	17,667	4,258
Financial and human resource	878,912	878,610	789,203	89,407	143,065	156,873	155,024	1,849	-	-	-	-
Accountability	31,432	32,932	30,881	2,051	-	-	-	-	-	-	-	-
System-wide pupil support	52,749	52,749	51,188	1,561	-	-	-	-	-	-	-	-
Policy, leadership and public relations	393,649	393,649	356,155	37,494	307,989	314,604	313,660	944	-	-	-	-
Ancillary services	18,041	38,041	26,682	11,359	-	-	-	-	-	-	-	-
Non-programmed charges	40,456	61,296	67,922	(6,626)	-	-	-	-	-	-	-	-
Total expenditures	10,830,116	10,830,116	10,121,992	708,124	23,075,530	23,693,350	22,734,036	959,314	1,055,343	1,312,439	859,209	453,230
Revenues over (under) expenditures	(1,081,927)	(1,081,927)	(366,407)	715,520	44,087	46,153	45,307	(846)	(520,426)	(520,426)	(96,425)	424,001
Other financing sources (uses):												
Assigned fund balance	1,081,927	1,081,927	-	(1,081,927)	-	-	-	-	520,426	520,426	-	(520,426)
Transfers to other funds	-	-	-	-	(44,087)	(46,153)	(45,307)	846	-	-	-	-
Total other financing sources (uses)	1,081,927	1,081,927	-	(1,081,927)	(44,087)	(46,153)	(45,307)	846	520,426	520,426	-	(520,426)
Net change in fund balance	\$ -	\$ -	(366,407)	\$ (366,407)	\$ -	\$ -	-	\$ -	\$ -	\$ -	(96,425)	\$ (96,425)
Fund balances, beginning			2,819,284				-				739,922	
Fund balances, ending			<u>\$ 2,452,877</u>				<u>\$ -</u>				<u>\$ 643,497</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, 2016**

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 93,053
Due from other governments	122,968
Receivables (net)	688
Due from other fund	439
Inventories	153,747
Total current assets	<u>370,895</u>
Noncurrent assets:	
Capital assets:	
Furniture and equipment, net	248,107
Total noncurrent assets	<u>248,107</u>
Total assets	<u>\$ 619,002</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 65,190
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 16,423
Current portion of compensated absences	34,295
Total current liabilities	<u>50,718</u>
Noncurrent liabilities:	
Net pension liability	165,521
Compensated absences	2,156
Total noncurrent liabilities	<u>167,677</u>
Total liabilities	<u>218,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	24,491
<b>NET POSITION</b>	
Net investment in capital assets	248,107
Unrestricted	193,199
Total net position	<u>\$ 441,306</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, 2016**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
<b>OPERATING REVENUES</b>	
Food sales, other	\$ 516,753
Total operating revenues	<u>516,753</u>
<b>OPERATING EXPENSES</b>	
Food cost:	
Purchase of food	445,222
Donated commodities	102,013
Salaries and benefits	806,009
Indirect costs	142,495
Materials and supplies	65,299
Repairs and maintenance	4,800
Depreciation	51,466
Contracted services	19,385
Other	5,073
Total operating expenses	<u>1,641,762</u>
Operating income (loss)	<u>(1,125,009)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal reimbursements	792,841
State reimbursements	4,604
Federal commodities	102,013
Indirect costs not paid	142,495
Interest earned	1,055
Total nonoperating revenue	
(expenses)	<u>1,043,008</u>
Income (loss) before	
contributions and transfers	(82,001)
Transfers from other funds	70,983
Change in net position	(11,018)
Total net position, beginning	452,324
Total net position, ending	<u>\$ 441,306</u>

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

**Currituck County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 516,336
Cash paid for goods and services	(546,385)
Cash paid to employees for services	(805,726)
Net cash provided (used) by operating activities	<u>(835,775)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State reimbursements	4,604
Federal reimbursements	711,642
Net cash provided by noncapital financing activities	<u>716,246</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	1,055
Net increase (decrease) in cash and cash equivalents	(118,474)
Balances, beginning	211,527
Balances, ending	<u>\$ 93,053</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ (1,125,009)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	51,466
Donated commodities consumed	102,013
Indirect costs not paid	142,495
Non-capitalized equipment paid by capital outlay fund	10,475
Salaries paid by special revenue fund	45,307
Changes in assets and liabilities:	
(Increase) decrease in receivables	(417)
(Increase) decrease in inventory	(19,261)
(Increase) decrease in deferred outflows	(8,432)
Increase (decrease) in deferred inflows	(149,070)
Increase (decrease) in accounts payable and accrued liabilities	2,180
Increase (decrease) in net pension liability	117,467
Increase (decrease) in compensated absences	(4,989)
Total adjustments	<u>289,234</u>
Net cash provided (used) by operating activities	<u>\$ (835,775)</u>

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

(continued)

**Currituck County Board of Education, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016**

**Noncash investing, capital, and financing activities:**

The State Public School Fund paid salaries and benefits of \$45,307 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 \$25,676 for the School Food Service Fund during the fiscal year. The payment is reported as a transfer from other funds on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$102,013 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$102,013 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

Indirect costs of \$142,495 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

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



**Currituck County Board of Education, North Carolina**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2016**

**Exhibit 10**

	<b>Private Purpose Trust</b>
	<b>Administrative Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 120,815
Total assets	<u>120,815</u>
<b>Liabilities</b>	
Miscellaneous liabilities	<u>-</u>
Total liabilities	<u>-</u>
<b>Net Position</b>	
Assets held in trust for private purpose	<u><u>\$ 120,815</u></u>

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

**Currituck County Board of Education, North Carolina**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Private Purpose Trust</b> <hr/> <b>Administrative Fund</b> <hr/>
<b>Additions:</b>	
Contributions and other revenue	\$ 714
<b>Deductions:</b>	
Instructional costs	<hr/> 200
Change in net position	514
Net position - beginning	120,301
Net position - ending	<hr/> \$ 120,815 <hr/>

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

## **Currituck County Board of Education, North**

### **Notes to the Financial Statements**

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

#### **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.

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

Acquisitions under capital leases and installment purchase obligations are reported as other financing sources.

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

#### D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools' Special Revenue Funds, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures for the Board's legally adopted budget are appropriated at the function level. Expenditures for the General, State Public School, Federal Grants, Capital Outlay, School Food Service, and Special Revenue funds may not legally exceed appropriations at the function level for these annually budgeted funds. Additionally, for the State Public School Fund and the Federal Grants Fund, expenditures may not legally exceed appropriations at the program report code (PRC) level. The Board has authorized the Superintendent to transfer appropriations within a function level in each individual fund. The Superintendent may not transfer amounts between funds nor transfer any contingency appropriations within a fund. Any increase or decrease in function levels appropriated must be approved by the governing board. During the year, three 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, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences based on prior years’ records has been made.

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

#### 8. Net Position/Fund Balances

##### Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted, as applicable. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors,

contributors, or the laws or regulations of other governments, or imposed by law through State statute.

#### Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications, as applicable, that are designed to disclose the hierarchy of constraints on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There are no nonspendable fund balance amounts at year end.

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

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

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

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

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

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

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

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

**Assigned Fund Balance** – portion of fund balance that Currituck Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget resolution authorizes the superintendent to modify the appropriations within functional levels of individual funds.



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

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

#### 9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$43,442,356 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 91,653,741
Less Accumulated Depreciation	(41,713,884)
Net capital assets	49,939,857
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	326,877
Contributions made to the pension plan in current fiscal year	1,923,402
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	(45,289)
Compensated absences	(2,002,653)
Net pension liability	(5,472,461)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(621,808)
Difference between projected and actual earnings on plan investments	(605,569)
Total adjustment	\$ 43,442,356

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 \$(29,069) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 236,016
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	(1,903,157)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statements	(90,578)
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	45,289
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,923,402
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(628,924)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	388,883
Total adjustment	<u>\$ (29,069)</u>

## 10. Defined Benefit Pension Plans

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

## II. Stewardship, Compliance, and Accountability

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

#### Noncompliance with North Carolina General Statutes

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

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

#### Corrective Action

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

#### B. Excess of Expenditures over Appropriations

In accordance with State law [G. S. 115C-441], no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year sums obligated by the transaction for the current fiscal year. The Board presents its budgetary comparison schedule in Exhibit 6 for the General Fund at the function level the Board used to adopt its budget. During the fiscal year ended June 30, 2016, the Board incurred obligations in the General Fund that exceeded appropriations in the budget ordinance by \$6,626. An invoice for expenditures incurred during the fiscal year ended June 30, 2016 was received after year end.

#### Corrective Action

Management will amend procedures to ensure compliance with this requirement.

### **III. Detail Notes on All Funds**

#### A. Assets

##### 1. Deposits

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

At June 30, 2016, the Board had deposits with banks with a carrying amount of \$528,255 and with the State Treasurer of zero. The bank balances with the financial institutions and the State Treasurer, were \$1,089,426 and \$333,514, respectively. Of these balances, \$250,000 was covered by federal depository insurance and \$1,172,940 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

## 2. Investments

At June 30, 2016, the Board of Education had \$2,513 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. There was \$3,904,190 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate risk or credit risk. During the year ended June 30, 2016, 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, 2016, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$(439)	\$ 15,153	\$5,340	\$ 20,054
Other governmental Activities	-	1,059,572	628	1,060,200
Total	\$(439)	\$ 1,074,725	\$5,968	\$ 1,080,254
Business-type activities:				
School Food Service	\$439	\$ 122,968	\$ 688	\$ 124,095
Total	\$439	\$ 122,968	\$ 688	\$ 124,095

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

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

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$15,153	Revenues from County
State Public School Fund	967,632	Operating funds from DPI
Special Revenue Fund	20,140	Federal grants and miscellaneous revenues from County and State
Nonmajor Governmental Funds	71,800	Federal grant funds
Total	<u>\$1,074,725</u>	

Business-type activities:

School Food Service Fund	\$122,968	Federal funds
Total	<u>\$122,968</u>	

#### 4. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,419,859	\$ -	\$ -	\$ 1,419,859
Total capital assets not being depreciated	<u>1,419,859</u>	<u>-</u>	<u>-</u>	<u>1,419,859</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	80,378,496	-	-	80,378,496
Equipment, furniture and motor vehicles	<u>10,984,327</u>	<u>236,016</u>	<u>1,364,957</u>	<u>9,855,386</u>
Total capital assets being depreciated	<u>91,362,823</u>	<u>236,016</u>	<u>1,364,957</u>	<u>90,233,882</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	33,381,623	1,382,248	-	34,763,871
Equipment, furniture and motor vehicles	<u>7,794,061</u>	<u>520,909</u>	<u>1,364,957</u>	<u>6,950,013</u>
Total accumulated depreciation	<u>41,175,684</u>	<u>1,903,157</u>	<u>1,364,957</u>	<u>41,713,884</u>
Total capital assets being depreciated, net	<u>50,187,139</u>			<u>48,519,998</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 51,606,998</u>			<u>\$ 49,939,857</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation expense	\$ 1,662,196
Operational support services	<u>240,961</u>
Total	<u>\$ 1,903,157</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 1,185,722	\$ 15,201	\$ -	\$ 1,200,923
Total capital assets being depreciated	<u>1,185,722</u>	<u>15,201</u>	<u>-</u>	<u>1,200,923</u>
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	901,350	51,466	-	952,816
Total accumulated depreciation	<u>901,350</u>	<u>51,466</u>	<u>-</u>	<u>952,816</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 284,372</u>			<u>\$ 248,107</u>

#### Construction Commitments

The Board has active building improvement projects as of June 30, 2016. At year-end, the commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Moyock Elementary School	\$ -	\$61,349
Knotts Island Elementary School	-	<u>8,102</u>
Total	<u>\$ -</u>	<u>\$69,451</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](http://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, 2016, was 9.15% of covered payroll, actuarially determined as an

amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,982,986 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$5,637,984 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Board's proportion was 0.153% and 0.147%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$648,473. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 641,040
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	610,828
Changes in proportion and differences between Board contributions and proportionate share of contributions	332,483	-
Board contributions subsequent to the measurement date	1,982,986	-
Total	<u>\$ 2,315,469</u>	<u>\$ 1,251,868</u>

\$1,982,986 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net

pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (637,374)
2018	(637,374)
2019	(618,485)
2020	973,849
2021	-
Thereafter	-

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

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

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

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

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

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



and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Board's proportionate share of the net pension liability (asset)	\$ 16,968,777	\$ 5,637,984	\$ (3,977,500)

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

## b. Other Postemployment Benefits

### 1. Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,213,631 \$1,174,301 and \$1,089,551, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

### 2. Long-term Disability Benefits

*Plan Description.* Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other

postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

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

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

retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$136,216, \$121,340, and \$107,741 respectively. These contributions represented 0.57%, 0.52%, and 0.52% of covered payroll, respectively.

## 2. Accounts Payable

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

	<u>Vendors</u>
Governmental Activities:	
General	\$ 96,258
Other Governmental	15,981
Total governmental activities	<u>\$ 112,239</u>
Business-type Activities:	
School Food Service	<u>\$ 16,423</u>
Total business-type activities	<u>\$ 16,423</u>

## 3. Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 332,483	-
Contributions subsequent to measurement date	1,982,986	-
Net difference between projected and actual earnings on plan investments	-	610,828
Difference between expected and actual experience	-	641,040
Totals	<u>\$ 2,315,469</u>	<u>1,251,868</u>

## 4. 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 up to a \$5 million lifetime limit. 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.

## 5. Long-Term Obligations

### a. Installment Purchase

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 Mercedes Benz Financial Services USA LLC 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. The financing contract requires only principal payments of \$22,645 per year. Interest cost is not considered material. Two principal payments were paid during the fiscal year ended June 30, 2016.

The future minimum payments of the installment purchase as of June 30, 2016 are as follows:

<u>Year ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$22,645	\$ -
2018	22,644	-
2019	-	-
2020	-	-
2021	-	-
2022-2026	-	-
Total	<u>\$45,289</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, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ -	\$ 90,578	\$ 45,289	\$ 45,289	\$ 22,645
Net pension liability	\$ 1,674,350	\$ 3,798,111	\$ -	\$ 5,472,461	\$ -
Compensated absences	2,391,536	618,955	1,007,838	2,002,653	1,007,838
Total	\$ 4,065,886	\$ 4,507,644	\$ 1,053,127	\$ 7,520,403	\$ 1,030,483
Business-type activities:					
Net pension liability	\$ 48,054	\$ 117,467	\$ -	\$ 165,521	\$ -
Compensated absences	\$ 41,440	\$ 29,306	\$ 34,295	\$ 36,451	\$ 34,295
Total	\$ 89,494	\$ 146,773	\$ 34,295	\$ 201,972	\$ 34,295

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

**C. Interfund Transfers**

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

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 45,307
From Non-major Governmental Fund to the School Food Service Fund for equipment.	25,676

**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	2,452,877
Less:	
Stabilization by State Statute	20,493
Appropriated Fund Balance in 2016-2017 budget	1,250,000
Remaining Fund Balance	<u>1,182,384</u>

At June 30, 2016, 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 December 7, 2016, the date on which the financial statements were available to be issued.

## **Required Supplementary Information**

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

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



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

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

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

**Currituck County Board of Education, North Carolina**  
**Schedule of Board Contributions**  
**Teachers' and State Employees' Retirement System**  
Last 3 Fiscal Years

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

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

**Currituck County Board of Education, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit A**

	Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>			
Currituck County:			
Local Current Expense	\$ 9,503,189	\$ 9,503,189	-
Total	9,503,189	9,503,189	-
Other :			
Fines and forfeitures	230,000	233,683	3,683
Interest earned on investments	15,000	18,713	3,713
Total	245,000	252,396	7,396
<b>Total revenues</b>	<b>9,748,189</b>	<b>9,755,585</b>	<b>7,396</b>
<b>Expenditures:</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		2,034,950	
CTE curricular services		86,188	
Total	2,206,694	2,121,138	85,556
Special populations services:			
Children with disabilities curricular services		145,208	
Pre-K children with disabilities curricular services		110,414	
Speech and language pathology services		66,178	
Academically/Intellectually gifted		15,724	
Limited English proficiency services		4,710	
Total	355,750	342,234	13,516
Alternative programs and services:			
Alternative instructional services K-12		1,673	
Attendance and social work services		6,992	
Remedial and supplemental K-12 services		128,399	
Pre-K readiness/remedial and supplemental services		26,274	
Extended day/year instructional services		5,639	
Total	175,644	168,977	6,667
School leadership services	1,170,831	1,113,146	57,685
Co-curricular services	331,646	311,608	20,038
School-based support services:			
Educational media services		102,572	
Student accounting		109,990	
Guidance services		311,690	
Health support services		336,552	
Safety and security support services		177,317	
Instructional technology services		19,579	
Total	1,112,226	1,057,700	54,526
System-wide support services:			
Support and development services:			
Regular curricular support and development services		156,416	
CTE curricular support and development services		70,568	
Total	270,637	226,984	43,653
Special population support and development services	8,319	5,987	2,332
Alternative programs and services support and development services	-	-	-
Technology support services	432,321	404,044	28,277

(continued)

**Currituck County Board of Education, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit A**

	Budget	Actual	Positive (Negative) Variance
Operational support services:			
Communication services		133,826	
Public utility and energy services		1,087,890	
Custodial/housekeeping services		185,107	
Transportation services		355,556	
Maintenance services		1,285,764	
Total	<u>3,308,771</u>	<u>3,048,143</u>	<u>260,628</u>
Financial and human resource services:			
Financial services		611,324	
Human resource services		177,879	
Total	<u>878,610</u>	<u>789,203</u>	<u>89,407</u>
Accountability services	<u>32,932</u>	<u>30,881</u>	<u>2,051</u>
System-wide pupil support services	<u>52,749</u>	<u>51,188</u>	<u>1,561</u>
Policy, leadership and public relations services:			
Board of education		137,689	
Legal services		17,071	
Audit services		22,350	
Leadership services		169,106	
Public relations and marketing services		9,939	
Total	<u>393,649</u>	<u>356,155</u>	<u>37,494</u>
Ancillary services:			
Community services		303	
Nutrition services		26,379	
Total	<u>38,041</u>	<u>26,682</u>	<u>11,359</u>
Non-programmed charges			
Payments to other governmental units	<u>61,296</u>	<u>67,922</u>	<u>(6,626)</u>
<b>Total expenditures</b>	<u>10,830,116</u>	<u>10,121,992</u>	<u>708,124</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,081,927)</u>	<u>(366,407)</u>	<u>715,520</u>
<b>Other financing sources (uses):</b>			
Assigned fund balance	<u>1,081,927</u>	<u>-</u>	<u>(1,081,927)</u>
Total other financing sources and uses	<u>1,081,927</u>	<u>-</u>	<u>(1,081,927)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(366,407)</u>	<u>(366,407)</u>
<b>Fund balance, beginning</b>		<u>2,819,284</u>	
<b>Fund balance, ending</b>		<u><u>\$ 2,452,877</u></u>	

## Exhibit B

**Currituck County Board of Education, North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds (See Exhibit 3)
	<u>Individual Schools</u>	<u>Federal Grants Fund</u>	<u>Capital Outlay Fund</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 444,255	\$ -	\$ 474,486	\$ 918,741
Accounts receivable (net)	414	-	-	414
Due from other governments	918	70,882	-	71,800
Total assets	<u>445,587</u>	<u>70,882</u>	<u>474,486</u>	<u>990,955</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	9,226	-	668	9,894
Accrued salaries and wages payable	-	70,882	-	70,882
Total liabilities	<u>9,226</u>	<u>70,882</u>	<u>668</u>	<u>80,776</u>
Fund balances:				
Restricted:				
School Capital Outlay	-	-	473,818	473,818
Individual Schools	<u>436,361</u>	<u>-</u>	<u>-</u>	<u>436,361</u>
Total fund balances	<u>436,361</u>	<u>-</u>	<u>473,818</u>	<u>910,179</u>
Total liabilities and fund balances	<u>445,587</u>	<u>70,882</u>	<u>474,486</u>	<u>990,955</u>

**Currituck County Board of Education, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

**Special Revenue Funds**

	<b>Individual Schools</b>	<b>Federal Grants Fund</b>	<b>Capital Outlay Fund</b>	<b>Total Nonmajor Governmental Funds (See Exhibit 4)</b>
<b>REVENUES</b>				
U. S. Government	\$ -	\$ 1,635,036	\$ -	\$ 1,635,036
State of North Carolina	-	-	429,651	429,651
Currituck County	-	-	1,000,000	1,000,000
Other	786,884	-	5,195	792,079
Total revenues	<u>786,884</u>	<u>1,635,036</u>	<u>1,434,846</u>	<u>3,856,766</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	-	137,190	-	137,190
Special populations	-	779,856	-	779,856
Alternative programs	-	454,134	-	454,134
Co-curricular	722,297	-	-	722,297
School-based support	-	7,798	-	7,798
System-wide support services:				
Support and development	-	-	-	-
Technology support	-	193,876	-	193,876
Non-programmed charges	-	62,182	-	62,182
Capital outlay:				
Buildings and improvements	-	-	714,091	714,091
Furniture and equipment	-	-	667,018	667,018
Buses and motor vehicles	-	-	210,547	210,547
Debt service:				
Principal	-	-	45,289	45,289
Total expenditures	<u>722,297</u>	<u>1,635,036</u>	<u>1,636,945</u>	<u>3,994,278</u>
Excess (deficiency) of revenues over expenditures	<u>64,587</u>	<u>-</u>	<u>(202,099)</u>	<u>(137,512)</u>
Other financing sources (uses):				
Installment purchase obligations issued	-	-	90,578	90,578
Transfers to other funds	-	-	(25,676)	(25,676)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>64,902</u>	<u>64,902</u>
Net change in fund balance	64,587	-	(137,197)	(72,610)
Fund balances, beginning	371,774	-	611,015	982,789
Fund balances, ending	<u>\$ 436,361</u>	<u>\$ -</u>	<u>\$ 473,818</u>	<u>\$ 910,179</u>

**Currituck County Board of Education, North Carolina**  
**Federal Grants Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
U. S. Government	\$ 2,253,177	\$ 1,635,036	\$ (618,141)
Total revenues	<u>2,253,177</u>	<u>1,635,036</u>	<u>(618,141)</u>
<b>EXPENDITURES</b>			
Current:			
Instructional services:			
Regular instructional	145,986	137,190	8,796
Special populations	872,432	779,856	92,576
Alternative programs	559,798	454,134	105,664
School-based support	24,018	7,798	16,220
System-wide support services:			
Support and development	-	-	-
Technology support	193,876	193,876	-
Non-programmed charges	<u>457,067</u>	<u>62,182</u>	<u>394,885</u>
Total expenditures	<u>2,253,177</u>	<u>1,635,036</u>	<u>618,141</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	



**Currituck County Board of Education, North Carolina**  
**Capital Outlay Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit E**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 610,688	\$ 384,362	\$ (226,326)
State appropriations- buses	45,289	45,289	-
Total State of North Carolina	<u>655,977</u>	<u>429,651</u>	<u>(226,326)</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	-	2,913	2,913
Miscellaneous	-	2,282	2,282
Total other revenues	<u>-</u>	<u>5,195</u>	<u>5,195</u>
Total revenues	<u>1,655,977</u>	<u>1,434,846</u>	<u>(221,131)</u>
Expenditures:			
Capital outlay:			
Buildings and improvements:			
Central Elementary - Lottery	91,044	91,043	1
Moyock Elementary - Lottery	176,908	96,341	80,567
Security cameras - Lottery	86,000	80,979	5,021
High school - Lottery	7,000	6,907	93
Moyock Middle - Lottery	38,149	-	38,149
Knotts Island Elememtary - Lottery	88,000	1,710	86,290
Griggs Elementary - Lottery	30,000	13,796	16,204
Currituck Middle - Lottery	93,587	93,586	1
Central office	39,568	39,568	-
Schools	324,045	290,161	33,884
Total buildings and improvements	<u>974,301</u>	<u>714,091</u>	<u>260,210</u>
Furniture and equipment:			
Central office	591,103	577,126	13,977
Schools	94,658	89,892	4,766
Total furniture and equipment	<u>685,761</u>	<u>667,018</u>	<u>18,743</u>
Buses and motor vehicles:			
Central office	210,547	210,547	-
Total buses and motor vehicles	<u>210,547</u>	<u>210,547</u>	<u>-</u>
Debt service:			
Principal	45,289	45,289	-
Total expenditures	<u>1,915,898</u>	<u>1,636,945</u>	<u>278,953</u>
Excess (deficiency) of revenues over expenditures	<u>(259,921)</u>	<u>(202,099)</u>	<u>57,822</u>

**Currituck County Board of Education, North Carolina**  
**Capital Outlay Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit E**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Installment purchase obligations issued	90,578	90,578	-
Transfers to other funds	(25,676)	(25,676)	-
Assigned fund balance	195,019	-	(195,019)
Total other financing sources (uses)	<u>259,921</u>	<u>64,902</u>	<u>(195,019)</u>
Net change in fund balance	<u>\$ -</u>	(137,197)	<u>\$ (137,197)</u>
Fund balance, beginning		<u>611,015</u>	
Fund balance, ending		<u>\$ 473,818</u>	

**Currituck County Board of Education, North Carolina**  
**Schedule of Revenues and Expenses**  
**Budget and Actual (Non-GAAP)**  
**School Food Service Fund**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues, food sales, other	\$ 703,091	\$ 516,753	\$(186,338)
Operating expenses:			
Business support services:			
Purchase of food		464,483	
Donated commodities		102,013	
Salaries and benefits		815,550	
Indirect costs		142,495	
Materials and supplies		65,299	
Repairs and maintenance		4,800	
Depreciation		51,466	
Contracted services		19,385	
Other		5,073	
Total business support services	1,879,313	1,670,564	208,749
Other support services:			
Salaries and benefits	39,840	35,483	4,357
Total operating expenses	1,919,153	1,706,047	213,106
Operating income (loss)	(1,216,062)	(1,189,294)	26,768
Nonoperating revenues (expenses):			
Federal reimbursements	874,044	792,841	(81,203)
State reimbursements	4,521	4,604	83
Federal commodities	96,641	102,013	5,372
Indirect costs not paid	163,889	142,495	(21,394)
Interest earned	1,090	1,055	(35)
Total nonoperating revenues (expenses)	1,140,185	1,043,008	(97,177)
Excess of revenues over (under) expenses before other financing sources	(75,877)	(146,286)	(70,409)
Other financing sources:			
Transfers from other funds	75,877	70,983	(4,894)
Excess of revenues and other financing sources over (under) expenses	<u>\$ -</u>	(75,303)	<u>\$ (75,303)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase (decrease) in inventory		19,261	
Increase (decrease) in deferred outflows		8,432	
(Increase) decrease in deferred inflows		149,070	
(Increase) decrease in net pension liability		(117,467)	
(Increase) decrease in compensated absences		4,989	
Change in net position (full accrual)		<u>\$ (11,018)</u>	

## **COMPLIANCE SECTION**

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

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

To the Board of Education  
Currituck County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Currituck County Board of Education, North Carolina, as of and for the year ended June 30, 2016, 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 December 7, 2016.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 items 2016-001 and 2016-002.

### **Currituck County Board of Education's Response to Findings**

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

### **Purpose of this Report**

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

Catalfamo and Associate  
Moyock, North Carolina  
December 7, 2016

**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 the Currituck County Board of Education's major federal programs for the year ended June 30, 2016. 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 the 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* (CFR) 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, 2016.

## **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 our 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

December 7, 2016



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

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

**Independent Auditor's Report**

To the Board of Education  
Currituck County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the Currituck County Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Currituck County Board of Education's major state program for the year ended June 30, 2016. The Currituck County Board of Education's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Currituck County Board of Education's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Currituck County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Currituck County Board of Education's compliance.

## **Opinion on Each Major State Program**

In our opinion, the Currituck County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on the major state program is not modified with respect to this matter.

The Currituck County Board of Education's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

The Currituck County Board of Education's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

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

Catalfamo and Associate  
Moyock, North Carolina  
December 7, 2016

Currituck County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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**Section I.      Summary of Auditor's Results**

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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                X   no
- Significant deficiency(ies) identified?                      \_\_\_ yes                X   none reported

Noncompliance material to financial  
statements noted?                      \_\_\_ yes                X   no

Federal Awards

Internal control over major federal programs:

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

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

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

Currituck County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

Identification of major federal programs:

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

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? X yes    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 X yes    no

Identification of major State program(s):

Program Name  
State Public School Fund

Currituck County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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**Finding: 2016-001**

**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 70 cash receipt transactions of the individual schools' bookkeepers examined, we determined that 9 transactions had not been timely deposited in accordance with North Carolina General Statute 115C-445 and Board policy.

**Context:** Of the 4,051 cash receipt transactions of the individual schools' bookkeepers, we examined 70 and found 9 instances of noncompliance. The sampling was not a statistically valid sample.

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

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

**Identification of a repeat finding:** This finding was reported in the previous fiscal year and was identified as finding 2015-001.

**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, 2016

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**Section II – Financial Statement Findings**

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**Finding: 2016-002**

NONCOMPLIANCE

Criteria: In accordance with North Carolina General Statute 115C-441, no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year sums obligated by the transaction for the current fiscal year. The Board of Education appropriates funds for its General Fund at the function level.

Condition: During the fiscal year ended June 30, 2016, the Board incurred obligations in the General Fund that exceeded appropriations in the budget ordinance by \$6,626.

Context: The Board of Education appropriated funds for its General Fund at four function levels and expenditures for one function level were over expended.

Effect: Funds were obligated that had not been budgeted.

Cause: An invoice in the amount of \$9,749.36 for expenditures that were incurred during the fiscal year ended June 30, 2016 was received by the finance department after year-end, and the invoice was unexpected so it had not been budgeted. The invoice was for out-of-district tuition for the 2015-2016 school year.

Recommendation: In May of each year, management should contact all neighboring local education agencies and request that any invoices be sent to them by early June.

Views of responsible  
officials and planned

corrective actions: Management agrees with this finding. We plan to verify that all tuition invoices have been received in June.

Currituck County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.



Currituck County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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**Section IV – State Award Findings and Questioned Costs**

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**N.C Department of Public Instruction**

Program Name: State Public School Fund

**Finding: 2016-003**

**SIGNIFICANT DEFICIENCY**

**NONCOMPLIANCE**

Activities Allowed or Unallowed

Criteria: In accordance with North Carolina General Statute 115C-316, expenditures for the salary of school employees paid on an hourly or other basis from State funds shall be within allocations made by the State Board of Education and in accordance with rules and regulations approved by the State Board of Education concerning allocations of State funds. Non-certified employees paid with State Public School funds are to be paid in accordance with the state salary schedule.

Condition: Of the 186 payroll disbursement transactions examined, we determined that one payroll transaction represented an over payment to an individual.

Questioned Costs: \$4,486.79. This is the amount of the overpayment (gross payroll amount paid of \$7,017.38 less the correct amount of \$3,368.70) to the individual plus the matching benefits.

Context: Of the 6,410 payroll disbursement transactions paid from the State Public School Fund during the fiscal year, we examined 186 transactions, and found one instance of noncompliance. The sampling was not a statistically valid sample.

Effect: One individual received compensation in excess of the amount earned.

Cause: An error was made in recording the number of hours an employee worked one week, and the error was not discovered.

Recommendation: We recommend that management place additional emphasis on reviewing overtime payments to individuals. The Board of Education should refund the questioned cost amount of \$4,486.79 to the North Carolina Department of Public Instruction.

Views of responsible  
officials and planned

corrective actions: We agree with this finding. We have refunded \$4,486.79 to the N.C Department of Public Instruction. This refund was made on December 7, 2016 and was refunded by a BUD 202. Multiple finance staff are reviewing payroll pro-forma's to prevent such errors in the future.

Currituck County Board of Education, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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**Finding: 2016-001**

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, 2017.

**Finding: 2016-002**

Name of contact person: Laurie Trussell, Finance Officer

Corrective Action Planned: Management agrees with the finding to contact neighboring local education agencies and request that any invoices be sent to them by early June. We plan to verify that all tuition invoices have been received in June.

Anticipated Completion Date: June 30, 2017.

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

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**Section IV – State Award Findings and Questioned Costs**

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**Finding: 2016-003**

Name of contact person: Laurie Trussell, Finance Officer

Corrective Action Planned: Management agrees with the finding to place additional emphasis on reviewing overtime payments to individuals and refunding the questioned cost amount of \$4,486.79 to the North Carolina Department of Public Instruction. We have refunded \$4,486.79 to the N.C Department of Public Instruction. This refund was made on December 7, 2016 and was refunded by a BUD 202. Multiple finance staff are reviewing payroll pro-forma's to prevent such errors in the future.

Anticipated Completion Date: January 1, 2017.

Currituck County Board of Education, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2016

**Finding: 2013-01:**

Status: This finding has not been corrected. Finance department personnel visited individual schools during the year ended June 30, 2016, 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, 2016, 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, 2016, 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 2015-002:**

Corrective action was taken.

**Finding 2015-003:**

Corrective action was taken.

**CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U. S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
<b>Noncash Assistance (Commodities)</b>			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 102,013
Noncash Assistance			<u>102,013</u>
<b>Cash Assistance</b>			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	198,774
National School Lunch Program	10.555	PRC 035	554,511
Summer Food Service Program for Children	10.559	PRC 035	27,906
Total Cash Assistance			<u>781,191</u>
Total Child Nutrition Cluster			<u>883,204</u>
Fresh Fruit and Vegetable Program	10.582	PRC 035	11,650
Total School Nutrition Program (Note 3)			<u>894,854</u>
Total U. S. Department of Agriculture			<u>894,854</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041	PRC 308	33,908
<u>Education for Homeless Children and Youth Cluster:</u>			
Passed-through the Perquimans County Board of Education:			
Education for Homeless Children and Youth	84.196	PRC 026	10,026
Total Education for Homeless Children and Youth Cluster			<u>10,026</u>
Investing in Innovation Initiative	84.396	PRC 340	391
Passed-through the Tyrell County Board of Education:			
English Language Acquisition Grants	84.365	PRC 104	2,640
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	483,184
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	770,499
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	17,933
Special Needs Targeted Assistance	84.173	PRC 118	11,205
Preschool Targeted Assistance	84.173	PRC 119	2,240
Total Special Education Cluster			<u>801,877</u>

(continued)

**CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through	Federal	State/ Pass-through	
<u>Grantor/Program Title</u>	<u>CFDA</u>	<u>Grantor's</u>	<u>Expenditures</u>
Career and Technical Education - Program Improvement	84.048	PRC 017	\$ 38,263
State Personnel Development	84.323	PRC 082	13,484
Improving Teacher Quality Grants	84.367	PRC 103	104,352
Race to the Top	84.395	PRC 160	<u>193,876</u>
Total U. S. Department of Education			<u>1,682,001</u>
<b><u>U. S. Department of Defense</u></b>			
Direct Program:			
ROTC	12.UNKNOWN		<u>63,735</u>
Total federal cash assistance			<u>2,538,577</u>
Total federal assistance			\$ <u>2,640,590</u>
<b>State Grants:</b>			
<b>Cash Assistance</b>			
<b><u>N.C. Department of Public Instruction</u></b>			
State Public School Fund			\$ 21,240,744
Driver Training - SPSF		PRC 012	60,138
School Technology Fund - SPSF		PRC 015	45,960
Vocational Education:			
State Months of Employment		PRC 013	1,238,396
Program Support Funds		PRC 014	194,105
State Breakfast Program		PRC 035	4,604
Passed-through Currituck County:			
Public School Building Capital Fund - Lottery		PRC 076	<u>384,362</u>
Total N.C. Department of Public Instruction			<u>23,168,309</u>
<b><u>N.C. Department of Health and Human Services</u></b>			
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program		PRC 413	<u>202,081</u>
Total N.C. Department of Health and Human Services			<u>202,081</u>
<b><u>N.C. Department of Public Safety</u></b>			
Passed-through Currituck County:			
Juvenile Crime Prevention Program		PRC 414,415	\$ <u>87,701</u>
Total N.C. Department of Public Safety			<u>87,701</u>

(continued)

**CURRITUCK COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>N.C. Department of Natural and Cultural Resources</u>			
Division of The North Carolina Arts Council:			
Passed-through Arts of the Albemarle:			
Grassroots Arts Program		PRC 422	9,830
Total N.C. Department of Natural and Cultural Resources			<u>9,830</u>
Total State cash assistance			<u>23,467,921</u>
<b>Noncash Assistance</b>			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriations		PRC 120	45,289
Total State noncash assistance			<u>45,289</u>
Total State assistance			<u>23,513,210</u>
Total federal and State assistance			<u>\$ 26,153,800</u>

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, 2016. 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.

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

3. Cluster of Programs

The following are clustered by the N.C. Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program