

**Caswell County  
Board of Education**  
Financial Statements  
For the Year Ended  
June 30, 2015

# CASWELL COUNTY BOARD OF EDUCATION

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ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Caswell County Board of Education  
Yanceyville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caswell County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Caswell County Board of Education as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 51 and 52, 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 an opinion on the financial statements that collectively comprise the Caswell County Board of Education's basic financial statements. The individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of Caswell County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Caswell County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

November 6, 2015  
Statesville, North Carolina  
(704) 562-5039

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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This section of the Caswell County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

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

***Overview of the Financial Statements***

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

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

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

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

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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**Government-wide Statements**

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

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

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in Caswell County's (the "County") property tax base and the condition of its school buildings and other physical assets.

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

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

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants fund.

Caswell County Board of Education has three types of funds:

*Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

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

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

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

*Fiduciary fund:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Caswell County Board of Education, North Carolina has one fiduciary fund - the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund

The fiduciary fund statements are shown as Exhibits 9 and 10 of this report.

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

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$21,800,845 as of June 30, 2015. The largest component of net position is net investment in capital assets of \$22,640,707. It comprises 104% of the total net position.

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

Following is a summary of the Statement of Net Position:

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>As of June 30, 2015 and 2014</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 5,180,305	\$ 4,904,231	\$ 556,457	\$ 602,559	\$ 5,736,762	\$ 5,506,790
Capital assets	<u>22,623,879</u>	<u>23,359,578</u>	<u>57,664</u>	<u>70,033</u>	<u>22,681,543</u>	<u>23,429,611</u>
Total assets	<u>27,804,184</u>	<u>28,263,809</u>	<u>614,121</u>	<u>672,592</u>	<u>28,418,305</u>	<u>28,936,401</u>
Deferred outflows of resources	<u>1,487,830</u>	-	<u>48,634</u>	-	<u>1,536,464</u>	-
Current liabilities	1,816,786	1,693,964	48,026	35,423	1,864,812	1,729,387
Long-term liabilities	<u>2,069,340</u>	<u>1,279,409</u>	<u>78,827</u>	<u>80,882</u>	<u>2,148,167</u>	<u>1,360,291</u>
Total liabilities	<u>3,886,126</u>	<u>2,973,373</u>	<u>126,853</u>	<u>116,305</u>	<u>4,012,979</u>	<u>3,089,678</u>
Deferred inflows of resources	<u>4,009,872</u>	-	<u>131,073</u>	-	<u>4,140,945</u>	-
Net investment						
in capital assets	22,583,043	23,182,675	57,664	70,033	22,640,707	23,252,708
Restricted net position	1,077,670	969,658	-	-	1,077,670	969,658
Unrestricted net position	<u>(2,264,697)</u>	<u>1,138,103</u>	<u>347,165</u>	<u>486,254</u>	<u>(1,917,532)</u>	<u>1,624,357</u>
Total net assets	<u>\$ 21,396,016</u>	<u>\$ 25,290,436</u>	<u>\$ 404,829</u>	<u>\$ 556,287</u>	<u>\$ 21,800,845</u>	<u>\$ 25,846,723</u>

Note that the net position of the Board's governmental activities decreased from approximately \$25.3 million at June 30, 2014 to approximately \$21.4 million at June 30, 2015. This decrease was largely attributable to the recording of pension related accounts due to the implementation of GASB 68 and decreases in capital assets due to depreciation.

The net position of our business-type activities decreased from \$556,287 at June 30, 2014 to \$404,829 at June 30, 2015. This decrease is also attributable to the recording of pension related accounts due to the implementation of GASB 68.

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

<b>Table 2</b>						
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
<b>For the Fiscal Years Ended June 30, 2015 and 2014</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 76,313	\$ 61,113	\$ 350,093	\$ 465,655	\$ 426,406	526,768
Operating grants and contributions	20,778,945	20,647,163	1,530,569	1,364,237	22,309,514	22,011,400
Capital grants and contributions	217,739	176,904	-	-	217,739	176,904
<b>General revenues:</b>						
County contributions	3,051,251	2,769,413	-	-	3,051,251	2,769,413
State contributions	-	-	-	-	-	-
Other revenues	1,420,396	1,110,371	1,453	1,324	1,421,849	1,111,695
<b>Total revenues</b>	<b>25,544,644</b>	<b>24,764,964</b>	<b>1,882,115</b>	<b>1,831,216</b>	<b>27,426,759</b>	<b>26,596,180</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	18,725,134	19,705,562	-	-	18,725,134	19,705,562
System-wide support services	5,650,308	6,483,287	-	-	5,650,308	6,483,287
Ancillary services	115,344	111,038	-	-	115,344	111,038
Non-programmed charges	192,924	156,466	-	-	192,924	156,466
Unallocated depreciation	41,506	22,137	-	-	41,506	22,137
<b>Business-type activities:</b>						
Food service	-	-	1,881,792	2,078,481	1,881,792	2,078,481
Child care	-	-	59,321	62,910	59,321	62,910
<b>Total expenses</b>	<b>24,725,216</b>	<b>26,478,490</b>	<b>1,941,113</b>	<b>2,141,391</b>	<b>26,666,329</b>	<b>28,619,881</b>
Transfers in (out)	(59,674)	(58,970)	59,674	58,970	-	-
Increase (decrease) in net position	759,754	(1,772,496)	676	(251,205)	760,430	(2,023,701)
Beginning net position (as restated)	20,636,262	27,062,932	404,153	807,492	21,040,415	27,870,424
Ending net position	<b>\$ 21,396,016</b>	<b>\$ 25,290,436</b>	<b>\$ 404,829</b>	<b>\$ 556,287</b>	<b>\$ 21,800,845</b>	<b>\$ 25,846,723</b>

Total governmental activities generated revenues of approximately \$25.5 million while expenses in this category totaled approximately \$24.7 million for the year ended June 30, 2015. Comparatively, revenues were approximately \$24.8 million and expenses totaled approximately \$26.5 million for the year ended June 30, 2014. After transfers, the increase in net position stands at approximately \$760,000 at June 30, 2015, compared to a decrease of \$1.8 million in 2014. Instructional services expenses comprised 75.7 percent of total governmental-type expenses while system-wide support

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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services made up 24.7 percent of those expenses for 2015. County funding comprised 11.9 percent of total governmental revenue while State funding added another 75.4 percent for 2015. Much of the remaining 12.7 percent of total governmental revenue for 2015 consists of federal grants. Business-type activities generated revenue of approximately \$1.9 million and had expenses of approximately \$1.9 million. Net assets in the business-type activities had no significant change.

**Financial Analysis of the Board's Funds**

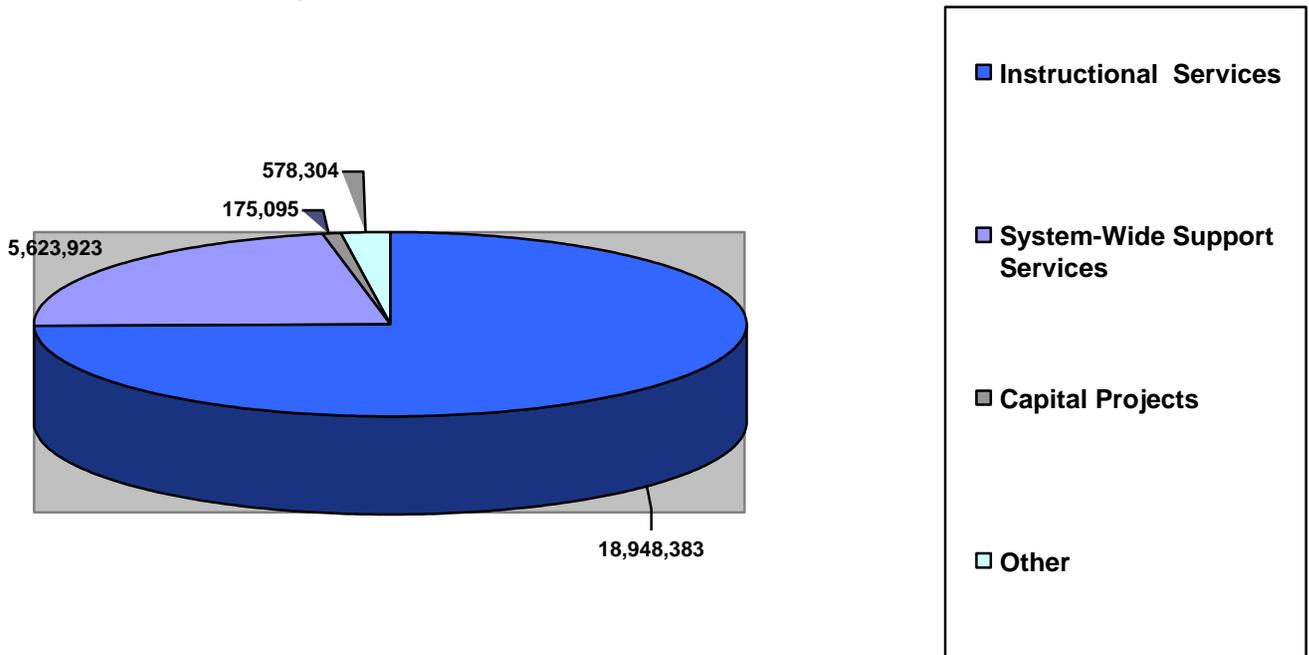
*Governmental Funds:* The focus of Caswell County Board of Education, North Carolina's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$4,035,077, a \$243,269 increase from last year. The Board's General Fund had revenues that exceeded expenditures thus total fund balance increased by \$135,257.

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

Expenditures are presented on the modified accrual basis of accounting.

**Categorization of Expenditures for Governmental Funds**



**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**General Fund Budgetary Highlights**

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

**Capital Assets**

Capital assets decreased by \$748,068 (3%) from the previous year. This decrease was due to depreciation expense exceeding capital additions in the current year. The following is a summary of the capital assets, net of depreciation at year-end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Land	\$ 1,319,771	\$ 1,300,521	\$ -	\$ -	\$ 1,319,771	\$ 1,300,521
Construction in progress	-	-	-	-	-	-
Buildings and improvements	20,514,254	21,137,739	-	-	20,514,254	21,137,739
Equipment and furniture	169,214	112,342	57,664	70,033	226,878	182,375
Vehicles	620,640	808,976	-	-	620,640	808,976
Total	<u>\$ 22,623,879</u>	<u>\$ 23,359,578</u>	<u>\$ 57,664</u>	<u>\$ 70,033</u>	<u>\$ 22,681,543</u>	<u>\$ 23,429,611</u>

**Debt Outstanding**

During the year the Board's installment purchase agreements decreased by \$136,067. The decrease is due to payments made during the year on installment purchase agreements for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction.

**Economic Factors**

The Board anticipates continuing decreases in enrollment for the 2015-2016 school year. We continue to need highly qualified teachers, technology, and equipment to increase student opportunities and achievement. Our local teacher supplement is a vital part to employing and retaining our teaching staff. The Board of County Commissioners funded a teacher supplement for the 2015-2016 school year in the amount of \$231,000. The Board of County Commissioners also funded a math, science and exceptional children hiring bonus in the amount of \$50,838 in order to attract highly qualified teachers in these disciplines. The County is experiencing an unemployment rate of 5.8 percent as compared to the state average of 5.5 percent, therefore maintaining adequate staffing for the students of Caswell County Schools is of vital importance to the County's economy.

**CASWELL COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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***Requests for Information***

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

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

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,306,863	\$ 448,513	\$ 4,755,376
Due from other governments	769,179	60,826	830,005
Receivables (net)	-	6,032	6,032
Inventories	-	41,086	41,086
Prepaid expenses	104,263	-	104,263
Capital assets:			
Land, improvements, and construction in progress	1,319,771	-	1,319,771
Other capital assets, net of depreciation	21,304,108	57,664	21,361,772
Total capital assets	22,623,879	57,664	22,681,543
Total assets	27,804,184	614,121	28,418,305
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,487,830	48,634	1,536,464
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	359,790	3,949	363,739
Accrued salaries and wages payable	785,438	-	785,438
Unavailable revenues	-	6,416	6,416
Long-term liabilities:			
Net pension liability	1,085,811	35,492	1,121,303
Due within one year	671,558	37,661	709,219
Due in more than one year	983,529	43,335	1,026,864
Total liabilities	3,886,126	126,853	4,012,979
<b>DEFERRED INFLOWS OF RESOURCES</b>	4,009,872	131,073	4,140,945
<b>NET POSITION</b>			
Net investment in capital assets	22,583,043	57,664	22,640,707
Restricted for:			
School capital outlay	877,740	-	877,740
Individual school activities	199,930	-	199,930
Unrestricted	(2,264,697)	347,165	(1,917,532)
Total net position	\$ 21,396,016	\$ 404,829	\$ 21,800,845

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 12,330,220	\$ 17,258	\$ 11,210,666	\$ -
Special populations	2,265,729	-	2,327,071	-
Alternative programs	1,365,320	-	1,303,583	-
School leadership	1,220,571	-	1,224,536	-
Co-curricular	129,459	-	-	-
School-based support	1,413,835	-	1,269,074	-
System-wide support services:				
Support and development	93,940	-	73,024	-
Special populations	121,931	-	126,724	-
Alternative programs	77,410	-	62,568	-
Technology support	281,420	-	204,954	-
Operational support	3,688,813	59,055	2,206,730	217,739
Financial and human resource services	527,785	-	333,188	-
Accountability	74,908	-	76,088	-
System-wide pupil support services	270,008	-	-	-
Policy, leadership and public relations	514,093	-	314,679	-
Ancillary services	115,344	-	-	-
Non-programmed charges	192,924	-	46,060	-
Unallocated depreciation expense*	41,506	-	-	-
Total governmental activities	<u>24,725,216</u>	<u>76,313</u>	<u>20,778,945</u>	<u>217,739</u>
Business-type activities:				
School food service	1,881,792	282,805	1,530,569	-
Child care	59,321	67,288	-	-
Total business-type activities	<u>1,941,113</u>	<u>350,093</u>	<u>1,530,569</u>	<u>-</u>
Total primary government	<u>\$ 26,666,329</u>	<u>\$ 426,406</u>	<u>\$ 22,309,514</u>	<u>\$ 217,739</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position-beginning, as previously reported

Restatement

Net position-beginning, as restated

Net position-ending

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

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,102,296)	\$ -	\$ (1,102,296)
61,342	-	61,342
(61,737)	-	(61,737)
3,965	-	3,965
(129,459)	-	(129,459)
(144,761)	-	(144,761)
(20,916)	-	(20,916)
4,793	-	4,793
(14,842)	-	(14,842)
(76,466)	-	(76,466)
(1,205,289)	-	(1,205,289)
(194,597)	-	(194,597)
1,180	-	1,180
(270,008)	-	(270,008)
(199,414)	-	(199,414)
(115,344)	-	(115,344)
(146,864)	-	(146,864)
(41,506)	-	(41,506)
<u>(3,652,219)</u>	<u>-</u>	<u>(3,652,219)</u>
-	(68,418)	(68,418)
-	7,967	7,967
-	(60,451)	(60,451)
<u>(3,652,219)</u>	<u>(60,451)</u>	<u>(3,712,670)</u>
2,751,251	-	2,751,251
300,000	-	300,000
6,579	1,453	8,032
1,413,817	-	1,413,817
(59,674)	59,674	-
<u>4,411,973</u>	<u>61,127</u>	<u>4,473,100</u>
759,754	676	760,430
25,290,436	556,287	25,846,723
(4,654,174)	(152,134)	(4,806,308)
<u>20,636,262</u>	<u>404,153</u>	<u>21,040,415</u>
<u>\$ 21,396,016</u>	<u>\$ 404,829</u>	<u>\$ 21,800,845</u>

**CASWELL COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015**

**Exhibit 3**

	<b>Major Funds</b>			
	<b>General</b>	<b>State Public School</b>	<b>Individual Schools</b>	<b>Capital Outlay</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,213,346	\$ -	\$ 199,930	\$ 893,587
Due from other governments	-	670,785	-	-
Prepaid expenditures	104,263	-	-	-
Total assets	<u>\$ 3,317,609</u>	<u>\$ 670,785</u>	<u>\$ 199,930</u>	<u>\$ 893,587</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 343,943	\$ -	\$ -	\$ 15,847
Accrued salaries and wages payable	16,259	670,785	-	-
Total liabilities	<u>360,202</u>	<u>670,785</u>	<u>-</u>	<u>15,847</u>
Fund balances:				
Nonspendable - prepaid expenditures	104,263	-	-	-
Restricted:				
School capital outlay	-	-	-	877,740
Individual schools	-	-	199,930	-
Unassigned	2,853,144	-	-	-
Total fund balances	<u>2,957,407</u>	<u>-</u>	<u>199,930</u>	<u>877,740</u>
Total liabilities and fund balances	<u>\$ 3,317,609</u>	<u>\$ 670,785</u>	<u>\$ 199,930</u>	<u>\$ 893,587</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.  
Deferred outflows of resources related to pensions

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

Net pension liability  
Deferred inflows of resources related to pensions

Net position of governmental activities

<b>Major Fund</b>		<b>Total Governmental Funds</b>
<b>Federal Grants Fund</b>		
\$ -		\$ 4,306,863
98,394		769,179
-		104,263
<u>\$ 98,394</u>		<u>\$ 5,180,305</u>

\$ -		\$ 359,790
98,394		785,438
<u>98,394</u>		<u>1,145,228</u>

-		104,263
-		877,740
-		199,930
-		<u>2,853,144</u>
<u>-</u>		4,035,077
<u>\$ 98,394</u>		

22,623,879  
1,487,830

(1,655,087)  
(1,085,811)  
(4,009,872)

\$ 21,396,016

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

*Exhibit 4*

	<b>Major Funds</b>			
	<b>General</b>	<b>State Public School</b>	<b>Individual Schools</b>	<b>Capital Outlay</b>
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 19,056,741	\$ -	\$ 217,739
Caswell County	2,751,251	-	-	300,000
U.S. Government	-	-	-	-
Other	897,331	-	485,505	56,531
Total revenues	<u>3,648,582</u>	<u>19,056,741</u>	<u>485,505</u>	<u>574,270</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services:				
Regular instructional	508,291	10,989,459	495,787	48,815
Special populations	41,374	1,667,414	-	-
Alternative programs	123,633	659,901	-	-
School leadership	51,369	1,221,218	-	-
Co-curricular	135,328	-	-	-
School-based support	208,856	1,262,642	-	-
System-wide support services:				
Support and development	25,175	71,047	-	-
Special populations	735	39,588	-	-
Alternative programs	18,351	1,749	-	-
Technology support	89,223	204,954	-	-
Operational support	1,553,025	2,155,340	-	95,999
Financial and human resource services	218,524	332,988	-	-
Accountability	2,216	76,088	-	-
Policy, leadership and public relations	222,720	314,679	-	-
Ancillary services:				
Community	108,615	-	-	-
Nutrition	11,957	-	-	-
Non-programmed charges	193,933	-	-	-
<b>Capital outlay</b>	-	-	-	175,095
<b>Debt service</b>	-	-	-	-
Principal	-	-	-	217,739
Total expenditures	<u>3,513,325</u>	<u>18,997,067</u>	<u>495,787</u>	<u>537,648</u>
<b>OTHER FINANCING USES</b>				
Transfer to other fund	-	(59,674)	-	-
Installment purchase obligations issued	-	-	-	81,672
Total other financing sources (uses)	<u>-</u>	<u>(59,674)</u>	<u>-</u>	<u>81,672</u>
Net change in fund balance	135,257	-	(10,282)	118,294
Fund balances-beginning	2,822,150	-	210,212	759,446
Fund balances-ending	<u>\$ 2,957,407</u>	<u>\$ -</u>	<u>\$ 199,930</u>	<u>\$ 877,740</u>

<u>Major Fund</u>	<u>Total Governmental Funds</u>
<u>Federal Grants Fund</u>	
\$ -	\$ 19,274,480
-	3,051,251
1,781,878	1,781,878
-	1,439,367
1,781,878	25,546,976
221,207	12,263,559
659,657	2,368,445
643,682	1,427,216
3,318	1,275,905
-	135,328
6,432	1,477,930
1,977	98,199
87,136	127,459
60,819	80,919
-	294,177
51,390	3,855,754
200	551,712
-	78,304
-	537,399
-	108,615
-	11,957
46,060	239,993
-	175,095
-	217,739
1,781,878	25,325,705
-	(59,674)
-	81,672
-	21,998
-	243,269
-	3,791,808
\$ -	\$ 4,035,077

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

**Exhibit 4**  
**(Continued)**

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

Net changes in fund balances - total governmental funds	\$ 243,269
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.	(733,367)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	1,487,830
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	136,067
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	(441,509)
Compensated absences	69,796
Loss on disposal of assets	<u>(2,332)</u>
Total changes in net position of governmental activities	<u>\$ 759,754</u>

**CASWELL COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY  
BUDGETED MAJOR SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2015**

**Exhibit 5**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	2,751,251	2,764,367	2,751,251	(13,116)
U.S. Government	-	-	-	-
Other	724,424	774,424	897,331	122,907
Total revenues	<u>3,475,675</u>	<u>3,538,791</u>	<u>3,648,582</u>	<u>109,791</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular	524,101	601,165	508,291	92,874
Special populations	70,000	91,310	41,374	49,936
Alternative programs	127,710	132,696	123,633	9,063
School leadership	47,500	55,964	51,369	4,595
Co-curricular	109,274	135,500	135,328	172
School-based support	204,300	208,936	208,856	80
System-wide support services				
Support and development	19,000	25,200	25,175	25
Special population support	-	735	735	-
Alternative programs and services support	19,348	19,671	18,351	1,320
Technology support	25,500	89,223	89,223	-
Operational support	1,717,429	1,741,093	1,553,025	188,068
Financial and human resource	200,076	232,938	218,524	14,414
Accountability	3,000	3,368	2,216	1,152
Policy, leadership and public relations	234,508	230,313	222,720	7,593
Ancillary services	100,939	122,798	120,572	2,226
Non-programmed charges	176,000	216,000	193,933	22,067
Total expenditures	<u>3,578,685</u>	<u>3,906,910</u>	<u>3,513,325</u>	<u>393,585</u>
Revenues over expenditures	(103,010)	(368,119)	135,257	503,376
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	(103,010)	(368,119)	135,257	503,376
Appropriated fund balance	<u>103,010</u>	<u>368,119</u>	<u>-</u>	<u>(368,119)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	135,257	<u>\$ 135,257</u>
Fund balances, beginning of year			<u>2,822,150</u>	
Fund balances, end of year			<u>\$ 2,957,407</u>	

State Public School Fund				Federal Grants Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 18,812,920	\$ 19,593,492	\$ 19,056,741	\$ (536,751)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	2,376,991	2,649,570	1,781,878	(867,692)
-	-	-	-	-	-	-	-
18,812,920	19,593,492	19,056,741	(536,751)	2,376,991	2,649,570	1,781,878	(867,692)
10,903,160	11,267,183	10,989,459	277,724	215,772	251,986	221,207	30,779
1,731,618	1,666,997	1,667,414	(417)	994,243	1,233,254	659,657	573,597
906,584	876,962	659,901	217,061	705,306	822,324	643,682	178,642
1,263,514	1,237,670	1,221,218	16,452	6,500	6,500	3,318	3,182
-	-	-	-	-	-	-	-
1,234,909	1,275,289	1,262,642	12,647	8,200	8,588	6,432	2,156
19,229	71,078	71,047	31	653	3,875	1,977	1,898
38,259	39,653	39,588	65	113,440	118,240	87,136	31,104
-	1,749	1,749	-	72,347	72,347	60,819	11,528
199,515	210,289	204,954	5,335	-	-	-	-
1,778,462	2,163,040	2,155,340	7,700	60,601	63,601	51,390	12,211
318,455	332,987	332,988	(1)	-	200	200	-
79,004	76,088	76,088	-	-	-	-	-
282,565	314,679	314,679	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	199,929	68,655	46,060	22,595
18,755,274	19,533,664	18,997,067	536,597	2,376,991	2,649,570	1,781,878	867,692
57,646	59,828	59,674	(154)	-	-	-	-
(57,646)	(59,828)	(59,674)	154	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
		\$ -				\$ -	

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2015**

*Exhibit 6*

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 397,808	\$ 50,705	\$ 448,513
Receivables (net)	6,032	-	6,032
Due from other governments	60,826	-	60,826
Inventories	41,086	-	41,086
Total current assets	<u>505,752</u>	<u>50,705</u>	<u>556,457</u>
Noncurrent assets:			
Capital assets, net	57,664	-	57,664
Total assets	<u>563,416</u>	<u>50,705</u>	<u>614,121</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>47,947</u>	<u>687</u>	<u>48,634</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	3,949	-	3,949
Compensated absences	34,215	3,446	37,661
Unavailable revenues	6,416	-	6,416
Total current liabilities	<u>44,580</u>	<u>3,446</u>	<u>48,026</u>
Noncurrent liabilities:			
Net pension liability	34,991	501	35,492
Compensated absences	39,370	3,965	43,335
Total liabilities	<u>118,941</u>	<u>7,912</u>	<u>126,853</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>129,222</u>	<u>1,851</u>	<u>131,073</u>
<b>NET POSITION</b>			
Net investment in capital assets	57,664	-	57,664
Unrestricted	305,536	41,629	347,165
Total net position	<u>\$ 363,200</u>	<u>\$ 41,629</u>	<u>\$ 404,829</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**POSITION - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

*Exhibit 7*

	<u>Major Fund</u>	<u>Non-major Fund</u>	<u>Total</u>
	<u>School Food Service</u>	<u>Child Care</u>	
<b>OPERATING REVENUES</b>			
Food sales	\$ 282,805	\$ -	\$ 282,805
Child care fees	-	67,288	67,288
Total operating revenues	<u>282,805</u>	<u>67,288</u>	<u>350,093</u>
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	796,948	8,700	805,648
Salaries and benefits	879,595	50,242	929,837
Indirect costs	143,763	-	143,763
Repairs and maintenance	1,106	-	1,106
Transportation costs	5,710	-	5,710
Depreciation	12,369	-	12,369
Supplies and materials	9,030	51	9,081
Contracted services	22,531		22,531
Other	10,740	328	11,068
Total operating expenses	<u>1,881,792</u>	<u>59,321</u>	<u>1,941,113</u>
Operating income (loss)	<u>(1,598,987)</u>	<u>7,967</u>	<u>(1,591,020)</u>
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	1,289,337	-	1,289,337
Federal commodities	96,087	-	96,087
State reimbursements	1,382	-	1,382
Interest earned	1,252	201	1,453
Indirect costs not paid	143,763	-	143,763
Total nonoperating revenues	<u>1,531,821</u>	<u>201</u>	<u>1,532,022</u>
Income (loss) before transfers	(67,166)	8,168	(58,998)
Transfer from other fund	59,674	-	59,674
Change in net position	<u>(7,492)</u>	<u>8,168</u>	<u>676</u>
Total net position - beginning, as previously reported	520,678	35,609	556,287
Restatement	(149,986)	(2,148)	(152,134)
Total net position, beginning, as restated	<u>370,692</u>	<u>33,461</u>	<u>404,153</u>
Total net position - ending	<u>\$ 363,200</u>	<u>\$ 41,629</u>	<u>\$ 404,829</u>

*The accompanying notes are an integral part of the basic financial statements.*

*Page 23*

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

**Exhibit 8**

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 274,152	\$ 67,288	\$ 341,440
Cash paid for goods and services	(775,802)	(9,801)	(785,603)
Cash paid to employees for services	(842,520)	(54,698)	(897,218)
Net cash provided (used) by operating activities	(1,344,170)	2,789	(1,341,381)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal and State reimbursements	1,290,719	-	1,290,719
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	1,252	201	1,453
Net increase (decrease) in cash and cash equivalents	(52,199)	2,990	(49,209)
Balances-beginning of the year	450,007	47,715	497,722
Balances-end of the year	<u>\$ 397,808</u>	<u>\$ 50,705</u>	<u>\$ 448,513</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

**Exhibit 8**  
**(Continued)**

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Community Schools</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,598,987)	\$ 7,967	\$ (1,591,020)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	12,369	-	12,369
Pension expense	14,227	204	14,431
Donated commodities consumed	96,087	-	96,087
Salaries paid by the State Public School Fund	59,674	-	59,674
Indirect costs not paid	143,763	-	143,763
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in receivables	7,558	-	7,558
(Increase) decrease in due from other governments	(15,024)	-	(15,024)
(Increase) decrease in inventories	4,359	-	4,359
Increase (decrease) in accounts payable	3,537	(239)	3,298
Increase in deferred outflows of resources for pension plan contributions in the current fiscal year	(47,947)	(687)	(48,634)
Increase (decrease) in unavailable revenues	(1,187)	-	(1,187)
Increase (decrease) in compensated absences	(22,599)	(4,456)	(27,055)
Total adjustments	<u>254,817</u>	<u>(5,178)</u>	<u>249,639</u>
Net cash provided (used) by operating activities	<u>\$ (1,344,170)</u>	<u>\$ 2,789</u>	<u>\$ (1,341,381)</u>

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

Indirect costs of \$143,763 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$96,087 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid salaries and benefits of \$59,674 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 7.

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

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*Exhibit 9*

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Investments	<u>\$ 321,856</u>
<b>NET POSITION</b>	
Assets held in trust for private purpose	<u><u>\$ 321,856</u></u>

**CASWELL COUNTY BOARD OF EDUCATION  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND  
 For the Year Ended June 30, 2015**

*Exhibit 10*

	<b>Private Purpose Trust</b>
<b>ADDITIONS:</b>	
Interest	\$ 1,575
Contributions and other revenue	<u>2,450</u>
Total additions	4,025
<b>DEDUCTIONS:</b>	
Scholarships awarded	<u>8,500</u>
Change in net position	(4,475)
Net position, beginning of year	<u>326,331</u>
Net position, end of year	<u><u>\$ 321,856</u></u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Caswell County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Caswell County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

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

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

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

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

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The Board reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund.

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

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

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

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

The Board reports one major enterprise fund, the School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

The Board reports the following fiduciary fund:

*Private Purpose Trust* – The Private Purpose Trust is used to account for scholarship and other restricted money under the control of the Board for the benefit of students in the district.

Measurement Focus and Basis of Accounting

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

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

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

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2015.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

It is the policy of the Board to capitalize all capital assets costing more than \$2,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Caswell County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings	60
Improvements	15-25
Equipment and Furniture	10
Vehicles	6
Computer equipment	3

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

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Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows 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 finance 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 pension related deferrals that meet this criterion.

Long-term obligations

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

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Prepaid expenses is the portion of fund balance that is not an available resource because it is not a spendable resource.

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

Restricted for Stabilization by State statute - portion of fund balance, if any, 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.

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$17,360,939 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 39,196,814
Less Accumulated Depreciation	<u>16,572,935</u>
Net capital assets	22,623,879
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(88,213)
Contributions made to the pension plan in current fiscal year	1,487,830
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(40,836)
Compensated absences	(1,614,251)
Net pension liability	(1,085,811)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(253,085)
Differences between projected and actual earnings on plan earnings	<u>(3,668,574)</u>
Total adjustment	<u>\$ 17,360,939</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$516,485 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 201,632
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(934,999)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,487,830
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	(81,672)
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	217,739
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	(441,509)
Compensated absences	69,796
Loss on disposal of capital assets	<u>(2,332)</u>
Total adjustment	<u>\$ 516,485</u>

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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2015, the Board of Education reported expenditures in excess of budgeted amounts within the State Public School Fund. These over expenditure items are not felt to be significant.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$3,018,867 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$3,170,904 and \$86,277, respectively. Of these balances, \$419,277 was covered by federal depository insurance and \$2,837,904 as covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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Investments

At June 30, 2015, the Board had \$2,058,364 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 year end. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Due from other governments consists of the following:

Governmental activities:

Federal Grants Fund	\$ 98,394	Federal grant funds
State Public School Fund	<u>670,785</u>	Operating funds from DPI
Total	<u>\$ 769,179</u>	

Business-type activities:

School Food Service Fund	<u>\$ 60,826</u>	USDA grant reimbursement
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Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521
Construction in progress	-	19,250	-	19,250
Total capital assets not being depreciated	<u>1,300,521</u>	<u>19,250</u>	<u>-</u>	<u>1,319,771</u>
Capital assets being depreciated:				
Buildings and improvements	33,566,923	-	-	33,566,923
Equipment and furniture	1,049,171	100,710	136,426	1,013,455
Vehicles	3,214,993	81,672	-	3,296,665
Total capital assets being depreciated	<u>37,831,087</u>	<u>182,382</u>	<u>136,426</u>	<u>37,877,043</u>
Less accumulated depreciation for:				
Buildings and improvements	12,429,184	623,485	-	13,052,669
Equipment and furniture	936,829	41,506	134,094	844,241
Vehicles	2,406,017	270,008	-	2,676,025
Total accumulated depreciation	<u>15,772,030</u>	<u>934,999</u>	<u>134,094</u>	<u>16,572,935</u>
Total capital assets being depreciated, net	<u>22,059,057</u>			<u>21,304,108</u>
Governmental activity capital assets, net	<u>\$ 23,359,578</u>			<u>\$ 22,623,879</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,155,474	\$ -	\$ -	\$ 1,155,474
Vehicles	55,130	-	-	55,130
	<u>1,210,604</u>	<u>-</u>	<u>-</u>	<u>1,210,604</u>
Less accumulated depreciation for:				
Furniture and office equipment	1,085,441	12,369	-	1,097,810
Vehicles	55,130	-	-	55,130
	<u>1,140,571</u>	<u>12,369</u>	<u>-</u>	<u>1,152,940</u>
School Food Service capital assets, net:	<u>\$ 70,033</u>			<u>\$ 57,664</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 623,485
System-wide support services	270,008
Unallocated depreciation	41,506
Total	<u>\$ 934,999</u>

Commitments

Caswell County Schools has an on-going architectural project as of June 30, 2015. At year-end, the remaining commitment with architects was \$35,750.

Liabilities

Pension Plan 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

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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 at 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in 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, 2015 was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$1,536,464 for the year ended June 30, 2015.

*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

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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, 2015, the Board reported a liability of \$1,121,303 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share 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, 2014 and at June 30, 2013, the Boards proportion was .099% and .096%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$455,940. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 261,370
Net difference between projected and actual earnings on pension plan investments	-	3,788,474
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	91,101
Board contributions subsequent to the measurement date	<u>1,536,464</u>	<u>-</u>
Total	<u>\$ 1,536,464</u>	<u>\$ 4,140,945</u>

\$1,536,464 reported as deferred outflows of resources related to pensions resulted 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ 1,040,119
2017	1,040,119
2018	1,040,119
2019	1,020,588
2020	-
Thereafter	-

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*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.25% to 9.10%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2013 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 measurements.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*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 calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discounted Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 8,049,490	\$ 1,121,303	\$ (4,728,542)

*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 Post-employment Benefits

Post-employment Healthcare Benefits

*Plan Description.* The post-employment healthcare benefits are provided through a multiple-employer cost-sharing plans defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the "Plan"). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended

**CASWELL COUNTY BOARD OF EDUCATION**  
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only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

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

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, 2015, 2014, and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$809,506, \$754,688, and \$849,150, respectively. These contributions represented 5.49%, 5.40%, and 5.30% of covered payroll, respectively.

## 2. Other Employment Benefits

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

### Death Benefits

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

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Disability Benefits

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

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

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

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

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$60,455, \$61,493, and \$70,495, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

Accounts Payable

Accounts payable at June 30, 2015, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 343,943	\$ 16,259
Other Governmental	15,847	769,179
Total-governmental activities	<u>\$ 359,790</u>	<u>\$ 785,438</u>
Business-type Activities		
School Food Service	\$ 3,949	\$ -
Child Care Fund	-	-
Total business-type activities	<u>\$ 3,949</u>	<u>\$ -</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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Unavailable Revenues

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

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	\$ <u>6,416</u>

Deferred Outflows and Deferred Inflows of Resources

The balance in deferred outflows and 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	\$ -	\$ 91,101
Difference between projected and actual earnings on plan investments	-	3,788,474
Board contributions subsequent to the measurement date	1,536,464	
Difference between expected and actual experience	-	<u>261,370</u>
Totals	<u>\$ 1,536,464</u>	<u>\$ 4,140,945</u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party financing arrangements with various companies. During 2015 the Board entered into a contract for the purchase of school buses. The financing contract requires four equal principal-only payments of \$20,418.

The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
	<u>Principal</u>
2016	\$ 20,418
2017	20,418
Total	<u>\$ 40,836</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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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, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Maturities</u>
Governmental activities:					
Installment purchases	\$ 176,903	\$ 81,672	\$ 217,739	\$ 40,836	\$ 20,418
Net pension liability	5,831,822	-	4,746,011	1,085,811	-
Compensated absences	<u>1,684,047</u>	<u>1,021,566</u>	<u>1,091,362</u>	<u>1,614,251</u>	<u>651,140</u>
Total	<u>\$ 7,692,772</u>	<u>\$ 1,103,238</u>	<u>\$ 6,055,112</u>	<u>\$ 2,740,898</u>	<u>\$ 671,558</u>
Business-type activities:					
Net pension liability	\$ 190,629	\$ -	\$ 155,137	\$ 35,492	\$ -
Compensated absences	<u>108,051</u>	<u>43,335</u>	<u>70,390</u>	<u>80,996</u>	<u>37,661</u>
Total	<u>\$ 298,680</u>	<u>\$ 43,335</u>	<u>\$ 225,527</u>	<u>\$ 116,488</u>	<u>\$ 37,661</u>

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

Transfers to/from other funds

Transfers to/from other funds at June 30, 2015, consist of the following:

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs.	<u>\$ 59,674</u>

Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 2,957,407
Less:	
Nonspendable - prepaid expenditures	<u>(104,263)</u>
Remaining fund balance	<u>\$ 2,853,144</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$4,654,174 and \$152,134, respectively.

**CASWELL COUNTY BOARD OF EDUCATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' AND STATE EMPLOYEES' RETIREMENT  
 Last Two Fiscal Years \***

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	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.099%	0.096%
Board's proportionate share of the net pension liability (asset)	\$ 1,121,303	\$ 6,022,451
Board's covered-employee payroll	\$ 13,989,898	\$ 14,918,840
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.02%	40.37%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**CASWELL COUNTY BOARD OF EDUCATION  
 SCHEDULE OF BOARD CONTRIBUTIONS  
 TEACHERS' AND STATE EMPLOYEES' RETIREMENT  
 Last Two Fiscal Years**

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	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,536,464	\$ 1,215,722
Contributions in relation to the contractually required contribution	<u>1,536,464</u>	<u>1,215,722</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 16,791,959	\$ 13,989,898
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

**CASWELL COUNTY BOARD OF EDUCATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended June 30, 2015**

	<b>Exhibit A-1</b>		
	Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>			
Caswell County	\$ 2,764,367	\$ 2,751,251	\$ (13,116)
Other :			
Fines and forfeitures		69,155	
Rental of school property		59,055	
Tuition and fees		17,258	
Contributions and donations		50,000	
Reimbursements		465,400	
Interest		4,153	
Contracted services		114,939	
Miscellaneous		70,993	
Indirect cost allocated		46,378	
Total	774,424	897,331	122,907
Total revenues	3,538,791	3,648,582	109,791
<b>Expenditures:</b>			
Instructional services:			
Regular instructional	601,165	508,291	92,874
Special populations	91,310	41,374	49,936
Alternative programs	132,696	123,633	9,063
School leadership	55,964	51,369	4,595
Co-curricular	135,500	135,328	172
School-based support	208,936	208,856	80
Total instructional services	1,225,571	1,068,851	156,720
System-wide support services:			
Support and development	25,200	25,175	25
Special populations support and development	735	735	-
Alternative programs	19,671	18,351	1,320
Technology support	89,223	89,223	-
Operational support	1,741,093	1,553,025	188,068
Financial and human resource services	232,938	218,524	14,414
Accountability	3,368	2,216	1,152
Policy, leadership and public relations	230,313	222,720	7,593
Total system-wide support services	2,342,541	2,129,969	212,572
Ancillary services:			
Community	110,448	108,615	1,833
Nutrition	12,350	11,957	393
Total ancillary services	122,798	120,572	2,226

**CASWELL COUNTY BOARD OF EDUCATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended June 30, 2015**

**Exhibit A-1  
 (Continued)**

	Budget	Actual	Positive (Negative) Variance
Non-Programmed charges			
Payments to other Charter Schools	216,000	193,933	22,067
Total expenditures	3,906,910	3,513,325	393,585
Revenues over (under) expenditures	(368,119)	135,257	503,376
Appropriated fund balance	368,119	-	(368,119)
Revenues and appropriated fund balance over (under) expenditures	\$ -	135,257	\$ 135,257
Fund balances:			
Beginning of year, July 1		2,822,150	
End of year, June 30		\$ 2,957,407	

**CASWELL COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<i>Exhibit B-1</i>			
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 190,294	\$ 217,739	\$ 27,445
Caswell County:			
Appropriation from county	300,000	300,000	-
Other:			
Interest earned		2,426	
ABC revenues		54,105	
Total other	30,000	56,531	26,531
Total revenues	<u>520,294</u>	<u>574,270</u>	<u>53,976</u>
Expenditures:			
Current:			
Instructional services	59,187	48,815	10,372
System-wide support services	137,439	95,999	41,440
Capital Outlay:			
Other	277,072	175,095	101,977
Debt Service:			
Principal	217,739	217,739	-
Total expenditures	<u>691,437</u>	<u>537,648</u>	<u>153,789</u>
Revenues over (under) expenditures	(171,143)	36,622	207,765
Other financing sources:			
Installment purchase obligations issued	-	81,672	81,672
Revenues and other financing sources over (under) expenditures	(171,143)	118,294	289,437
Appropriated fund balance	<u>171,143</u>	<u>-</u>	<u>(171,143)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>118,294</u>	<u>\$ 118,294</u>
Fund balance:			
Beginning of year, July 1		<u>759,446</u>	
End of year, June 30		<u>\$ 877,740</u>	

**CASWELL COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-  
GAAP) - SCHOOL FOOD SERVICE FUND  
For the Year Ended June 30, 2015**

**Exhibit C-1**

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ 420,850	\$ 275,247	\$ (145,603)
Operating expenditures:			
Business support services	1,921,246	1,642,301	278,945
Operating loss	(1,500,396)	(1,367,054)	133,342
Nonoperating revenues:			
Federal reimbursements	1,497,946	1,289,337	(208,609)
Federal commodities	-	96,087	96,087
State reimbursements	1,250	1,382	132
Interest earned	1,200	1,252	52
Total nonoperating revenues	1,500,396	1,388,058	(112,338)
Revenues over expenditures	\$ -	\$ 21,004	\$ 21,004
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ 21,004	
Depreciation		12,369	
Pension expense		14,227	
Contributions to the pension plan in the current fiscal year		(47,947)	
Decrease in inventory		4,359	
Indirect cost		(143,763)	
Indirect cost not paid		143,763	
Decrease in receivables		7,558	
Increase in accounts payable		3,537	
Decrease in compensated absences payable		(22,599)	
Change in net position (full accrual)		\$ (7,492)	

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

**Exhibit D-1**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues			
Child care fees	\$ 64,080	\$ 67,288	\$ 3,208
Operating expenditures:			
Business support services	<u>64,260</u>	<u>54,626</u>	<u>9,634</u>
Operating income	(180)	12,662	12,842
Nonoperating revenues:			
Interest earned	<u>180</u>	<u>201</u>	<u>(21)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 12,863</u>	<u>\$ 12,863</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ 12,863	
Reconciling items:			
Pension expense		204	
Contributions to the pension plan in current fiscal year		(687)	
Decrease in accounts payable		(239)	
Decrease in compensated absences payable		<u>(4,456)</u>	
Change in net position (full accrual)		<u>\$ 8,168</u>	

**COMPLIANCE SECTION**



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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caswell County Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Caswell County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 6, 2015.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Caswell County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 15-01

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Caswell County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Response to Findings*

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

*Purpose of this Report*

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

*Anderson Smith & Wike PLLC*

**November 6, 2015**  
**Statesville, North Carolina**



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

**INDEPENDENT AUDITORS' REPORT**

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

*Report on Compliance for Each Major Federal Program*

We have audited the Caswell County Board of Education's compliance with the types of compliance requirements described in the *OM) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Caswell County Board of Education's major federal programs for the year ended June 30, 2015. The Caswell County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Caswell County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Caswell County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

#### *Opinion on Each Major Federal Program*

In our opinion, the Caswell County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Management of the Caswell County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Caswell County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

*Anderson Smith & Wike PLLC*

**November 6, 2015**  
**Statesville, North Carolina**



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

**INDEPENDENT AUDITORS' REPORT**

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

*Report on Compliance for Each Major State Program*

We have audited the Caswell County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Caswell County Board of Education's major state programs for the year ended June 30, 2015. The Caswell County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Caswell County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Caswell County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### *Opinion on Each Major State Program*

In our opinion, the Caswell County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### *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 section OMB Circular A-133 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 15-02. Our opinion on each major state program is not modified with respect to this matter.

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

### *Report on Internal Control Over Compliance*

Management of the Caswell County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Caswell County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 15-02 that we consider to be a significant deficiency.

The Caswell County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Caswell County Board

of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Anderson Smith & Wike PLLC*

**November 6, 2015**  
**Statesville, North Carolina**

**Caswell County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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Section I. Summary of Auditors' Results

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Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major federal programs:

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

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

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

**Caswell County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027 84.173	Special Education Cluster: Education of the Handicapped Education of the Handicapped – Preschool
84.010 84.367	Title I, Grants to Local Educational Agencies Teacher Quality Enhancement

Dollar threshold used to distinguish  
between Type A and Type B Programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes     no

State Awards

Internal control over major State programs:

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

Type of auditors' report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with the State Single Audit Implementation Act?

yes     no

Identification of major State programs:

Program Name  
State Public School Fund  
Vocational Education – State Months of Employment

**Caswell County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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Section II. Financial Statement Findings

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**Finding: 15-01**

MATERIAL WEAKNESS

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

Condition: As noted during the previous year's audit there was an unreconciled difference of over \$50,000 relating to the bank account reconciliation for the State Public School Fund. This unreconciled amount was not corrected during the year ended June 30, 2015.

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

Cause: There was lack of oversight by management.

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

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

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Section III. Federal Award Findings and Questioned Costs

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Finding: None reported

**Caswell County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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Section IV. State Award Findings and Questioned Costs

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**Finding 15-02**

SIGNIFICANT DEFICIENCY AND NON COMPLIANCE

N.C. Department of Public Instruction  
State Public School Fund

Activities allowed or unallowed

Criteria: Program guidelines require that teachers paid with State funds must teach in areas in which they are certified.

Condition: We noted one certified employee teaching classes outside of her area of certification.

Effect: State Public School Fund was not in compliance with the compliance requirement cited above.

Cause: Management did not have procedures and controls in place to ensure that all certified employees were instructing classes within their area of certification.

Questioned Cost: None. The Board moved all expenses relating to this issue out of the State Public School Fund prior to June 30, 2015.

Recommendation: We recommend that management implement internal controls to ensure that all certified employees are serving in positions consistent with their area of certification.

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

**Caswell County Board of Education  
Corrective Action Plan  
For the Year Ended June 30, 2015**

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Section II. Financial Statement Findings

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**Finding 15-01**

Name of Contact Person: Crystal Kessler, Finance Director

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

Proposed Completion Date: Immediately.

**Finding 15-02**

Name of Contact Person: Nicole McGhee, Director of Human Resources

Corrective Action: The Human Resources Department will closely monitor staffing assignments as compared to teaching certifications to ensure that certified employees are serving in positions consistent with their certification.

Proposed Completion Date: Immediately.

**Caswell County Board of Education  
Corrective Action Plan  
For the Year Ended June 30, 2015**

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Section III. Federal Award Findings and Questioned Costs

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Finding: None Reported

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Section IV. State Award Findings and Questioned Costs

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Finding: None Reported

**Caswell County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2015**

**Finding 14-01** – Repeat finding. See 15-01.

**Finding 14-02** – Corrected.

**Finding 14-03** – Corrected.

**Finding 14-04** – Corrected.

**CASWELL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 96,087
Cash Assistance:			
School Breakfast Program	10.553		346,815
National School Lunch Program	10.555		938,730
Summer Food Service Program for Children	10.559		3,792
Cash Assistance Subtotal			<u>1,289,337</u>
Total Child Nutrition Cluster:			<u>1,385,424</u>
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	729,948
Race to the Top - ARRA	84.395	PRC 156	24,665
Teacher Quality Enhancement	84.367	PRC 103	120,112
Rural and Low Income Schools	84.358	PRC 109	46,018
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	689,443
- Targeted Assistance	84.027	PRC 118	18,825
- Targeted Assistance for Preschool	84.027	PRC 119	4,292
- High Need Students	84.027	PRC 114	53,367
- Preschool Handicapped	84.173	PRC 049	43,469
Total Special Education Cluster:			<u>809,396</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	<u>8,410</u>
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States			
- Program Development and Capacity Building	84.048	PRC 017	43,329
Total U.S. Department of Education			<u>1,781,878</u>
Total federal assistance			<u>3,167,302</u>

**CASWELL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			17,924,924
Driver Training - SPSF		PRC 012	48,907
School Technology Fund - SPSF		PRC 015	64,573
Vocational Education			
- State Months of Employment		PRC 013	967,859
- Program Support Funds		PRC 014	45,224
			<u>19,051,487</u>
Total N.C. Department of Public Instruction			
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			217,739
Textbooks - Noncash			5,254
			<u>222,993</u>
Total N.C. Department of Public Instruction - Noncash			
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			1,382
			<u>19,275,862</u>
Total State assistance			
Total federal and State assistance			
			<u>\$ 22,443,164</u>

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