

**ROWAN-SALISBURY BOARD OF EDUCATION,  
NORTH CAROLINA**

Financial Statements and Supplementary Information

For the Year Ended June 30, 2019



**Rives & Associates, LLP**  
Certified Public Accountants and Consultants

**ROWAN-SALIBURY BOARD OF EDUCATION, NORTH CAROLINA**  
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## **Independent Auditor's Report**

Rowan-Salisbury Board of Education, North Carolina  
Salisbury, 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 Rowan-Salisbury Board of Education, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Rowan-Salisbury Board of Education's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 13 and the Schedules of the Board's Proportionate Share of the Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 61 through 66, 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 Rowan-Salisbury Board of Education's basic financial statements. The combining and individual non-major fund statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules, budget and actuals, 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 fund schedules, budget and actual, 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 reports dated November 18, 2019 on our consideration of Rowan-Salisbury 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 these reports are 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rowan-Salisbury Board of Education's internal control over financial reporting and compliance.

*Rives & Associates LLP*

Lexington, North Carolina  
November 18, 2019

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

This section of the Rowan-Salisbury 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, 2019. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- On August 2, 2018 the North Carolina State Board of Education approved Rowan-Salisbury Schools as the first and only Renewal School District in the state. As a Renewal School District Rowan-Salisbury Schools has charter-like flexibilities around curriculum, finance, personnel and school calendar. While the District must continue to comply with all federal guidelines and restrictions, much of the historical state control shifts locally to the Board, allowing innovative learning aligned with individual interests and needs of students. In addition, Renewal District status allows Rowan-Salisbury Schools to be more responsive to community values and expectations. The District has developed the following directional system that summarizes a focus on three specific areas to ensure all learners are engaged. The Rowan-Salisbury Schools learner will master fundamental standards in English, math, science, and social studies, set goals based on their unique smartness, career aspirations, and personal passions, and develop skills for interacting with other people. These engaged learners will graduate enrolled, enlisted or employed, ready to thrive as productive and contributing citizens. Each focus area has a set of accountability measures and metrics to summarize the District's performance to the community.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

***Financial Highlights (Continued)***

- Average Daily Membership for 2018-19 was 18,592. Compared to 2017-18 ADM of 18,924, this represents a decrease of 332.
- While enrollment has stabilized during the early months of 2019-20, the potential for declining enrollment over the next several years remains due to increased homeschool enrollment, students moving out of the District and an increase in the number of local charter schools.
- The Board has a critical need to optimize the number and condition of schools operated by Rowan-Salisbury School System, considering opportunities to consolidate, close, replace and/or upgrade schools. In addition, there is an on-going need for maintenance and repair of current facilities and equipment.
- State allotments provided 63% of operating revenues. The county appropriation and federal allotments provided 26% and 6%, respectively. The remaining 5% was funded by other state, local and federal sources.
- State funding increased by \$7.7 million or 6.7% in 2018-2019 primarily due to state mandated increases in salaries and benefits.
- Salaries and related benefits accounted for 82.4% of operating expenditures. Rowan-Salisbury Schools is the second largest employer in Rowan County. The Board experienced a 13.55% teacher turnover of its approximately 1,500 teaching positions.
- The Board received \$590,323 in local grant funding and donations during 2018-2019.
- Student enrollment in the Free/Reduced Meal program equaled 64.5% qualifying the Board for federal E-rate funds. Additionally, 20 out of 20 elementary schools qualified for federal Title 1 funds as well as two middle schools and one high school.
- The Child Nutrition Program served 37.5% of students breakfast, 64.9% lunch, and 3.6% an afterschool snack/supper on a daily basis. Approximately 265 School Nutrition employees served over 3.3 million meals/snacks to students.
- More than 180 buses transported 9,229 students 12,745 miles each day during the school year.
- The Board served and received state and/or federal funds for 2,285 Exceptional Children students and 1,269 English as Second Language students. Eight NC Pre-Kindergarten classes provided 129 pre-school student slots, four Title 1 classes enrolled 66 additional pre-kindergarten students, and the Board also supported four pre-kindergarten classrooms serving 40 Exceptional Children preschool students.
- The Board continued to repurpose existing funds to support its digital transformation including funding a second 3-year, \$13.8 million zero percent lease to support the District's 1:1 device initiative. The lease supports 8,340 MacAir laptops and 15,050 iPads placing a digital learning device that can be taken home in each 3<sup>rd</sup> through 12<sup>th</sup> grade student's hands and provide each Kindergarten through 2<sup>nd</sup> grade student with a device that could be used during the school day.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

***Financial Highlights (Continued)***

- The Board continued with the Guaranteed Energy Performance contract with Energy Systems Group, LLC for the sum of \$3,682,274 with the final payment on the related lease due to Banc of America Public Capital Corp payable on January 13, 2031. Projected energy savings over 15 years is estimated at \$5,701,409 leaving a projected net savings of \$1,092,649 for the system after payments of principal and interest totaling \$4,608,760.

***Overview of the Financial Statements***

The audited financial statements of the Rowan-Salisbury Board of Education consist of four components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and 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 Financial 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, liabilities, and deferred inflows and outflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred inflows and outflows of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is 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, a 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 the Board's major funds.

**Government-wide Financial Statements**

The government-wide financial statements report information about the Board 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, deferred outflows, deferred inflows of resources, 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.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Government-wide Financial Statements (Continued)**

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, deferred outflows and inflows of resources, and the total of liabilities – is one way to measure the Board's financial health or position.

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

The Board'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 cover the costs of certain services it provides. School food service is included here.

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

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

Rowan-Salisbury Board of Education has two types of funds:

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

The governmental fund statements are 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. Rowan-Salisbury Board of Education has one proprietary fund – an enterprise fund – the School Food Service Fund.

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(160,317,311) as of June 30, 2019, an increase of 2.96%, as compared to the net position at June 30, 2018 of \$(165,199,985). The largest component of net position is net investment in capital assets of \$127,213,118 as of June 30, 2019 as compared to \$126,746,860 as of June 30, 2018.

Following is a summary of the statement of net position:

**Table 1**  
**Condensed Statement of Net Position**  
**As of June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current assets	\$ 22,979,089	\$ 24,723,247	\$ 3,202,741	\$ 3,135,621	\$ 26,181,830	\$ 27,858,868
Capital assets	133,916,316	138,132,932	1,433,395	1,594,568	135,349,711	139,727,500
Total assets	156,895,405	162,856,179	4,636,136	4,730,189	161,531,541	167,586,368
Deferred outflows of resources	53,429,140	44,501,378	1,734,950	1,487,339	55,164,090	45,988,717
Current and other liabilities	5,530,418	6,333,431	197,143	192,993	5,727,561	6,526,424
Long-term liabilities	266,392,446	286,086,286	8,332,470	9,042,226	274,724,916	295,128,512
Total liabilities	271,922,864	292,419,717	8,529,613	9,235,219	280,452,477	301,654,936
Deferred inflows of resources	93,523,569	74,625,962	3,036,896	2,494,172	96,560,465	77,120,134
Investment in capital assets	125,779,723	125,152,292	1,433,395	1,594,568	127,213,118	126,746,860
Restricted net position	7,854,160	8,693,245	27,036	-	7,881,196	8,693,245
Unrestricted net position (deficit)	(288,755,771)	(293,533,659)	(6,655,854)	(7,106,431)	(295,411,625)	(300,640,090)
Total net position	\$(155,121,888)	\$(159,688,122)	\$ (5,195,423)	\$ (5,511,863)	\$(160,317,311)	\$(165,199,985)

Note that net position increased during the year. The 2.96% increase in net position was largely due to decrease in OPEB liability

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Financial Analysis of the Board as a Whole (Continued)**

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

**Table 2**  
**Condensed Statement of Activities**  
**As of June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 5,830,835	\$ 1,170,507	\$ 2,285,575	\$ 2,248,478	\$ 8,116,410	\$ 3,418,985
Operating grants and contributions	140,172,715	142,412,527	9,981,144	9,935,740	150,153,859	152,348,267
Capital grants and contributions	334,597	184,831	-	-	334,597	184,831
<b>General revenues:</b>						
Other revenues	50,862,243	59,429,806	126,816	36,051	50,989,059	59,465,857
<b>Total revenues</b>	<b>197,200,390</b>	<b>203,197,671</b>	<b>12,393,535</b>	<b>12,220,269</b>	<b>209,593,925</b>	<b>215,417,940</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	139,573,928	147,568,411	-	-	139,573,928	147,568,411
System-wide support services	42,106,940	34,193,788	-	-	42,106,940	34,193,788
Ancillary services	25,921	110,562	-	-	25,921	110,562
Non-programmed charges	1,526,366	1,252,890	-	-	1,526,366	1,252,890
Interest	86,110	91,673	-	-	86,110	91,673
Depreciation	9,314,891	10,012,509	-	-	9,314,891	10,012,509
<b>Business-type activities:</b>						
Food service	-	-	12,077,095	13,072,138	12,077,095	13,072,138
<b>Total expenses</b>	<b>192,634,156</b>	<b>193,229,833</b>	<b>12,077,095</b>	<b>13,072,138</b>	<b>204,711,251</b>	<b>206,301,971</b>
Change in Net Position	4,566,234	9,967,838	316,440	(851,869)	4,882,674	9,115,969
Net position, beginning, as previously reported	(159,688,122)	85,499,365	(5,511,863)	3,915,227	(165,199,985)	89,414,592
Restatement	-	(255,155,325)	-	(8,575,221)	-	(263,730,546)
Net position, beginning, as restated	<b>(159,688,122)</b>	<b>(169,655,960)</b>	<b>(5,511,863)</b>	<b>(4,659,994)</b>	<b>(165,199,985)</b>	<b>(174,315,954)</b>
Net position, ending	<b>\$(155,121,888)</b>	<b>\$(159,688,122)</b>	<b>\$(5,195,423)</b>	<b>\$(5,511,863)</b>	<b>\$(160,317,311)</b>	<b>\$(165,199,985)</b>

For the year ended June 30, 2019, total governmental activities generated revenues of \$197.2 million while expenses in this category totaled \$192.6 million. The increase in net position stands at \$4,566,234. Instructional expenses comprised 72.5% of total governmental-type expenses while support services made up 21.9% of those expenses. County funding comprised 25.8% of total governmental revenue. Much of the remaining total governmental revenue consisted of restricted State and federal money. Business-type activities generated revenue of \$12.4 million and had expenses of \$12.1 million. Net position increased in the business-type activities by \$316,440.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

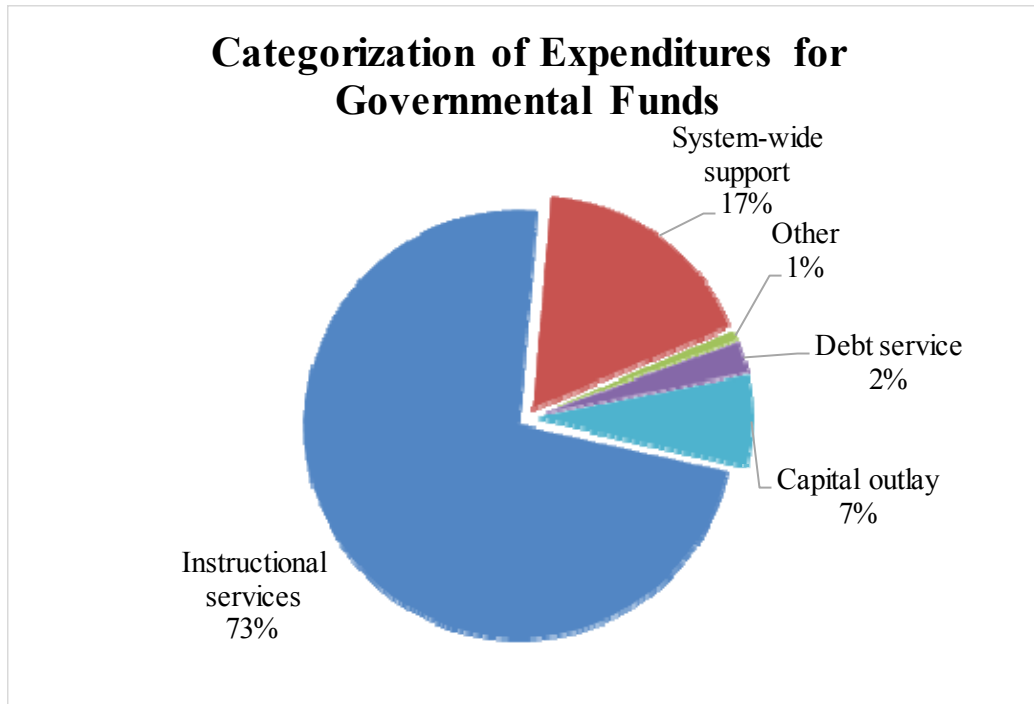
**Financial Analysis of the Board's Funds**

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

The Board's governmental funds reported a combined fund balance of \$17,259,246, a decrease of \$752,219 from last year.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, reflected an increase in net position over last year.

Revenues from food sales increased by approximately (1.8%) or (\$41,382). Non-operating revenues increased by (0.5%) with expenditures decreasing by 8.2%. The result was a net gain of \$316,440 as compared to a net loss of (\$851,869) in the prior year.



Expenditures presented on modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Actual General Fund revenues were \$330,799 under budget. Expenditures exceeded revenues by \$256,052 before other financing sources. Of the total \$2,736,046 difference in actual expenditures and budget amounts in the General Fund, \$2,936,199 was left unspent in the instructional services category, \$242,718 was over spent in the system-wide support services category, and \$42,565 was left unspent in the ancillary services category.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Capital Assets**

Capital assets decreased by \$4,377,789 or 3.23% from the previous year. The following is a summary of the capital assets, net of depreciation at year-end.

**Table 3**  
**Summary of Capital Assets**  
**As of June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Land	\$ 4,940,450	\$ 4,934,350	\$ -	\$ -	\$ 4,940,450	\$ 4,934,350
Construction	-	20,870,027	-	-	-	20,870,027
Buildings	106,495,584	86,191,243	-	-	106,495,584	86,191,243
Land improvements	1,321,783	632,783	-	-	1,321,783	632,783
Equipments and furniture	16,303,058	19,882,492	1,433,395	1,594,568	17,736,453	21,477,060
Vehicles	4,855,441	5,622,037	-	-	4,855,441	5,622,037
<b>Total</b>	<b>\$ 133,916,316</b>	<b>\$ 138,132,932</b>	<b>\$ 1,433,395</b>	<b>\$ 1,594,568</b>	<b>\$ 135,349,711</b>	<b>\$ 139,727,500</b>

**Debt Outstanding**

During the year the Board's outstanding debt decreased by \$4,844,047 due mainly to the use of installment financing to pay for school buses and computer equipment for instructional purposes, netted with payments on bus contracts and a computer installment contract from previous years. The Board is limited by North Carolina Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

***Economic Factors***

County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the Board.

The County's population of 142,342 (up slightly compared to the prior year) ranks twenty-first among North Carolina's one hundred counties.

Ideally situated between the Charlotte and Piedmont Triad metro regions of North Carolina, Rowan County is part of the growing corridor along Interstate-85 (I-85). The County's economy has evolved over the last 30 years from a largely agricultural and textile-based economy to a diverse mix of agriculture, manufacturing, commercial, and service sectors. A unique mix of urban and rural areas distinguishes Rowan from other counties in North Carolina.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

***Economic Factors (Continued)***

As has occurred nationally, the economy in Rowan County continued to grow in fiscal year 2019 as demonstrated in the labor market. The County's unemployment rate for the fiscal year ended June 30, 2019 was 4.5 percent. Though this was a slight increase in the County's unemployment rate from 2018 (4.2), the total number of employed people actually increased by 2,192 (3.46%).

Major manufacturing operations in Rowan County include Daimler Trucks North America (heavy duty trucks), Continental Structural Plastics (automotive components) and Gildan (textiles).

Rowan County leaders continue the trend of economic growth and vitality in the community through the development of land and buildings, maintenance of a strong business environment, and emphasis on employee recruitment. The County's focus on business attraction and support will promote the community, bringing in more jobs and investment. The following significant projects were announced, under construction or completed during fiscal year 2019:

- Chewy Inc. (Chewy) - The leading online retailer of pet food and products in the United States announced plans to locate a new, 700,000 square foot, e-commerce fulfillment center at the intersection of Long Ferry Road and Interstate 85 (Exit 81). Chewy will invest \$55 million and create 1,200 new jobs as part of the project. Chewy's plans represent the largest single job announcement in the history of Rowan County.
- McKenzie Sports Products (McKenzie) – The company, based in Rowan County between Granite Quarry and Rockwell, is the world's leading manufacturer and supplier of taxidermy supplies and accessories. McKenzie completed a major expansion in December 2018 with a 51,000 square foot addition to their existing facility. The company invested \$3.1 million into their expansion and added 51 employees.
- StarCom Racing – New Jersey-based StarCom Racing moved to Rowan County in 2018 and purchased a 20,000 square foot facility in Salisbury to serve as its new headquarters. Founded in 2017, StarCom fields the 00 and 99 cars in the Monster Energy NASCAR Cup Series. StarCom's new facility will employ up to 20 persons to support the two cars.
- Utilities Agreement for High Bridge Development – The Rowan County Board of Commissioners and the Kannapolis City Council approved an agreement to bring water and sewer to the proposed High Bridge development at the new Old Beatty Ford interchange on Interstate 85. The Louisiana-based Commercial Properties Realty Trust plans to invest \$500 million in the development of the High Bridge Site for mixed use purposes that include both commercial and residential.
- Site Identification and Development – The Rowan EDC continued its efforts to improve the County's inventory of available industrial sites. These efforts included submitting the 'South Rowan Site' near, China Grove for the Duke Energy Site Readiness Program. The 300+ acre site, located at the intersection of Interstate 85 and Highway 152 (Exit 68), offers excellent interstate visibility and access along with convenience to Charlotte.

The Rowan EDC was established by the County and municipalities to coordinate the recruitment of businesses and jobs to the County. To provide guidance for this effort, the County has adopted a Land Use Plan as well as incentive policies. With strategic transportation access, availability of infrastructure, a well-trained workforce, nationally recognized educational institutions and local financial incentives, Rowan County is actively engaged in attracting and assisting businesses seeking to relocate or expand within the County.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2019**

*Economic Factors (Continued)*

To support this economic development Rowan-Salisbury School System is collaborating with the County, Rowan-Cabarrus Community College, Catawba College, Livingstone College, the Rowan County Chamber of Commerce and other community leaders to strengthen the County's workforce. The Board is committed to graduating students that are enrolled, enlisted or employed.

**Requests for Information**

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

Carol M. Herndon, Chief Financial Officer  
Rowan-Salisbury Board of Education  
P. O. Box 2349  
Salisbury, NC 28145-2349

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**BASIC FINANCIAL STATEMENTS**  
**(Government-wide)**

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## Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,683,511	\$ 2,650,309	\$ 20,333,820
Due from other governments	5,060,130	293,916	5,354,046
Accounts receivable	46,023	2,509	48,532
Net OPEB asset	189,425	6,151	195,576
Inventories	-	249,856	249,856
	<u>22,979,089</u>	<u>3,202,741</u>	<u>26,181,830</u>
Capital assets:			
Land	4,940,450	-	4,940,450
Other capital assets, net of depreciation	128,975,866	1,433,395	130,409,261
Total capital assets	<u>133,916,316</u>	<u>1,433,395</u>	<u>135,349,711</u>
Total assets	<u>156,895,405</u>	<u>4,636,136</u>	<u>161,531,541</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>53,429,140</u>	<u>1,734,950</u>	<u>55,164,090</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	701,413	49,620	751,033
Accrued salaries and benefits	4,787,333	56,082	4,843,415
Unearned revenue	41,672	91,441	133,113
Long-term liabilities:			
Due within one year	11,122,310	237,203	11,359,513
Due in more than one year	7,118,670	37,296	7,155,966
Net pension liability	69,925,945	2,270,634	72,196,579
Net OPEB liability	178,225,521	5,787,337	184,012,858
Total liabilities	<u>271,922,864</u>	<u>8,529,613</u>	<u>280,452,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>93,523,569</u>	<u>3,036,896</u>	<u>96,560,465</u>
<b>NET POSITION</b>			
Net investment in capital assets	125,779,723	1,433,395	127,213,118
Restricted:			
Stabilization by State statute	1,206,351	-	1,206,351
School capital outlay	3,541,700	-	3,541,700
Individual schools	2,273,500	-	2,273,500
DIPNC OPEB Plan	832,609	27,036	859,645
Unrestricted deficit	(288,755,771)	(6,655,854)	(295,411,625)
Total net position	<u>\$ (155,121,888)</u>	<u>\$ (5,195,423)</u>	<u>\$ (160,317,311)</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**

**Statement of Activities**

**For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instructional services:				
Regular instructional	\$ 82,220,562	\$ 114,587	\$ 73,943,510	\$ -
Special populations	18,372,489	-	17,254,522	-
Alternative programs	10,876,948	-	10,546,854	-
School leadership	10,946,671	-	9,454,064	-
Co-curricular	6,171,494	-	74,436	-
School-based support	10,985,764	5,024,955	9,237,991	-
System-wide support services:				
Support and development	1,279,122	-	620,831	-
Special population support and development	1,358,202	-	1,097,313	-
Alternative programs and services support and development	108,034	-	9,030	-
Technology support	1,578,899	-	303,721	-
Operational support	32,242,581	691,293	12,114,621	320,983
Financial and human resource	3,163,735	-	1,038,309	-
Accountability	290,006	-	194,044	-
System-wide pupil support	380,984	-	115,755	-
Policy, leadership, and public relations	1,705,377	-	1,024,119	-
Ancillary services	25,921	-	119,668	-
Non-programmed charges	1,526,366	-	3,023,927	13,614
Interest	86,110	-	-	-
Unallocated depreciation expense	9,314,891	-	-	-
Total governmental activities	<u>192,634,156</u>	<u>5,830,835</u>	<u>140,172,715</u>	<u>334,597</u>
Business-type activities:				
School food service	12,077,095	2,285,575	9,981,144	-
Total business-type activities	<u>12,077,095</u>	<u>2,285,575</u>	<u>9,981,144</u>	<u>-</u>
Total primary government	<u>\$ 204,711,251</u>	<u>\$ 8,116,410</u>	<u>\$ 150,153,859</u>	<u>\$ 334,597</u>

General revenues:

  Unrestricted County appropriations - operating  
  Unrestricted County appropriations - capital  
  Unrestricted miscellaneous - operating  
  Investment earnings, unrestricted  
  Miscellaneous, unrestricted

Transfers

  Total general revenues and transfers

  Change in net position

Beginning net position

Ending net position



<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (8,162,465)	\$ -	\$ (8,162,465)
(1,117,967)	-	(1,117,967)
(330,094)	-	(330,094)
(1,492,607)	-	(1,492,607)
(6,097,058)	-	(6,097,058)
3,277,182	-	3,277,182
(658,291)	-	(658,291)
(260,889)	-	(260,889)
(99,004)	-	(99,004)
(1,275,178)	-	(1,275,178)
(19,115,684)	-	(19,115,684)
(2,125,426)	-	(2,125,426)
(95,962)	-	(95,962)
(265,229)	-	(265,229)
(681,258)	-	(681,258)
93,747	-	93,747
1,511,175	-	1,511,175
(86,110)	-	(86,110)
(9,314,891)	-	(9,314,891)
<u>(46,296,009)</u>	<u>-</u>	<u>(46,296,009)</u>
-	189,624	189,624
-	189,624	189,624
(46,296,009)	189,624	(46,106,385)
36,527,650	-	36,527,650
1,264	-	1,264.00
14,336,482	-	14,336,482
145,676	21,252	166,928
(43,265)	-	(43,265)
(105,564)	105,564	-
<u>50,862,243</u>	<u>126,816</u>	<u>50,989,059</u>
4,566,234	316,440	4,882,674
(159,688,122)	(5,511,863)	(165,199,985)
<u>\$ (155,121,888)</u>	<u>\$ (5,195,423)</u>	<u>\$ (160,317,311)</u>

The accompanying notes to the financial statements are an integral part of these statements

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## **FUND FINANCIAL STATEMENTS**

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**Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2019**

	Major Funds				Non-Major Fund		Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 8,198,226	\$ -	\$ 3,654,028	\$ 3,557,757	\$ 2,273,500	\$ -	\$ 17,683,511
Due from other governments	83,602	3,532,145	4,439	1,072,287	-	367,657	5,060,130
Accounts receivable	8,188	-	31,900	5,935	-	-	46,023
Total assets	<u>\$ 8,290,016</u>	<u>\$ 3,532,145</u>	<u>\$ 3,690,367</u>	<u>\$ 4,635,979</u>	<u>\$ 2,273,500</u>	<u>\$ 367,657</u>	<u>\$ 22,789,664</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 677,507	\$ -	\$ 7,849	\$ 16,057	\$ -	\$ -	\$ 701,413
Accrued salaries and benefits	838,726	3,532,145	48,805	-	-	367,657	4,787,333
Unearned revenue	41,672	-	-	-	-	-	41,672
Total liabilities	<u>1,557,905</u>	<u>3,532,145</u>	<u>56,654</u>	<u>16,057</u>	<u>-</u>	<u>367,657</u>	<u>5,530,418</u>
Fund balances:							
Restricted:							
Stabilization by State statute	91,790	-	36,339	1,078,222	-	-	1,206,351
School capital outlay	-	-	-	3,541,700	-	-	3,541,700
Individual schools	-	-	-	-	2,273,500	-	2,273,500
Assigned:							
Special revenue	-	-	3,597,374	-	-	-	3,597,374
Subsequent year's expenditures	1,495,077	-	-	-	-	-	1,495,077
Unassigned	5,145,244	-	-	-	-	-	5,145,244
Total fund balances	<u>6,732,111</u>	<u>-</u>	<u>3,633,713</u>	<u>4,619,922</u>	<u>2,273,500</u>	<u>-</u>	<u>17,259,246</u>
Total liabilities and fund balances	<u>\$ 8,290,016</u>	<u>\$ 3,532,145</u>	<u>\$ 3,690,367</u>	<u>\$ 4,635,979</u>	<u>\$ 2,273,500</u>	<u>\$ 367,657</u>	<u>\$ 22,789,664</u>

**Reconciliation of the balance sheet to the statement of net position:**

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

Total fund balance - governmental funds	\$ 17,259,246
Net OPEB asset	189,425
Deferred outflows of resources related to pension	38,431,346
Deferred outflows of resources related to OPEB	14,997,794
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	133,916,316
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consisted of:	
Net pension liability	\$ (69,925,945)
Net OPEB liability	(178,225,521)
Compensated absences	(10,104,387)
Installment purchase obligations	<u>(8,136,593)</u>
Deferred inflow of resources related to pension	(1,111,418)
Deferred inflow of resources related to OPEB	<u>(92,412,151)</u>
Net position of governmental activities	<u>\$ (155,121,888)</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

**Exhibit 4**

	Major Funds					Non-Major Fund	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 121,904,598	\$ 617,394	\$ 1,035,847	\$ -	\$ -	\$ 123,557,839
Rowan County	37,214,453	-	100,000	13,323,501	374,995	-	51,012,949
U.S. Government	-	-	408,998	-	-	12,854,338	13,263,336
Other	110,289	-	3,784,872	594,973	5,024,954	-	9,515,088
Total revenues	<u>37,324,742</u>	<u>121,904,598</u>	<u>4,911,264</u>	<u>14,954,321</u>	<u>5,399,949</u>	<u>12,854,338</u>	<u>197,349,212</u>
<b>EXPENDITURES</b>							
Current:							
Instructional services:							
Regular instructional	10,970,810	72,270,703	964,089	-	-	966,100	85,171,702
Special populations	1,507,968	11,980,679	522,221	-	-	4,940,183	18,951,051
Alternative programs	380,773	4,204,804	715,748	-	-	5,903,423	11,204,748
School leadership	1,879,632	9,425,923	12,050	-	-	-	11,317,605
Co-curricular	1,140,451	-	101,821	-	4,957,467	-	6,199,739
School-based support	2,078,401	8,643,770	4,075	-	-	568,717	11,294,963
System-wide support services:							
Support and development	691,118	506,504	33,330	-	-	86,439	1,317,391
Special population support and development	310,386	1,031,095	-	-	-	62,779	1,404,260
Alternative programs and services support and development	103,114	-	-	-	-	7,887	111,001
Technology support	1,330,963	288,972	-	-	-	-	1,619,935
Operational support	12,367,484	10,049,308	1,544,546	-	-	28,090	23,989,428
Financial and human resource	2,236,033	1,013,531	-	-	-	-	3,249,564
Accountability	105,837	192,871	-	-	-	-	298,708
System-wide pupil support	279,833	112,654	-	-	-	-	392,487
Policy, leadership, and public relations	637,716	880,912	224,310	-	-	-	1,742,938
Ancillary services	15,207	-	-	-	-	13,935	29,142
Non-programmed charges	1,243,445	-	6,135	-	-	276,785	1,526,365
Debt service:							
Principal	215,513	1,197,308	2,395,379	1,035,847	-	-	4,844,047
Interest	86,110	-	-	-	-	-	86,110
Capital projects:							
Real property and buildings	-	-	5,486	12,187,298	-	-	12,192,784
Furniture and equipment	-	-	-	913,585	-	-	913,585
Buses and motor vehicles	-	-	-	138,314	-	-	138,314
Total expenditures	<u>37,580,794</u>	<u>121,799,034</u>	<u>6,529,190</u>	<u>14,275,044</u>	<u>4,957,467</u>	<u>12,854,338</u>	<u>197,995,867</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

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

	<u>Major Funds</u>					<u>Non-Major</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Special Revenue</u>	<u>Capital Outlay</u>	<u>Individual Schools</u>	<u>Federal Grants</u>	
Excess (deficiency) of revenues over expenditures	(256,052)	105,564	(1,617,926)	679,277	442,482	-	(646,655)
<b>OTHER FINANCING SOURCES</b>							
Transfers to other funds	-	(105,564)	-	-	-	-	(105,564)
Total other financing sources	-	(105,564)	-	-	-	-	(105,564)
Net change in fund balance	(256,052)	-	(1,617,926)	679,277	442,482	-	(752,219)
<b>FUND BALANCE</b>							
Beginning of year	6,988,163	-	5,251,639	3,940,645	1,831,018	-	18,011,465
Restatement of beginning fund balance	-	-	-	-	-	-	-
End of year	<u>\$ 6,732,111</u>	<u>\$ -</u>	<u>\$ 3,633,713</u>	<u>\$ 4,619,922</u>	<u>\$ 2,273,500</u>	<u>\$ -</u>	<u>\$ 17,259,246</u>

**Reconciliation of the statement of revenues, expenditures, and changes in fund balances  
governmental funds to the statement of activities:**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ (752,219)
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 expense exceeded capital outlays in the current period.	(4,173,351)
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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Repayment of debt	4,844,047
Issuance of debt	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(2,719,771)
OPEB expense	7,380,404
Compensated absences	30,389
Loss on disposal of assets	(43,265)
Total changes in net position of governmental activities	<u>\$ 4,566,234</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2019**

	<b>General Fund</b>			
	Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Rowan County	36,491,372	37,583,684	37,214,453	(369,231)
U.S. Government	-	-	-	-
Other	3,825,467	71,857	110,289	38,432
Total revenues	<u>40,316,839</u>	<u>37,655,541</u>	<u>37,324,742</u>	<u>(330,799)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional			10,970,810	
Special populations			1,507,968	
Alternative programs			380,773	
School leadership			1,879,632	
Co-curricular			1,140,451	
School-based support			<u>2,078,401</u>	
Total instructional services	<u>21,256,575</u>	<u>20,894,234</u>	<u>17,958,035</u>	<u>2,936,199</u>
System-wide support services:				
Support and development			691,118	
Special population support and development			310,386	
Alternative programs and services support and development			103,114	
Technology support			1,330,963	
Operational support			12,367,484	
Financial and human resource			2,236,033	
Accountability			105,837	
System-wide pupil support			279,833	
Policy, leadership, and public relations			<u>637,716</u>	
Total system-wide support services	<u>18,002,492</u>	<u>17,819,766</u>	<u>18,062,484</u>	<u>(242,718)</u>
Ancillary services	<u>57,772</u>	<u>57,772</u>	<u>15,207</u>	<u>42,565</u>
Non-programmed charges	<u>1,000,000</u>	<u>1,243,445</u>	<u>1,243,445</u>	<u>-</u>
Debt service:				
Principal	-	215,513	215,513	-
Interest	-	86,110	86,110	-
	<u>-</u>	<u>301,623</u>	<u>301,623</u>	<u>-</u>
Total expenditures	<u>40,316,839</u>	<u>40,316,840</u>	<u>37,580,794</u>	<u>2,736,046</u>
Revenues over (under) expenditures	<u>-</u>	<u>(2,661,299)</u>	<u>(256,052)</u>	<u>2,405,247</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>2,661,299</u>	<u>-</u>	<u>(2,661,299)</u>
Total other financing sources (uses)	<u>-</u>	<u>2,661,299</u>	<u>-</u>	<u>(2,661,299)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(256,052)</u>	<u>\$ (256,052)</u>
Fund balances, beginning			<u>6,988,163</u>	
Fund balances, ending			<u>\$ 6,732,111</u>	

<b>State Public School Fund</b>					
Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)		
Original	Final				
\$ 120,475,415	\$ 122,569,342	\$ 121,904,598	\$ (664,744)		
-	-	-	-		
-	-	-	-		
-	-	-	-		
<u>120,475,415</u>	<u>122,569,342</u>	<u>121,904,598</u>	<u>(664,744)</u>		
		72,270,703			
		11,980,679			
		4,204,804			
		9,425,923			
		-			
		<u>8,643,770</u>			
<u>105,813,577</u>	<u>107,191,588</u>	<u>106,525,879</u>	<u>665,709</u>		
		506,504			
		1,031,095			
		-			
		288,972			
		10,049,308			
		1,013,531			
		192,871			
		112,654			
		<u>880,912</u>			
<u>14,661,838</u>	<u>14,074,882</u>	<u>14,075,847</u>	<u>(965)</u>		
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>-</u>	<u>1,197,308</u>	<u>1,197,308</u>	<u>-</u>		
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>-</u>	<u>1,197,308</u>	<u>1,197,308</u>	<u>-</u>		
<u>120,475,415</u>	<u>122,463,778</u>	<u>121,799,034</u>	<u>664,744</u>		
<u>-</u>	<u>105,564</u>	<u>105,564</u>	<u>-</u>		
<u>-</u>	<u>(105,564)</u>	<u>(105,564)</u>	<u>-</u>		
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<u>-</u>	<u>(105,564)</u>	<u>(105,564)</u>	<u>-</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>		
		<u>-</u>			
		<u>\$ -</u>			

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2019**

**Exhibit 5**  
**(Continued)**

	Special Revenue Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina:				
N.C. Pre-Kindergarten Program	\$ 875,876	\$ 875,876	\$ 617,394	\$ (258,482)
U.S. Government				
ROTC	-	408,998	408,998	-
Rowan County				
School nurse funding	100,000	100,000	100,000	-
Other:				
Tuition and fees	12,000	145,350	129,051	(16,299)
Indirect cost	-	-	419,788	419,788
Interest earned	-	-	439	439
Disposition of fixed asset	-	-	26,824	26,824
Local government sales tax refund	-	-	346,506	346,506
Medicaid direct services reimbursement	205,963	688,936	1,094,848	405,912
Laptop/iPad 1:1 Initiative	-	-	394,445	394,445
Miscellaneous local operating revenues	3,835,640	5,222,897	1,372,971	(3,849,926)
Total other	<u>4,053,603</u>	<u>6,057,183</u>	<u>3,784,872</u>	<u>(2,272,311)</u>
Total revenues	<u>5,029,479</u>	<u>7,033,059</u>	<u>4,911,264</u>	<u>(2,530,793)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional			964,089	
Special populations			522,221	
Alternative programs			715,748	
School leadership			12,050	
Co-curricular			101,821	
School-based support			4,075	
Total instructional services	<u>3,622,282</u>	<u>2,825,845</u>	<u>2,320,004</u>	<u>505,841</u>
System-wide support services:				
Support and development			33,330	
Operational support			1,544,546	
Policy, leadership, and public relations			224,310	
Total system-wide support services	<u>998,898</u>	<u>2,180,064</u>	<u>1,802,186</u>	<u>377,878</u>
Ancillary services	<u>22,975</u>	<u>22,975</u>	<u>-</u>	<u>22,975</u>
Non-programmed charges	<u>2,367</u>	<u>7,367</u>	<u>6,135</u>	<u>1,232</u>
Debt service:				
Principal	<u>-</u>	<u>2,395,379</u>	<u>2,395,379</u>	<u>-</u>
Capital outlay	<u>382,957</u>	<u>10,427</u>	<u>5,486</u>	<u>4,941</u>
Total expenditures	<u>5,029,479</u>	<u>7,442,057</u>	<u>6,529,190</u>	<u>912,867</u>
Revenues over (under) expenditures	<u>-</u>	<u>(408,998)</u>	<u>(1,617,926)</u>	<u>(1,617,926)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (408,998)</u>	<u>(1,617,926)</u>	<u>\$ (1,617,926)</u>
Fund balance, beginning			5,251,639	
Fund balance, ending			<u>\$ 3,633,713</u>	

The accompanying notes to the financial statements are an integral part of these statements



**Statement of Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,650,309
Due from other governments	293,916
Accounts receivable	2,509
OPEB asset	6,151
Inventories	249,856
Total current assets	3,202,741
Noncurrent assets:	
Capital assets:	
Capital assets, net of depreciation	1,433,395
Total assets	4,636,136
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,734,950
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	49,620
Accrued salaries and benefits	56,082
Unearned revenue	91,441
Compensated absences payable	237,203
Total current liabilities	434,346
Noncurrent liabilities:	
Compensated absences	37,296
Net pension liability	2,270,634
Net OPEB liability	5,787,337
Total liabilities	8,529,613
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,036,896
<b>NET POSITION</b>	
Net investment in capital assets	1,433,395
DIPNC OPEB Plan	27,036
Unrestricted	(6,655,854)
Total net position	\$ (5,195,423)

The accompanying notes to the financial statements are an integral part of these statements

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2019

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service Fund</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 2,280,159
Miscellaneous local operating revenue	5,416
Total operating revenues	<u>2,285,575</u>
<b>OPERATING EXPENSES</b>	
Purchase of food	5,032,427
Salaries and benefits	5,674,747
Indirect costs	730,677
Utilities and telephone	9,016
Materials and supplies	237,767
Contracted services	47,765
Equipment and maintenance	13,904
Depreciation	242,955
Travel	35,832
Other	52,005
Total operating expenses	<u>12,077,095</u>
Operating loss	<u>(9,791,520)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	8,681,396
Federal commodities	700,972
Indirect cost	580,833
State reimbursements	13,943
Interest earned on investments	21,252
Contributions and Donations	4,000
Total nonoperating revenues	<u>10,002,396</u>
Loss before transfers	210,876
Transfers from other fund	<u>105,564</u>
Change in net position	316,440
<b>NET POSITION</b>	
Beginning of year	<u>(5,511,863)</u>
End of year	<u>\$ (5,195,423)</u>

The accompanying notes to the financial statements are an integral part of these statements

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**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,453,424
Cash paid for goods and services	(4,868,230)
Cash paid to employees for services	(5,967,698)
Net cash used by operating activities	(8,382,504)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	8,681,396
State reimbursements	13,943
Miscellaneous	4,000
Operating transfers in	
Net cash provided by noncapital financing activities	8,699,339
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(81,782)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	21,252
Net decrease in cash	256,305
<b>CASH - BEGINNING OF YEAR</b>	2,394,004
<b>CASH - END OF YEAR</b>	\$ 2,650,309

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service Fund</b>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (9,791,520)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	242,955
Donated commodities	700,972
Salaries paid by special revenue fund	105,564
Indirect costs not paid	580,833
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in due from other governments	69,251
Decrease in due from other funds	80,436
Increase in accounts receivable	(771)
Decrease in net OPEB asset	6,494
Increase in deferred outflows	(247,611)
Decrease in inventories	25,501
Decrease in accounts payable	(16,143)
Increase in accrued liabilities	9,634
Increase in due to other funds	8,274
Increase in net pension liability	411,950
Decrease in net OPEB liability	(1,143,076)
Increase in deferred inflows	542,724
Increase in compensated absences liability	21,370
Increase in unearned revenue	10,659
Total adjustments	1,409,016
Net cash used by operating activities	\$ (8,382,504)

Noncash investing, capital, and financing activities:

The School Food Service Fund consumed donated commodities with a value of \$700,972 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 7.

The accompanying notes to the financial statements are an integral part of these statements

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Rowan-Salisbury Board of Education, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A) Reporting Entity**

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

**B) Basis of Presentation**

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

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

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

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B) Basis of Presentation (Continued)**

The Board reports the following major governmental funds:

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

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

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

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

**Special Revenue Fund:** The Special Revenue Fund includes grants, reimbursements, and other special revenues that are not accounted for in the General Fund.

The Board reports the following non-major governmental fund:

**Federal Grants Fund:** The Federal Grants Fund includes appropriations from the federal government for the funding of specific federal programs.

The Board reports the following major enterprise funds:

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

**C) Measurement Focus and Basis of Accounting**

**Government-wide and Proprietary Fund Financial Statements:** The government-wide and proprietary 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.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C) Measurement Focus and Basis of Accounting (Continued)**

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

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

**D) Budgetary Data**

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools' Special Revenue Funds, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Superintendent and Finance Officer are authorized to transfer appropriations within a purpose code within a fund with proper justification. Transfers between funds require governing board approval. Copies of the Budget Resolution shall be immediately furnished to the Superintendent and the Finance Officer for direction in carrying out their duties.

During the year, significant amendments to the budget were necessary and were appropriately approved by the Board.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity**

**1) Deposits and Investments**

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund allowable by G.S. 159-30(c)(8); and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAA rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

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

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2019 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

**2) Cash and Cash Equivalents**

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**3) Inventories**

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

**4) Capital Assets**

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1970 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Rowan 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:

Buildings	50 years
Building improvements	20 years
Furniture and Equipment	10 years
Vehicles	6 years

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the statement of activities.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**5) 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 several items that meet this criterion – pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion – pension and OPEB related deferrals.

**6) Long-term Obligations**

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

**7) Compensated Absences**

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and salary-related payments as of June 30, 2019 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences based on prior years’ records has been made.

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

**8) Net Position/Fund Balances**

Net Position

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

Fund Balance

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**8) Net Position/Fund Balances (Continued)**

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 a spendable form or (b) legally or contractually required to be maintained intact. The Board did not have any nonspendable fund balance at June 30, 2019.

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

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

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

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

**Committed Fund Balance** - portion of fund balance that can only be used for a specific purpose imposed by a majority vote by quorum of the Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action. The Board did not have any committed fund balance at June 30, 2019.

**Assigned Fund Balance** - portion of fund balance that the Rowan-Salisbury Board of Education intends to use for specific purposes.

Special Revenue - portion of fund balance that will be used by special revenue fund activities, as determined by the governing body.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approved the appropriation.

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**8) Net Position/Fund Balances (Continued)**

The Rowan-Salisbury Board of Education, North Carolina has a revenue spending policy 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, 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.

**9) Reconciliation of Government-wide and Fund Financial Statements**

- a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.

The governmental funds balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(172,381,134) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 265,977,934
Less accumulated depreciation	(132,061,618)
Net capital assets	133,916,316
Net OPEB asset	189,425
Pension related deferred outflows of resources	38,431,346
OPEB related deferred outflows of resources	14,997,794
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:	
Compensated absences	(10,104,387)
Installment purchases	(8,136,593)
Net pension liability	(69,925,945)
Net OPEB liability	(178,225,521)
Deferred inflows of resources related to pensions	(1,111,418)
Deferred inflows of resources related to OPEB	(92,412,151)
Total adjustments	\$ (172,381,134)

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**9) Reconciliation of Government-wide and Fund Financial Statements (Continued)**

b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental funds 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 \$5,318,453 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 6,500,025
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(10,673,376)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements.	4,844,047
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension expense	(2,719,771)
OPEB Expense	7,380,404
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	30,389
Loss on disposal of assets	(43,265)
Total adjustments	\$ 5,318,453

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity (Continued)**

**10) Defined Benefit Pension Plan and OPEB Plans**

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

**II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A) Significant Violations of Finance-Related Legal and Contractual Provisions**

**Noncompliance with North Carolina General Statutes**

None

**Contractual Violations**

None

**B) Excess of Expenditures over Appropriations**

During fiscal year ended June 30, 2019, the Board reported expenditures within the General Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$242,718. Management will amend procedures to ensure compliance with budget requirements.

**C) Deficits in Fund Balance or Net Position of Individual Funds**

None



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS**

**IV) Assets**

**1) Deposits**

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agent 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, 2019, the Board had deposits with banks and savings and loans with a carrying amount of \$9,272,034. The bank balances with the financial institutions and the State Treasurer were \$10,868,903 and \$7,539,652, respectively. Of these balances, \$1,129,146 was covered by federal depository insurance and \$17,279,409 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board had \$17,835 in petty cash at June 30, 2019.

**2) Investments**

At June 30, 2019 the Board of Education had \$11,043,951 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted maturity of 1.4 years at June 30, 2019.

*Interest Rate Risk:* The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of 1.4 years as of June 30, 2019.

*Credit Risk:* The STIF is unrated and is authorized under North Carolina General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

*Concentration of Credit Risk:* The Board places no limit on the amount the Board may invest in any one issuer. More than 5 percent of the Board's investments are in the State Treasurer's Short Term Investment Fund. This investment is 100% of the Board's total investments.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**3) Accounts Receivable**

Receivables at the government-wide level at June 30, 2019, were as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 83,602	\$ 8,188	\$ 91,790
Other governmental activities	4,976,528	37,835	5,014,363
Total	\$ 5,060,130	\$ 46,023	\$ 5,106,153
Business-type activities:			
School food service fund	\$ 293,916	\$ 2,509	\$ 296,425

Due from other governments consists of the following:

Governmental activities:

General Fund	\$ 83,602	Miscellaneous receivable
State Public School Fund	3,532,145	Operating funds from DPI
Special Revenue Fund	4,439	Sales tax refund
Capital Outlay Fund	1,072,287	County sales tax revenue
Federal Fund	367,657	Federal grant funds
Total	\$ 5,060,130	

Business-type activities:

School Food Service Fund	\$ 293,916	Federal reimbursements
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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,934,350	\$ 6,100	\$ -	\$ 4,940,450
Construction in progress	<u>20,870,027</u>	<u>-</u>	<u>20,870,027</u>	<u>-</u>
Total capital assets not being depreciated	<u>25,804,377</u>	<u>6,100</u>	<u>20,870,027</u>	<u>4,940,450</u>
Capital assets being depreciated:				
Buildings	169,624,866	23,527,327	43,877	193,108,316
Land improvements	4,936,850	937,121	5,364	5,868,607
Furniture and equipment	40,053,752	2,307,615	36,027	42,325,340
Vehicles	<u>19,865,235</u>	<u>591,889</u>	<u>721,903</u>	<u>19,735,221</u>
Total capital assets being depreciated	<u>234,480,703</u>	<u>27,363,952</u>	<u>807,171</u>	<u>261,037,484</u>
Less accumulated depreciaton for:				
Buildings	83,433,623	3,196,123	17,014	86,612,732
Land improvements	4,304,067	245,580	2,823	4,546,824
Furniture and equipment	20,171,260	5,873,188	22,166	26,022,282
Vehicles	<u>14,243,198</u>	<u>1,358,485</u>	<u>721,903</u>	<u>14,879,780</u>
Total accumulated depreciation	<u>122,152,148</u>	<u>10,673,376</u>	<u>763,906</u>	<u>132,061,618</u>
Total capital assets being depreciated, net	<u>112,328,555</u>			<u>128,975,866</u>
Governmental activity capital assets, net	<u>\$ 138,132,932</u>			<u>\$ 133,916,316</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 9,314,891
Operational support services	<u>1,358,485</u>
Total	<u><u>\$ 10,673,376</u></u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 5,404,342	\$ 81,782	\$ -	\$ 5,486,124
Less accumulated depreciation for:				
Furniture and equipment	3,809,774	242,955	-	4,052,729
School Food Service Fund capital assets, net	<u>\$ 1,594,568</u>			<u>\$ 1,433,395</u>

Net investment in capital assets is calculated as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets	\$ 265,977,934	\$ 5,486,124	\$271,464,058
Less:			
Accumulated depreciation	(132,061,618)	(4,052,729)	(136,114,347)
Installment purchase obligations	(8,136,593)		(8,136,593)
Total	<u>\$ 125,779,723</u>	<u>\$ 1,433,395</u>	<u>\$127,213,118</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities**

**1) Pension Plan and Other Postemployment Obligations**

**a) Teachers' and State Employees' Retirement System**

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

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

**Contributions.** Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2019, was 12.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$13,041,991, \$11,133,961, and \$10,076,456 for the years ended June 30, 2019, 2018 and 2017, respectively.

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

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

At June 30, 2019, the Board reported a liability of \$72,196,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. The Board's proportion was .725%, .724%, and .718% as of June 30, 2019, 2018, and 2017, respectively.

For the year ended June 30, 2019, the Board recognized pension expense of \$15,821,674. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,268,954	\$ 724,541
Changes of assumptions	14,487,997	-
Net difference between projected and actual earnings on pension plan investments	6,880,346	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	422,967
Board contributions subsequent to the measurement date	<u>13,041,991</u>	<u>-</u>
Total	<u>\$ 39,679,288</u>	<u>\$ 1,147,508</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

\$13,041,991 was reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 15,040,014
2021	9,464,792
2022	1,111,326
2023	(126,343)
2024	-
Thereafter	-
	<u>\$ 25,489,789</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The assumptions used for the December 31, 2017 actuarial valuation were based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016, Future ad hoc COLA (Cost of Living Allowance) amounts are not considered to be substantively automatic and are therefore not included in the measurement.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

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, 2018 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	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.00%. All rates of return and inflation are annualized.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 137,691,112	\$ 72,196,579	\$ 17,240,180

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

**b) Other Postemployment Benefits**

**1) Healthcare Benefits**

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

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

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

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

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

**Contributions.** By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.27% of covered payroll which amounted to \$6,653,644.

At June 30, 2019, the Board reported a liability of \$184,012,858 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. The Board's proportion was .646% and .654% as of June 30, 2019 and 2018, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

For the year ended June 30, 2019, the Board recognized RHBP expense of \$(1,075,252). At June 30, 2019 the Board reported deferred outflows of resources and deferred inflows of resources related to RHBP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,583,611
Changes of assumptions	-	79,718,619
Net difference between projected and actual earnings on pension plan investments	19,790	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	8,132,392	3,095,820
Board contributions subsequent to the measurement date	<u>6,653,644</u>	<u>-</u>
Total	<u>\$ 14,805,826</u>	<u>\$ 95,398,050</u>

\$6,653,644 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (19,986,781)
2021	(19,986,781)
2022	(19,986,781)
2023	(19,967,105)
2024	(7,318,420)
Thereafter	-
	<u>\$ (87,245,868)</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

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

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including 3.5 percent inflation and productivity factor
Investment rate of return	7.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00 to 6.50 percent
Healthcare cost trend rate - prescription drugs	5.00 to 7.25 percent
Healthcare cost trend rate - Medicare advantage	4.00 to 5.00 percent
Healthcare cost trend rate - administrative	3.00 percent

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBFB was 3.87%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 217,413,050	\$ 184,012,858	\$ 157,239,023

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (Medical - 5.50%, Pharmacy - 6.25%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%)	1% Increase (Medical - 7.50%, Pharmacy - 8.25%, Administrative - 4.00%)
Net OPEB liability	\$ 151,805,818	\$ 184,012,858	\$ 226,294,394

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

**2) Disability Benefits**

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2019, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$148,566 for the year ended June 30, 2019.

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 another postemployment benefit.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

At June 30, 2019, Board reported an asset of \$195,576 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. The Board's proportion was 0.644% and .640% as of June 30, 2019 and 2018, respectively.

For the year ended June 30, 2019, the Board recognized DIPNC expense of \$7,568. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to RHBP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 341,163	\$ -
Changes of assumptions	36,931	-
Net difference between projected and actual earnings on pension plan investments	152,316	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	14,907
Board contributions subsequent to the measurement date	148,566	-
Total	\$ 678,976	\$ 14,907

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

\$148,566 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$	125,804
2021		125,785
2022		93,094
2023		71,558
2024		49,641
Thereafter		49,621
		<u>\$ 515,503</u>

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

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including 3.50 percent inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB expense, including inflation

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB liability	\$ 149,856	\$ 195,576	\$ 239,435

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**AIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Disability Benefits (Continued)**

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ (1,075,252)	\$ 7,568	\$ (1,067,684)
OPEB liability (asset)	184,012,858	(195,576)	183,817,282
Proportionate share of the net OPEB liability (asset)	0.646%	0.644%	
<b>Deferred Outflows of Resources</b>			
Difference between expected and actual experience	-	341,163	341,163
Change in assumptions	-	36,931	36,931
Net difference between projected and actual earnings on plan investments	19,790	152,316	172,106
Changes in proportion and differences between Board contributions and proportionate share of contributions	8,132,392	-	8,132,392
Board contributions subsequent to the measurement date	6,653,644	148,566	6,802,210
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	12,583,611	-	12,583,611
Change in assumptions	79,718,619	-	79,718,619
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,095,820	14,907	3,110,727

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**2) Accounts Payable**

Accounts payable as of June 30, 2019, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 677,507	\$ 838,726	\$ 1,516,233
Other Governmental Funds	23,906	3,948,607	3,972,513
	<u>\$ 701,413</u>	<u>\$ 4,787,333</u>	<u>\$ 5,488,746</u>
Total governmental activities			
Business-type activities			
School Food Service Fund	<u>\$ 49,620</u>	<u>\$ 56,082</u>	<u>\$ 105,702</u>

**3) Deferred Outflows and Inflows of Resources**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,610,117	\$ 13,308,152
Changes of assumptions	14,524,928	79,718,619
Net difference between projected and actual earnings on pension plan investments	7,052,452	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	8,132,392	3,533,694
Board contributions subsequent to the measurement date	<u>19,844,201</u>	<u>-</u>
Total	<u>\$ 55,164,090</u>	<u>\$ 96,560,465</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**4) Risk Management**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases insurance coverage through Continental Western Insurance Company. The Board maintains general liability and errors and omissions coverage of \$1 million each occurrence limit. The Board purchases workers' compensation insurance through Republic Indemnity Insurance Company and the coverage provides 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. Continental Western Insurance Company has an annual aggregate limit for general liability of \$2,000,000 and \$2,000,000 for errors and omissions. The Board also purchases property insurance through the Firemen's Insurance Company of Washington, DC to insure the tangible property assets of the Board. The Board's property insurance policy provides a blanket insurance limit of approximately \$546,200,000 on the Building and Contents. There is no co-insurance and the property is insured on a replacement cost basis. The property deductible is \$5,000 per occurrence. The property policy provides a \$5,000,000 limit for Flood and Earthquake with a \$25,000 deductible. The Firemen's Insurance Company of Washington DC and Continental Western Insurance Company are rated A+ by AM Best and Republic Indemnity Company of America is rated A by AM Best.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time 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 \$215,000.

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

**5) Contingent Liabilities**

At June 30, 2019, the Board was a defendant to a lawsuit. In the opinion of the Board's management and the Board's attorney, the ultimate effect of the legal matter will not have a material adverse effect on the Board's financial position.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**6) Long-Term Obligations**

**a) Installment Purchases**

Energy Conservation

The Board is authorized by State law [G.S.115C-47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. The Board entered into such a contract to reduce the energy costs associated with the administrative office and various schools. The financing contract requires principal payments for fifteen years beginning in the fiscal year 2016 with an interest rate of 2.65%. The future minimum payments of the energy conservation installment purchase as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 80,308	\$ 224,712	\$ 305,020
2021	74,260	230,716	304,976
2022	68,189	229,749	297,938
2023	62,008	239,173	301,181
2024	55,574	248,888	304,462
2025-2029	171,960	1,400,906	1,572,866
2030-2031	14,106	539,835	553,941
	<u>\$ 526,404</u>	<u>\$ 3,113,980</u>	<u>\$ 3,640,384</u>

Computer Equipment

As authorized in State law [G.S.115C-528(a)], the Board entered into a \$13,778,062 installment purchase contract to finance the purchase of computer equipment for instructional purposes and classroom engagement. The lease agreement qualified as a capital lease for accounting purposes; therefore, the obligation has been recorded at the present value of the future minimum lease payments as of the date of its inception.

At June 30, 2019 assets recorded under the capital lease were as follows:

<u>Class of property</u>	<u>Cost</u>	<u>Accumulated Deprectiaion</u>	<u>Net Book Value</u>
Computers	\$ 13,778,062	\$ 5,740,859	\$ 8,037,203

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**6) Long-Term Obligations**

**a) Installment Purchases (Continued)**

The future minimum payments of the computer equipment installment purchase as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 3,592,688

School Buses

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 monies for the payments on financing contracts entered into pursuant to G.S.115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing agreement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase prices. In 2019 the Board did not enter into installment purchase contract to finance the purchase of any buses.

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30,2019:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
<b>Governmental activities</b>					
Installment purchase	\$ 12,980,640	\$ -	\$ 4,844,047	\$ 8,136,593	\$ 4,732,819
Net pension liability	55,612,059	14,313,886	-	69,925,945	-
Net OPEB liability	207,358,811	-	29,133,290	178,225,521	-
Compensated absences	10,134,776	7,925,259	7,955,648	10,104,387	6,389,491
Total	\$ 286,086,286	\$ 22,239,145	\$ 41,932,985	\$ 266,392,446	\$ 11,122,310
<b>Business-type activities</b>					
Net pension liability	\$ 1,858,684	\$ 411,950	\$ -	\$ 2,270,634	\$ -
Net OPEB liability	6,930,413	-	1,143,076	5,787,337	-
Compensated absences	253,129	305,131	283,761	274,499	237,203
Total	\$ 9,042,226	\$ 717,081	\$ 1,426,837	\$ 8,332,470	\$ 237,203

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**III) DETAIL NOTES ON ALL FUNDS (Continued)**

**C) Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2019, consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative cost	<u>\$ 105,564</u>
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**D) Fund Balance**

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

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

Total fund balance - General Fund	\$ 6,732,111
Less:	
Stabilization by State Statute	91,790
Appropriated fund balance in 2019 budget	<u>1,495,077</u>
Remaining fund balance	<u>\$ 5,145,244</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. The Board has no encumbrances as of June 30, 2019.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**June 30, 2019**

**IV) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.

**V) SUBSEQUENT EVENTS**

Management has evaluated subsequent events were through November 18, 2019, which is the date the financial statements were available to be issued, and no events have occurred that required recognition or disclosure for the year ended June 30, 2019.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Schedule of Board Contributions  
Teachers' and State Employees' Retirement System

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

Schedule of Board Contributions  
Retiree Health Benefit Fund

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

Schedule of Board Contributions  
Disability Income Plan of North Carolina

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of the Board's Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Six Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net pension liability	0.725%	0.724%	0.718%
Board's proportionate share of the net pension liability	\$ 72,196,579	\$ 57,470,743	\$ 66,005,403
Board's covered-employee payroll	\$ 104,518,265	\$ 101,665,624	\$ 97,536,068
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.08%	56.53%	67.67%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	0.712%	0.724%	0.766%
Board's proportionate share of the net pension liability	\$ 26,229,765	\$ 8,483,052	\$ 46,504,006
Board's covered-employee payroll	\$ 98,177,285	\$ 96,996,779	\$ 98,451,911
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.72%	8.75%	47.24%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Board Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 13,041,991	\$ 11,133,961	\$ 10,076,456
Contributions in relation to the contractually required contribution	<u>13,041,991</u>	<u>11,133,961</u>	<u>10,076,456</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 107,300,703	\$ 104,518,265	\$ 101,665,624
Contributions as a percentage of covered-employee payroll	12.155%	10.653%	9.911%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,833,389	\$ 8,890,540	\$ 8,299,058
Contributions in relation to the contractually required contribution	<u>8,833,389</u>	<u>8,890,540</u>	<u>8,299,058</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 97,536,068	\$ 98,177,285	\$ 96,996,779
Contributions as a percentage of covered-employee payroll	9.057%	9.056%	8.556%

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Plan**  
**Last Three Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.646%	0.654%	0.625%
Board's proportionate share of the net OPEB liability	\$ 184,012,858	\$ 214,289,224	\$ 271,770,267
Board's covered-employee payroll	\$ 104,518,265	\$ 101,665,624	\$ 97,536,068
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	176.06%	210.78%	278.64%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Board Contributions**  
**Retiree Health Benefit Fund**  
**Last Three Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 6,653,644	\$ 6,248,652	\$ 6,248,652
Contributions in relation to the contractually required contribution	<u>\$ 6,653,644</u>	<u>\$ 6,248,652</u>	<u>\$ 5,839,352</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 107,300,703	\$ 104,518,265	\$ 101,665,624
Contributions as a percentage of covered-employee payroll	6.20%	5.98%	5.74%

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of the Board's Proportionate Share of the Net OPEB Asset**  
**Disability Income Plan of North Carolina**  
**Last Three Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.644%	0.640%	0.639%
Board's proportionate share of the net OPEB asset	\$ 195,576	\$ 390,997	\$ 396,807
Board's covered-employee payroll	\$ 104,518,265	\$ 101,665,624	\$ 97,536,068
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.19%	0.38%	0.41%
Plan fiduciary net position as a percentage of the total OPEB asset	108.47%	116.23%	116.06%



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Board Contributions**  
**Disability Income Plan of North Carolina**  
**Last Three Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 148,566	\$ 144,597	\$ 381,920
Contributions in relation to the contractually required contribution	<u>148,566</u>	<u>144,597</u>	<u>381,920</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 107,300,703	\$ 104,518,265	\$ 101,665,624
Contributions as a percentage of covered-employee payroll	0.138%	0.138%	0.376%

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## **INDIVIDUAL FUND SCHEDULES**

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Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Rowan County:			
County appropriation	\$ 36,491,372	\$ 36,138,191	\$ (353,181)
Fines and forfeitures	675,876	659,826	(16,050)
Charter school funding	416,436	416,436	-
Total Rowan County	<u>37,583,684</u>	<u>37,214,453</u>	<u>(369,231)</u>
Other:			
Interest earned	71,857	104,754	32,897
Other	-	5,535	5,535
Total other	<u>71,857</u>	<u>110,289</u>	<u>38,432</u>
Total revenues	<u>37,655,541</u>	<u>37,324,742</u>	<u>(330,799)</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional		10,970,810	
Special populations		1,507,968	
Alternative programs		380,773	
School leadership		1,879,632	
Co-curricular		1,140,451	
School based support		2,078,401	
Total instructional services	<u>20,894,234</u>	<u>17,958,035</u>	<u>2,936,199</u>
System-wide support services:			
Support and development		691,118	
Special population support and development		310,386	
Alternative programs and services support and development		103,114	
Technology support		1,330,963	
Operational support		12,367,484	
Financial and human resource		2,236,033	
Accountability		105,837	
System-wide pupil support		279,833	
Policy, leadership, and public relations		637,716	
Total system-wide support services	<u>17,819,766</u>	<u>18,062,484</u>	<u>(242,718)</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

**Schedule 1**  
**(Continued)**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
Ancillary services	57,772	15,207	42,565
Non-programmed charges	1,243,445	1,243,445	-
Debt service:			
Principal	215,513	215,513	-
Interest	86,110	86,110	-
	301,623	301,623	-
Total expenditures	40,316,840	37,580,794	2,736,046
Revenues under expenditures	(2,661,299)	(256,052)	2,405,247
<b>APPROPRIATED FUND BALANCE</b>	2,661,299	-	(2,661,299)
Net change in fund balance	\$ -	(256,052)	\$ (256,052)
<b>FUND BALANCE</b>			
Beginning of year		\$ 6,988,163	
End of year		\$ 6,732,111	

**Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
Federal Grants Fund  
For the Year Ended June 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
U.S. Government	\$ 18,968,948	\$ 12,854,338	\$ (6,114,610)
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional		966,100	
Special populations		4,940,183	
Alternative programs		5,903,423	
School based support		568,717	
Total instructional services	17,542,518	12,378,423	5,164,095
System-wide support services:			
Support and development		86,439	
Special population support and development		62,779	
Alternative programs and services support and development		7,887	
Operational support		28,090	
Total system-wide support services	765,428	185,195	580,233
Ancillary services	13,935	13,935	-
Non-programmed charges	647,067	276,785	370,282
Total expenditures	18,968,948	12,854,338	6,114,610
Net change in fund balance	\$ -	-	\$ -
<b>FUND BALANCE</b>			
Beginning of year		-	
End of year		\$ -	

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**      **Schedule 3**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State of North Carolina	\$ 1,035,847	\$ 1,035,847	\$ -
Rowan County	2,576,985	13,323,501	10,746,516
Other	216,676	594,973	378,297
Total revenues	3,829,508	14,954,321	11,124,813
<b>EXPENDITURES</b>			
Debt service:			
Principal	1,035,847	1,035,847	-
Total debt service	1,035,847	1,035,847	-
Property:			
Real property and buildings		12,187,298	
Furniture and equipment		913,585	
Buses and motor vehicles		138,314	
Total property	4,508,396	13,239,197	(8,730,801)
Total expenditures	5,544,243	14,275,044	(8,730,801)
Revenues under expenditures	(1,714,735)	679,277	2,394,012
<b>APPROPRIATED FUND BALANCE</b>	1,714,735	-	(1,714,735)
Net change in fund balance	\$ -	679,277	\$ 679,277
<b>FUND BALANCE</b>			
Beginning of year		3,940,645	
End of year		\$ 4,619,922	

Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 School Food Service Fund  
 For the Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Food sales	\$ 2,427,000	\$ 2,280,159	\$ (146,841)
Miscellaneous revenues	24,000	5,416	(18,584)
Total operating revenues	<u>2,451,000</u>	<u>2,285,575</u>	<u>(165,425)</u>
<b>OPERATING EXPENDITURES</b>			
Business support services:			
Food costs		5,006,926	
Salaries and benefits		3,809,732	
Indirect costs		730,677	
Materials and supplies		237,767	
Equipment and maintenance		13,904	
Utilities and telephone		9,016	
Contracted services		47,765	
Travel		35,832	
Other		52,005	
Capital outlay		81,782	
Total operating expenditures	<u>13,092,000</u>	<u>10,025,406</u>	<u>3,066,594</u>
Operating loss	<u>(10,641,000)</u>	<u>(7,739,831)</u>	<u>2,901,169</u>
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	9,235,000	8,681,396	(553,604)
Federal commodities	600,000	700,972	100,972
State reimbursements	16,000	13,943	(2,057)
Indirect costs not paid	775,000	580,833	(194,167)
Interest earned on investments	15,000	21,252	6,252
Contributions and donations	-	4,000	4,000
Total nonoperating revenues	<u>10,641,000</u>	<u>10,002,396</u>	<u>(638,604)</u>
Revenues over expenditures before other financing sources	<u>-</u>	<u>2,262,565</u>	<u>2,262,565</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	105,564	105,564
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>2,368,129</u>	<u>\$ 2,368,129</u>
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(242,955)	
Capital acquisitions		81,782	
Increase in compensated absences payable		(21,370)	
Decrease in inventories		(25,501)	
Net pension liability		(411,950)	
Net OPEB asset		6,494	
Net OPEB liability		(1,143,076)	
Deferred outflows of resources		247,611	
Deferred inflows of resources		(542,724)	
Change in net position (full accrual basis)		<u>\$ 316,440</u>	



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## **COMPLIANCE SECTION**

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**Independent Auditor's 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***

Rowan-Salisbury Board of Education, North Carolina  
Salisbury, North Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan-Salisbury Board of Education, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Rowan-Salisbury Board of Education, North Carolina's basic financial statements, and have issued our report thereon dated November 18, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for 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; 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 certain deficiencies in internal control that we consider to be a significant deficiency.

*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 significant deficiency: 2019-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rowan-Salisbury Board of Education, North Carolina'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Rowan-Salisbury Board of Education's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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, the communication is not suitable for any other purpose.

*Rives & Associates LLP*

Lexington, North Carolina

November 18, 2019



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**Independent Auditor's Report On Compliance For Each Major Federal Program  
And On Internal Control Over Compliance Required By The OMB  
Uniform Guidance And The State Single Audit Implementation Act**

Rowan-Salisbury Board of Education, North Carolina  
Salisbury, North Carolina

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

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education, North Carolina's major federal programs for the year ended June 30, 2019. The Rowan-Salisbury Board of Education, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

## Opinion on Each Major Federal Program

In our opinion, the Rowan-Salisbury Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of the Rowan-Salisbury Board of Education, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered the Rowan-Salisbury Board of Education, North Carolina'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rowan-Salisbury Board of Education, North Carolina'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Rives & Associates LLP*

Lexington, North Carolina  
November 18, 2019



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**Independent Auditor's Report On Compliance For Each Major State Program  
And On Internal Control Over Compliance Required By The  
OMB Uniform Guidance And The State Single Audit Implementation Act**

Rowan-Salisbury Board of Education, North Carolina  
Salisbury, North Carolina

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

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education, North Carolina's major State programs for the year ended June 30, 2019. The Rowan-Salisbury Board of Education, North Carolina's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

In our opinion, the Rowan-Salisbury Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019.

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

Management of the Rowan-Salisbury Board of Education, North Carolina 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 Rowan-Salisbury Board of Education, North Carolina'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rowan-Salisbury Board of Education, North Carolina's internal control over compliance.

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

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

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

*Rives & Associates LLP*

Lexington, North Carolina  
November 18, 2019

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses   X   Yes \_\_\_\_\_ No

Noncompliance material to financial statements noted \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es) \_\_\_\_\_ Yes   X   None reported

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

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



ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Schedule 5  
(Continued)

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SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

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Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type  
A and Type B Programs                                      \$    750,000

Auditee qualified as low-risk auditee                      \_\_\_\_\_ Yes          X   No

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**Schedule 5**  
**(Continued)**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)**

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**State Awards**

Internal control over major State programs:

Material weaknesses identified	_____	Yes	_____ <u>X</u> _____	No
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Significant deficiency(ies) identified that are not considered to be material weakness(es)	_____	Yes	_____ <u>X</u> _____	None reported
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Type of auditors' report issued on compliance for major state programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____	Yes	_____ <u>X</u> _____	No
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Identification of major State programs:

**State Program Name**

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State Public School Fund

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SECTION II - FINANCIAL STATEMENT FINDINGS

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**Finding: 2019-001                      Internal Controls over Financial Reporting**

*Finding classification:*                      Significant Deficiency

***Criteria:***

The Board is required to maintain a system of controls over the accounting system to ensure the preparation of financial statements are in accordance with generally accepted accounting principles (GAAP). The Board's internal controls should include practices and procedures to ensure materially correct GAAP based financial statements. This is a repeat finding from year ended June 30, 2018.

***Condition:***

During the audit, it was noticed that there was insufficient monitoring and oversight over the general ledger.

***Effect:***

While noting improvements in the Board's internal controls, including monitoring and oversight over the general ledger, several audit adjustments were necessary to reflect accounting transactions in accordance with GAAP.

***Cause:***

Insufficient monitoring and oversight of the general ledger.

***Recommendation:***

The Board should continue to evaluate internal controls to ensure the required general ledger postings are made in accordance with GAAP. Additionally, it is recommended that the Board establish written closing processes and provide training to employees that reinforces the internal control structure.

***Views of responsible officials and planned corrective actions:***

Finance Department leadership is proud that significant work has been completed over the past two years to create formal internal control processes and systems. Related training and documentation was finalized as recent as June 2019 and accordingly continued improvement has been recognized in recent months. While this is considered a repeat finding by our auditors, Rives & Associates has acknowledged substantial improvements to-date. The Finance Department will continue to strengthen our internal control structure to the extent we can fund the resources (human, training, etc.) necessary to support. Department leadership expects the updated practices and procedures to support a strong internal control framework to fully mitigate this finding for FY 2020.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**Schedule 5**  
**(Continued)**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported

Corrective Action Plan  
For the Year Ended June 30, 2019

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SECTION II - FINANCIAL STATEMENT FINDINGS

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**Finding: 2019-001**                      **Internal Controls over Financial Reporting**

*Finding classification:*                      Significant Deficiency

**Name of contact person:**                      Carol M. Herndon, Chief Financial Officer

**Corrective Action:**

The Finance Department will continue to strengthen our internal control structure to the extent we can fund the resources (human, training, etc.) necessary to support. Department leadership expects the updated practices and procedures implemented over the past two years to support an internal control framework to fully mitigate this finding for FY 2020.

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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None reported

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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None reported

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2019**

**Schedule 7**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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Finding Number	Description	Status
2018-001	Inadequate Internal Controls over Financial Reporting	Partially Resolved See Finding 2019-001
2018-002	Revenue Recognition	Resolved

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

**Schedule 8**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	\$ 5,927,307
School Improvement (Title I, Part A of ESEA)	84.010	PRC 105	322,040
ESEA Title I - Targeted Support and Improvement (TSI)	84.010	PRC 115	15,660
Total Title I, Part A of ESEA			6,265,007
Special Education Cluster:			
Individuals with Disabilities Education Act (IDEA)			
- Preschool Handicapped	84.173	PRC 049	128,832
- Education of the Handicapped	84.027	PRC 060	4,881,785
- Early Intervening Services	84.027	PRC 070	286,585
- Risk Pool	84.027	PRC 114	51,939
- Special Needs Targeted Assistance	84.027	PRC 118	48,102
Total Special Education Cluster			5,397,243
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	29,781
State Personnel Development	84.323	PRC 082	8,639
Improving Teacher Quality State Grants	84.367	PRC 103	530,193
Language Acquisition Significant Inc. Grant	84.365	PRC 104, 111	161,118
Twenty-First Century Community Learning Centers	84.287	PRC 110	(154)
Career and Technical Education - Basic Grants to States	84.048	PRC 017	332,143
Career and Technical Education - Capacity Building Grant	84.048	PRC 058	2,540
Total Career Technical Education			334,683
Student Support and Academic Enrichment Grant	84.424	PRC 108	113,893
Total U.S. Department of Education			12,840,403

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

**Schedule 8**  
**(Continued)**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants (Continued):			
<u>U. S. Department of Agriculture</u>			
Passed-through the N.C. Department of Health and human services:			
Child and Adult Care Food Program	10.558	PRC 035	\$ 293,181
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	700,971
Non-Cash Assistance Subtotal			<u>700,971</u>
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	2,202,430
National School Lunch Program	10.555	PRC 035	5,684,939
Summer Food Service Program for Children	10.559	PRC 035	287,688
Total Cash Assistance			<u>8,175,057</u>
Total Child Nutrition Cluster			<u>8,876,028</u>
Passed-through the N.C. Department of Agriculture:			
Cash Assistance:			
Fresh Fruit and Vegetable Program	10.582	PRC 035	213,159
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Discretionary Grants Limited Availability	10.579	PRC 053	13,935
Total U.S. Department of Agriculture			<u>9,396,303</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	-	PRC 301	408,998
Total federal assistance			<u>\$ 22,645,704</u>



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

**Schedule 8**  
**(Continued)**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Agriculture</u>			
State Kindergarten Breakfast Program		PRC 035	\$ <u>13,943</u>
 <u>N.C. Department of Public Instruction</u>			
State Public School Fund			<u>121,903,147</u>
School Technology Fund - SPSF		PRC 015	<u>1,451</u>
 <u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program		PRC 413	<u>697,936</u>
 Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	<u>1,035,847</u>
Total State assistance			<u>123,652,324</u>
Total federal and State assistance			<u>\$ 146,298,028</u>

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

For the Year Ended June 30, 2019

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Rowan-Salisbury Board of Education, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

**Note 2: Summary of Significant Accounting Policies**

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

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

**Note 3: Cluster of Programs**

The following are clustered by the NC Department of Public Instruction and are treated separately for State audit requirement purposes: School Nutrition Program