

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

Financial Statements and Supplementary Information

For the Year Ended June 30, 2016



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

**ROWAN-SALIBURY BOARD OF EDUCATION, NORTH CAROLINA**  
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**Rives & Associates, LLP**  
Certified Public Accountants

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## **Independent Auditors' 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, 2016, 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 statement 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, 2016, 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 11 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 50 and 51, 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 individual fund schedules budget and actual, 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 actual, 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 February 2, 2017 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

February 2, 2017, except for Note V, as to which the date is March 31, 2017

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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, 2016**

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

***Financial Highlights***

- Average Daily Membership for 2015-16 was 19,525. Compared to 2014-15 ADM of 19,788, this results in a decrease of 263.
- State allotments provided 68% of operating revenues. The county appropriation and federal allotments provided 20% and 7%, respectively. The remaining 5% was contributed from other state, local and federal sources.
- Following a prior year increase of \$4,453,947 state funding increased by \$680,833 or 1% in 2015-2016.
- Salaries and related benefits accounted for 84% of operating expenditures. RowanWorks lists Rowan-Salisbury Schools as the second largest employer in Rowan County. The Board experienced a 14.84% teacher turnover in its 1,300 teaching positions.
- Over \$1,082,064 was received in local grant funding during 2015-2016.
- Student enrollment in the Free/Reduced Meal program equaled 62.9% 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 over 38% of the students breakfast and over 69% of the students lunch on a daily basis. Approximately 290 Child Nutrition employees served over 3.7 million meals to students.
- 185 buses transported 9,674 students 2,619,536 miles at an efficiency rating of 90.21% compared to the state average efficiency rating of 94.5%.
- The Board served and received state and/or federal funds for 2,236 Exceptional Children students and 1,182 English as Second Language students. Seven NC Pre-Kindergarten classes provided 126 pre-school student slots and two Title 1 classes enrolled 36 additional pre-kindergarten students.
- The Board continued to repurpose existing funds to support a digital transformation including a 3-year \$11.1 million zero percent lease of 8,735 MacAir laptops and 9,240 iPads placing a digital learning device that could be taken home in each 3<sup>rd</sup> through 12<sup>th</sup> grade student's hands. Existing technology was redistributed in order to provide each Kindergarten through 2<sup>nd</sup> grade student with a device that could be used during the school day.
- 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.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

***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 individual fund statements and schedules on a budgetary basis for certain governmental funds and the enterprise fund.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide 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 and deferred outflows, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred 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 and 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.

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.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

- 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 in 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 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, 2016**

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

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97,564,771 as of June 30, 2016, an increase of 8.85%, as compared to the net position at June 30, 2015 of \$89,636,436. The largest component of net position is net investment in capital assets of \$118,899,825 as of June 30, 2016 as compared to \$124,733,837 as of June 30, 2015.

Following is a summary of the statements of net position:

**Table 1**  
**Condensed Statement of Net Position**  
**As of June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current assets	\$ 19,635,135	\$ 16,995,806	\$ 3,826,915	\$ 3,599,155	\$ 23,462,050	\$ 20,594,961
Capital assets	121,920,676	122,914,382	1,701,064	1,819,455	123,621,740	124,733,837
Total assets	141,555,811	139,910,188	5,527,979	5,418,610	147,083,790	145,328,798
Deferred inflows of resources	8,544,939	8,605,001	288,450	285,541	8,833,389	8,890,542
Current liabilities	5,458,002	4,595,850	141,859	59,395	5,599,861	4,655,245
Long-term liabilities	43,661,354	25,648,673	1,104,551	492,236	44,765,905	26,140,909
Total liabilities	49,119,356	30,244,523	1,246,410	551,631	50,365,766	30,796,154
Deferred inflows of resources	7,725,842	32,630,181	260,800	1,156,569	7,986,642	33,786,750
Investment in capital assets	117,198,761	122,914,382	1,701,064	1,819,455	118,899,825	124,733,837
Restricted net position	5,319,067	4,299,994	-	-	5,319,067	4,299,994
Unrestricted net position (deficit)	(29,262,276)	(41,573,891)	2,608,155	2,176,496	(26,654,121)	(39,397,395)
Total net position	\$ 93,255,552	\$ 85,640,485	\$ 4,309,219	\$ 3,995,951	\$ 97,564,771	\$ 89,636,436

The net position increased during the year, indicating an improvement in the financial condition of the Board. The increase was largely due to increased County funding and changes in the pension related accounts; deferred outflows, inflows and net pension liability.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**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**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 533,170	\$ 172,176	\$ 2,315,004	\$ 2,971,803	\$ 2,848,174	\$ 3,143,979
Operating grants and contributions	132,337,714	130,167,232	10,154,795	9,132,127	142,492,509	139,299,359
Capital grants and contributions	1,437,253	319,444	-	-	1,437,253	319,444
<b>General revenues:</b>						
Other revenues	36,032,380	36,119,451	121,431	58,585	36,153,811	36,178,036
<b>Total revenues</b>	<u>170,340,517</u>	<u>166,778,303</u>	<u>12,591,230</u>	<u>12,162,515</u>	<u>182,931,747</u>	<u>178,940,818</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	124,006,161	124,640,544	-	-	124,006,161	124,640,544
System-wide support services	32,442,104	26,175,182	-	-	32,442,104	26,175,182
Ancillary services	15,220	12,333	-	-	15,220	12,333
Non-programmed charges	682,062	347,392	-	-	682,062	347,392
Interest	25,059	-	-	-	25,059	-
Depreciation	5,554,844	5,522,625	-	-	5,554,844	5,522,625
<b>Business-type activities:</b>						
Food service	-	-	12,277,962	11,850,049	12,277,962	11,850,049
<b>Total expenses</b>	<u>162,725,450</u>	<u>156,698,076</u>	<u>12,277,962</u>	<u>11,850,049</u>	<u>175,003,412</u>	<u>168,548,125</u>
Change in net position	7,615,067	10,080,227	313,268	312,466	7,928,335	10,392,693
Net positions, beginning	85,640,485	75,560,258	3,995,951	3,683,485	89,636,436	79,243,743
Net position, ending	<u>\$ 93,255,552</u>	<u>\$ 85,640,485</u>	<u>\$ 4,309,219</u>	<u>\$ 3,995,951</u>	<u>\$ 97,564,771</u>	<u>\$ 89,636,436</u>

For the year ended June 30, 2016, total governmental activities generated revenues of \$170.3 million while expenses in this category totaled \$162.7 million. The increase in net position stands at \$7,615,067. Instructional expenses comprised 76.2% of total governmental-type expenses while support services made up 19.9% of those expenses. County funding comprised 20.6% of total governmental revenue. Much of the remaining total governmental revenue consisted of restricted State and federal money. Business-type activities generated revenue of \$12.6 million and had expenses of \$12.3 million. Net position increased in the business-type activities by \$313,268.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

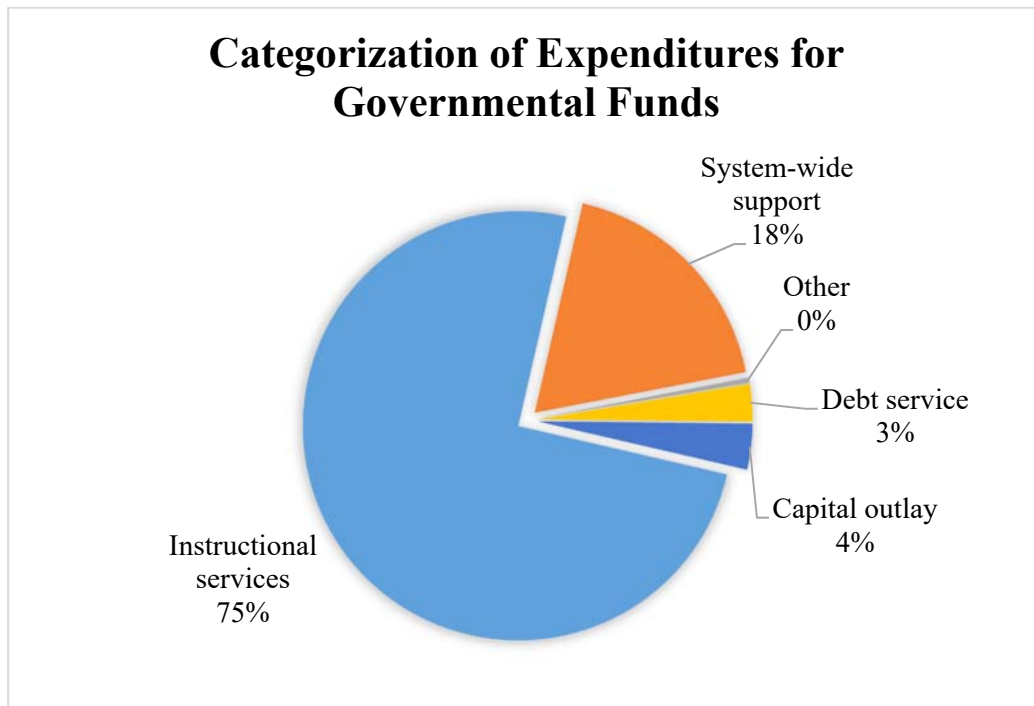
**Financial Analysis of the Board's Funds**

**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 \$14,177,133, an increase of \$2,674,016 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 decreased by approximately 28% or \$656,799. Non-operating revenues increased by 10% with expenditures decreasing by 3.5%. The result was a net income of \$313,268 as compared to an increase of \$312,466 the prior year.



Expenditures presented on modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Actual General Fund revenues were \$149,777 under budget. Expenditures exceeded revenues by \$98,458 before other financing sources. The fund balance increased by \$3,684,053. Of the total \$4,065,343 difference in actual expenditures and budget amounts in the General Fund, \$2,243,633 was left unspent in the instructional services category and \$1,821,613 was left unspent in the system-wide support services category. Additional departmental budgets were left unused in an effort to conserve funding to offset budget issues anticipated to arise in future fiscal years or in the event that the State would require another reversion in the current fiscal year that would necessitate the use of local funding to cover remaining expenditures.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**Capital Assets**

Capital assets decreased by \$993,706 (or 0.8%) 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, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Land	\$ 4,407,273	\$ 4,462,781	\$ -	\$ -	\$ 4,407,273	\$ 4,462,781
Construction	-	1,124,029	-	-	-	1,124,029
Buildings	96,628,125	98,561,031	-	-	96,628,125	98,561,031
Equipment and furniture	14,284,735	12,875,992	1,701,064	1,819,455	15,985,799	14,695,447
Vehicles	<u>6,600,543</u>	<u>5,890,549</u>	<u>-</u>	<u>-</u>	<u>6,600,543</u>	<u>5,890,549</u>
Total	<u>\$121,920,676</u>	<u>\$122,914,382</u>	<u>\$1,701,064</u>	<u>\$1,819,455</u>	<u>\$123,621,740</u>	<u>\$124,733,837</u>

**Debt Outstanding**

During the year the Board's outstanding debt decreased by (\$47,724) due mainly to the use of installment financing to pay for energy usage improvement equipment and school buses, along with payment on computer installment contract. 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**

The population in the County has increased 4.1% from April 2010 to July 1, 2015 with the estimated 2015 population at 139,142. It is projected to increase to 141,719 by the year 2019. The Board anticipates a stable enrollment over the next several years and will need replacement schools, upgrades and continued maintenance on current facilities and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board.

Recently, Rowan County's local economy has gained substantial momentum. The County will work to shake off the remaining impacts of the previous recession, more than 3,200 jobs and \$240 million of investment were announced or created during FY 15-16. The vacancy rate for modern and semi-modern industrial properties has reached the lowest level in a decade, and employers are continuing to add new employees, across industry sectors. Rowan County's Unemployment Rate of 5.3% is more than 50% less than it was at the end of 2009. In addition to industrial job creation, new retail, restaurant and hospitality developments have further improved our local economy.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2016**

The County will continue to pursue new business investments and expansion of current businesses with the expectation of continued positive economic trends in the near future. The following significant projects were announced, under construction or completed during fiscal year 2016:

- Agility Fuel Solutions – Agility opened its East Coast headquarters in Rowan County last October, investing \$20 million. The local facility reached profitability within four months of operation. In June, the company merged with Hexagon Composites, expanding its product line globally. The company currently employs 80 with an average salary of \$36,902, and expects to hire at least 170 more in the future.
- Aldo Products – Announced plans to relocate its headquarters to an existing Rowan County facility in June 2016, providing an expansion of three times more space. The expansion is expected to create 20 jobs and a capital investment of more than \$1.5 million.
- New Sarum Brewing – The Salisbury-based microbrewery completed renovations on its new facility, introducing its taproom to the public in April 2016. The \$2.2 million investment added ten new full-time jobs with an average annual salary of \$42,000.
- Speculative Buildings – In February 2016, plans to build two Class-A industrial properties in Granite Quarry were announced. Easter Creek Partners LLC purchased three parcels of land in Granite Industrial Park, which will be developed for the construction of a 150,000-square-foot and a 100,000-square-foot building. Future investment is estimated between \$13 and \$15 million.
- Strategic Moves – The charter company moved its headquarters to the Rowan County Airport, investing \$2.6 million for the construction of a new, 15,000 square-foot hangar, and 4,200 square-foot office space, and creating 15 jobs.
- Intercon Furniture – In February 2016, Intercon and its affiliate, Westwood Design, announced immediate plans to open a warehouse and distribution facility in Spencer, NC. With the assistance of RowanWORKS, Economic Development, the Company was able to lease a 100,000 square foot facility from Swing Transport, creating 15 jobs.
- Shoppes at Summit Park – At the beginning of the 2016, Salsarita's, Kirkland's, Hobby Lobby, Dick's Sporting Goods, and Mattress Firm opened their doors in the new retail center. Additional vacancies will allow for further business development of the facility, which is proposed to create 200 jobs and a capital investment of \$20 million.
- JP Industrial Products – JPI purchased the vacant GE Industries building on Old Concord Road last year, spending \$100,000 on facility improvements, and creating a capital investment of \$2 million. Within a few months, JPI's Salisbury facility expanded from 20 employees up to over 30, with an average salary of \$40,000.
- Bonded Logistics – The Charlotte, NC-based logistics company leased space in the former Alcoa building in order to accommodate anticipated growth. The company is investing over half a million dollars in the project, which will create 17 new jobs.

**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:

Robin S. Leslie, 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,336,358	\$ 3,233,652	\$ 18,570,010
Due from other governments	4,099,277	352,140	4,451,417
Accounts receivable	199,500	5,204	204,704
Inventories	-	235,919	235,919
	<u>19,635,135</u>	<u>3,826,915</u>	<u>23,462,050</u>
Capital assets:			
Land	4,407,273	-	4,407,273
Other capital assets, net of depreciation	117,513,403	1,701,064	119,214,467
Total capital assets	<u>121,920,676</u>	<u>1,701,064</u>	<u>123,621,740</u>
Total assets	<u>141,555,811</u>	<u>5,527,979</u>	<u>147,083,790</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,544,939</u>	<u>288,450</u>	<u>8,833,389</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	214,433	44,707	259,140
Accrued salaries and benefits	4,329,450	29,822	4,359,272
Unearned revenue	914,119	67,330	981,449
Long-term liabilities:			
Net pension liability	25,373,243	856,522	26,229,765
Due within one year	11,093,039	248,029	11,341,068
Due in more than one year	7,195,072	-	7,195,072
Total liabilities	<u>49,119,356</u>	<u>1,246,410</u>	<u>50,365,766</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>7,725,842</u>	<u>260,800</u>	<u>7,986,642</u>
<b>NET POSITION</b>			
Net investment in capital assets	117,198,761	1,701,064	118,899,825
Restricted:			
Individual schools	1,816,750	-	1,816,750
Stabilization by State statute	998,047	-	998,047
School capital outlay	2,504,270	-	2,504,270
Unrestricted (deficit)	<u>(29,262,276)</u>	<u>2,608,155</u>	<u>(26,654,121)</u>
Total net position	<u>\$ 93,255,552</u>	<u>\$ 4,309,219</u>	<u>\$ 97,564,771</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, 2016**

<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	\$ 73,757,741	\$ 9,306	\$ 71,661,432	\$ 194,892
Special populations	14,931,333	-	14,451,890	-
Alternative programs	9,288,793	-	9,323,422	-
School leadership	9,268,126	-	8,137,052	-
Co-curricular	6,190,211	-	5,254,224	-
School-based support	10,569,957	-	9,637,886	-
System-wide support services:				
Support and development	1,126,129	-	760,999	-
Special population support and development	960,388	-	903,886	-
Alternative programs and services support and development	68,283	-	27,239	-
Technology support	2,414,147	-	335,854	-
Operational support	23,258,540	523,864	9,591,914	1,242,361
Financial and human resource	2,792,928	-	824,127	-
Accountability	158,799	-	90,557	-
System-wide pupil support	172,809	-	-	-
Policy, leadership and public relations	1,490,081	-	722,475	-
Ancillary services	15,220	-	54,877	-
Non-programmed charges	682,062	-	559,880	-
Interest	25,059	-	-	-
Unallocated depreciation expense	5,554,844	-	-	-
Total governmental activities	<u>162,725,450</u>	<u>533,170</u>	<u>132,337,714</u>	<u>1,437,253</u>
Business-type activities:				
School food service	12,277,962	2,315,004	10,154,795	-
Total business-type activities	<u>12,277,962</u>	<u>2,315,004</u>	<u>10,154,795</u>	<u>-</u>
Total primary government	<u>\$ 175,003,412</u>	<u>\$ 2,848,174</u>	<u>\$ 142,492,509</u>	<u>\$ 1,437,253</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Beginning net position

Ending net position

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,892,111)	\$ -	\$ (1,892,111)
(479,443)	-	(479,443)
34,629	-	34,629
(1,131,074)	-	(1,131,074)
(935,987)	-	(935,987)
(932,071)	-	(932,071)
(365,130)	-	(365,130)
(56,502)	-	(56,502)
(41,044)	-	(41,044)
(2,078,293)	-	(2,078,293)
(11,900,401)	-	(11,900,401)
(1,968,801)	-	(1,968,801)
(68,242)	-	(68,242)
(172,809)	-	(172,809)
(767,606)	-	(767,606)
39,657	-	39,657
(122,182)	-	(122,182)
(25,059)	-	(25,059)
<u>(5,554,844)</u>	-	<u>(5,554,844)</u>
<u>(28,417,313)</u>	-	<u>(28,417,313)</u>
-	191,837	191,837
-	191,837	191,837
<u>(28,417,313)</u>	<u>191,837</u>	<u>(28,225,476)</u>
32,993,037	-	32,993,037
2,149,773	-	2,149,773
798,585	-	798,585
69,882	8,399	78,281
75,981	58,154	134,135
<u>(54,878)</u>	<u>54,878</u>	<u>-</u>
<u>36,032,380</u>	<u>121,431</u>	<u>36,153,811</u>
7,615,067	313,268	7,928,335
<u>85,640,485</u>	<u>3,995,951</u>	<u>89,636,436</u>
<u>\$ 93,255,552</u>	<u>\$ 4,309,219</u>	<u>\$ 97,564,771</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  
June 30, 2016**

	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	\$ 9,570,327	\$ -	\$ 1,322,997	\$ 2,626,284	\$ 1,816,750	\$ -	\$ 15,336,358
Accounts receivable	20,748	-	178,752	-	-	-	199,500
Due from other governments	168,975	3,011,112	1,202	628,369	-	289,619	4,099,277
Total assets	\$ 9,760,050	\$ 3,011,112	\$ 1,502,951	\$ 3,254,653	\$ 1,816,750	\$ 289,619	\$ 19,635,135
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 91,870	\$ -	\$ 550	\$ 122,013	\$ -	\$ -	\$ 214,433
Accrued salaries and benefits	985,371	3,011,112	43,348	-	-	289,619	4,329,450
Unearned revenue	-	-	914,119	-	-	-	914,119
Total liabilities	1,077,241	3,011,112	958,017	122,013	-	289,619	5,458,002
Fund balances:							
Restricted:							
Stabilization by State statute	189,723	-	179,954	628,370	-	-	998,047
School capital outlay	-	-	-	2,504,270	-	-	2,504,270
Individual schools	-	-	-	-	1,816,750	-	1,816,750
Assigned:							
Special revenue	-	-	364,980	-	-	-	364,980
Subsequent years expenditures	-	-	-	-	-	-	-
Unassigned	8,493,086	-	-	-	-	-	8,493,086
Total fund balances	8,682,809	-	544,934	3,132,640	1,816,750	-	14,177,133
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,760,050	\$ 3,011,112	\$ 1,502,951	\$ 3,254,653	\$ 1,816,750	\$ 289,619	\$ 19,635,135

**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	\$ 14,177,133
Deferred outflows of resources related to pension:	
Contributions made to the pension plan in current fiscal year	8,544,939
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
	121,920,676
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 a year end consisted of:	
Net pension liability	\$ (25,373,243)
Installment purchase obligations	(7,840,869)
Compensated absences	(10,447,242)
	(43,661,354)
Deferred inflow of resources related to pension	(7,725,842)
Net position of governmental activities	\$ 93,255,552

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, 2016**

**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	\$ -	\$ 110,470,514	\$ 543,917	\$ 747,022	\$ -	\$ -	\$ 111,761,453
Rowan County	34,045,803	-	100,000	2,149,773	361,535	-	36,657,111
U.S. Government	355,676	-	-	-	-	11,290,663	11,646,339
Other	1,099,201	-	2,743,452	1,595,150	4,892,689	-	10,330,492
Total revenues	<u>35,500,680</u>	<u>110,470,514</u>	<u>3,387,369</u>	<u>4,491,945</u>	<u>5,254,224</u>	<u>11,290,663</u>	<u>170,395,395</u>
<b>EXPENDITURES</b>							
Current:							
Instructional services:							
Regular instructional	9,817,538	65,436,762	1,002,510	-	-	859,150	77,115,960
Special populations	970,903	10,281,084	160,000	-	-	4,170,806	15,582,793
Alternative programs	191,600	3,302,972	553,034	-	-	5,575,882	9,623,488
School leadership	1,588,286	8,137,052	-	-	-	-	9,725,338
Co-curricular	943,570	-	23,901	-	5,226,484	-	6,193,955
School-based support	1,268,882	9,380,922	122,693	-	-	256,964	11,029,461
System-wide support services:							
Support and development	402,641	759,904	9,147	-	-	1,095	1,172,787
Special population support and development	103,273	886,206	-	-	-	17,680	1,007,159
Alternative programs and services support and development	42,812	-	-	-	-	27,239	70,051
Technology support	2,098,648	335,834	3,820	-	-	20	2,438,322
Operational support	13,072,740	8,940,471	172,249	-	-	75,851	22,261,311
Financial and human resource	2,029,522	824,127	2,085	-	-	-	2,855,734
Accountability	74,985	90,557	-	-	-	-	165,542
System-wide pupil support	180,915	-	-	-	-	-	180,915
Policy, leadership and public relations	575,339	722,475	237,697	-	-	-	1,535,511
Ancillary services	6,052	-	12,145	-	-	-	18,197
Non-programmed charges	376,086	-	-	-	-	305,976	682,062
Debt service:							
Principal	1,830,287	1,317,270	900,916	747,022	-	-	4,795,495
Interest	25,059	-	-	-	-	-	25,059
Capital projects:							
Real property and buildings	-	-	293,550	3,129,516	-	-	3,423,066
Furniture and equipment	-	-	-	1,513,498	-	-	1,513,498
Buses and motor vehicles	-	-	-	998,568	-	-	998,568
Total expenditures	<u>35,599,138</u>	<u>110,415,636</u>	<u>3,493,747</u>	<u>6,388,604</u>	<u>5,226,484</u>	<u>11,290,663</u>	<u>172,414,272</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, 2016**

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

	Major Funds					Non-Major	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
Excess (deficiency) of revenues over expenditures	\$ (98,458)	\$ 54,878	\$ (106,378)	\$ (1,896,659)	\$ 27,740	\$ -	\$ (2,018,877)
<b>OTHER FINANCING SOURCES</b>							
Transfers to other funds	-	(54,878)	-	-	-	-	(54,878)
Installment purchase obligations issued	3,782,511	-	-	965,260	-	-	4,747,771
Total other financing uses	3,782,511	(54,878)	-	965,260	-	-	4,692,893
Net change in fund balance	3,684,053	-	(106,378)	(931,399)	27,740	-	2,674,016
<b>FUND BALANCE</b>							
Beginning of year	4,998,756	-	651,312	4,064,039	1,789,010	-	11,503,117
End of year	\$ 8,682,809	\$ -	\$ 544,934	\$ 3,132,640	\$ 1,816,750	\$ -	\$ 14,177,133

**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	\$ 2,674,016
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.	(980,317)
Contributions to the pension plan in the current fiscal year and not included on the statement of activities	8,544,939
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	4,795,495
Issuance of debt	(4,747,771)
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	(1,760,145)
Loss on disposal of capital assets	(13,389)
Compensated absences	(897,761)
Total changes in net position of governmental activities	\$ 7,615,067

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, 2016**

	<b>General Fund</b>			
	Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Rowan County	32,189,444	33,893,018	34,045,803	152,785
U.S. Government	446,523	657,803	355,676	(302,127)
Other	3,079,697	1,099,636	1,099,201	(435)
Total revenues	<u>35,715,664</u>	<u>35,650,457</u>	<u>35,500,680</u>	<u>(149,777)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	12,958,419	12,808,103	9,817,538	2,990,565
Special populations	1,960,099	917,596	970,903	(53,307)
Alternative programs	194,777	32,577	191,600	(159,023)
School leadership	2,770,935	1,438,345	1,588,286	(149,941)
Co-curricular	890,721	938,135	943,570	(5,435)
School-based support	1,419,572	889,656	1,268,882	(379,226)
System-wide support services:				
Support and development	564,272	617,921	402,641	215,280
Special population support and development	129,235	85,304	103,273	(17,969)
Alternative programs and services support and development	-	41,546	42,812	(1,266)
Technology support	1,993,456	3,025,599	2,098,648	926,951
Operational support	9,622,997	13,643,124	13,072,740	570,384
Financial and human resource	2,118,880	2,017,431	2,029,522	(12,091)
Accountability	89,118	101,610	74,985	26,625
System-wide pupil support	166,277	179,159	180,915	(1,756)
Policy, leadership, and public relations	637,043	690,794	575,339	115,455
Ancillary services	11,145	6,148	6,052	96
Non-programmed charges	188,718	376,087	376,086	1
Debt service:				
Principal	-	1,830,287	1,830,287	-
Interest	-	25,059	25,059	-
Total expenditures	<u>35,715,664</u>	<u>39,664,481</u>	<u>35,599,138</u>	<u>4,065,343</u>
Revenues over (under) expenditures	<u>-</u>	<u>(4,014,024)</u>	<u>(98,458)</u>	<u>3,915,566</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	3,782,511	3,782,511	-
Appropriated fund balance	-	231,513	-	(231,513)
Total other financing sources (uses)	<u>-</u>	<u>4,014,024</u>	<u>3,782,511</u>	<u>(231,513)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,684,053</u>	<u>\$ 3,684,053</u>
Fund balances, beginning			<u>4,998,756</u>	
Fund balances, ending			<u>\$ 8,682,809</u>	



**Exhibit 5**

<b>State Public School Fund</b>			
Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Original	Final		
\$ 108,212,992	\$ 113,183,562	\$ 110,470,514	\$ (2,713,048)
-	-	-	-
-	-	-	-
-	-	-	-
<u>108,212,992</u>	<u>113,183,562</u>	<u>110,470,514</u>	<u>(2,713,048)</u>
68,293,271	69,658,456	65,436,762	4,221,694
8,037,684	8,401,058	10,281,084	(1,880,026)
2,400,711	2,034,800	3,302,972	(1,268,172)
8,050,359	8,314,122	8,137,052	177,070
-	-	-	-
9,970,115	10,296,780	9,380,922	915,858
662,169	760,295	759,904	391
771,829	886,206	886,206	-
-	-	-	-
293,104	336,538	335,834	704
8,287,762	9,515,915	8,940,471	575,444
754,239	866,009	824,127	41,882
43,354	49,778	90,557	(40,779)
-	-	-	-
602,215	691,457	722,475	(31,018)
-	-	-	-
-	-	-	-
-	1,317,270	1,317,270	-
-	-	-	-
<u>108,166,812</u>	<u>113,128,684</u>	<u>110,415,636</u>	<u>2,713,048</u>
<u>46,180</u>	<u>54,878</u>	<u>54,878</u>	<u>-</u>
(46,180)	(54,878)	(54,878)	-
-	-	-	-
-	-	-	-
<u>(46,180)</u>	<u>(54,878)</u>	<u>(54,878)</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, 2016**

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

	<b>Special Revenue Fund</b>			Variance with Final Budget - Favorable (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina:				
N.C. Pre-Kindergarten Program	\$ 583,019	\$ 583,019	\$ 543,917	\$ (39,102)
Total State of North Carolina	<u>583,019</u>	<u>583,019</u>	<u>543,917</u>	<u>(39,102)</u>
Other:				
Tuition and fees	-	75,335	9,306	(66,029)
Indirect cost	-	750,908	305,976	(444,932)
Interest earned	-	-	683	683
Disposition of fixed asset	-	-	449,664	449,664
School nurse funding	100,000	100,000	100,000	-
Medicaid direct services reimbursement	661,491	1,252,982	660,510	(592,472)
Laptop/Ipad 1:1 Initiative	-	326,949	575,592	248,643
Miscellaneous local operating revenues	2,497,058	3,090,846	741,721	(2,349,125)
Total other	<u>3,258,549</u>	<u>5,597,020</u>	<u>2,843,452</u>	<u>(2,753,568)</u>
Total revenues	<u>3,841,568</u>	<u>6,180,039</u>	<u>3,387,369</u>	<u>(2,792,670)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	1,953,694	1,588,885	1,002,510	586,375
Special populations	497,581	404,669	160,000	244,669
Alternative programs	732,985	596,117	553,034	43,083
Co-curricular	41,627	33,854	23,901	9,953
School-based support	145,288	118,159	122,693	(4,534)
System-wide support services:				
Support and development	14,746	20,750	9,147	11,603
Technology support	4,120	5,781	3,820	1,961
Operational support	222,713	313,339	172,249	141,090
Financial and human resource	6,289	8,835	2,085	6,750
Policy, leadership, and public relations	185,847	261,491	237,697	23,794
Ancillary services	35,988	35,988	12,145	23,843
Non-programmed charges	1,000	2,000	-	2,000
Capital outlay	-	1,889,565	293,550	1,596,015
Debt service:				
Principal	-	900,916	900,916	-
Total expenditures	<u>3,841,878</u>	<u>6,180,349</u>	<u>3,493,747</u>	<u>2,686,602</u>
Revenues under expenditures	(310)	(310)	(106,378)	(106,068)
Appropriated fund balance	<u>310</u>	<u>310</u>	<u>-</u>	<u>(310)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(106,378)</u>	<u>\$ (106,378)</u>
Fund balance, beginning			<u>651,312</u>	
Fund balance, ending			<u>\$ 544,934</u>	

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

Statement of Net Position

Proprietary Fund

June 30, 2016

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service Fund</u>
	<u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,233,652
Due from other governments	352,140
Accounts receivable	5,204
Inventories	235,919
Total current assets	<u>3,826,915</u>
Noncurrent assets:	
Capital assets:	
Capital assets, net of depreciation	1,701,064
Total assets	<u>5,527,979</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>288,450</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	44,707
Accrued salaries and benefits	29,822
Unearned revenue	67,330
Compensated absences	248,029
Total current liabilities	<u>389,888</u>
Noncurrent liabilities:	
Net pension liability	856,522
Total liabilities	<u>1,246,410</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>260,800</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,701,064
Unrestricted	<u>2,608,155</u>
Total net position	<u>\$ 4,309,219</u>

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, 2016

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food Service</u> <u>Fund</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 2,315,004
<b>OPERATING EXPENSES</b>	
Purchase of food	5,148,920
Salaries and benefits	5,537,847
Indirect costs	670,104
Utilities and telephone	9,020
Materials and supplies	399,092
Contracted services	38,419
Equipment and maintenance	212,291
Depreciation	214,537
Travel	35,528
Other	12,204
Total operating expenses	<u>12,277,962</u>
Operating loss	<u>(9,962,958)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	8,697,492
Federal commodities	784,925
Indirect cost	656,728
State reimbursements	15,650
Interest earned on investments	8,399
Miscellaneous revenues	58,154
Total nonoperating revenues	<u>10,221,348</u>
Income before transfers	258,390
Transfers from other fund	<u>54,878</u>
Change in net position	313,268
<b>NET POSITION</b>	
Beginning of year	<u>3,995,951</u>
End of year	<u>\$ 4,309,219</u>

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

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2016**

	<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	\$ 2,252,923
Cash paid for goods and services	(5,131,374)
Cash paid to employees for services	(5,670,304)
Net cash used by operating activities	(8,548,755)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	8,697,492
State reimbursements	15,650
Operating transfers in	58,154
Net cash provided by noncapital financing activities	8,771,296
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(96,146)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	8,399
Net increase in cash	134,794
<b>CASH - BEGINNING OF YEAR</b>	3,098,858
<b>CASH - END OF YEAR</b>	\$ 3,233,652

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, 2016**

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

	<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	\$ (9,962,958)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	214,537
Donated commodities	784,925
Salaries paid by other fund	54,878
Indirect costs not paid	656,728
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in due from other governments	(20,649)
Accounts receivable	(5,204)
Increase in deferred outflows	(2,909)
Increase in inventories	(67,113)
Increase in accounts payable	19,664
Decrease in accrued liabilities	(4,530)
Increase in net pension liability	584,069
Decrease in deferred inflows	(792,211)
Increase in compensated absences payable	28,246
Decrease in unearned revenue	(36,228)
Total adjustments	1,414,203
Net cash used by operating activities	\$ (8,548,755)

Noncash investing, capital, and financing activities:

The School Food Service Fund consumed donated commodities with a value of \$784,925 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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of 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 display 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 upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**Fund Financial Statements:** The fund financial statements provide information about the Board's funds. 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**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.

**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 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 fund:

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**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, includes grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statement:*** 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 sixty days after year-end. These could include federal, State, and County grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized 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 are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

**D) 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 and loan association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

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

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

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

**2) Cash and Cash Equivalents**

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

**3) Inventories**

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

**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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Buildings	50
Building improvements	20
Furniture and equipment	5-15
Vehicles	8

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.

**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 revenue until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has items that meet this criterion consisting of unearned grant revenue in the Special Revenue Fund and pension related deferrals.

**6) Long-term Obligations**

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

**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 Boards' liability for accumulated earned vacation and the salary-related payments as of June 30, 2016 is recorded in the government-wide and proprietary fund financial statements on the FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

**8) Net Position/Fund Balances**

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent 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 on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

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

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.

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 approves the appropriation.

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

Rowan-Salisbury Board of Education 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.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**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**

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 \$79,078,419 consists of several elements as follows:

Description	
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)	\$ 219,319,770
Less: Accumulated depreciation	(97,399,094)
Net capital assets	121,920,676
 Pension related deferred outflows of resources:	
Contributions made to the pension plan in current fiscal year	8,544,939
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchase	(7,840,869)
Compensated absences	(10,447,242)
Net pension liability	(25,373,243)
 Deferred inflow of resources related to pensions:	
Differences between expected and actual experience	(2,884,938)
Differences between projected and actual earnings on plan investments	(2,748,976)
Differences between contributions and proportional share of contributions and changes in proportion	(2,091,928)
	\$ 79,078,419

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**D) 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 fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,941,051 as follows:

Description	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,039,620
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	(6,019,937)
Contributions to the pension plan in the current fiscal year and not included on the statement of activities	8,544,939
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	4,795,495
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(4,747,771)
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	(1,760,145)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(897,761)
Loss on disposal of capital assets	(13,389)
	\$ 4,941,051

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

**10) Defined Benefit Pension Plans**

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

**II) DETAIL NOTES ON ALL FUNDS**

**A) Assets**

**1) Deposits**

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the Board'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, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$4,931,737. The bank balances with the financial institutions and the State Treasurer were \$4,169,076 and \$4,608,632, respectively. Of these balances, \$876,816 was covered by federal depository insurance and \$7,900,892 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**2) Investments**

At June 30, 2016, the Board of Education had \$13,638,273 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board had no policy for managing interest rate risk or credit risk.

*Interest Rate Risk.* The Board 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 STIF had a weighted average maturity of 1.5 years at June 30, 2016.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**A) Assets (Continued)**

**2) Investments (Continued)**

*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 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 five 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.

**3) Accounts Receivable**

Receivables at the government-wide level at June 30, 2016, were as follows:

	Due from other government	Other	Total
Governmental activities:			
General Fund	\$ 168,975	\$ 20,748	\$ 189,723
Other governmental activities	3,930,302	178,752	4,109,054
Total	\$ 4,099,277	\$ 199,500	\$ 4,298,777
Business-type activities:			
School Food Service	\$ 352,140	\$ 5,204	\$ 357,344

Due from other governments consists of the following:

**Governmental activities:**

General Fund	\$ 65,540	Fines and forfeitures
General Fund	103,435	Medicaid Administrative Claiming
State Public School Fund	3,011,112	Operating funds from the State
Special Revenue Fund	1,202	Other State funds
Capital Outlay Fund	628,369	County sales tax revenue
Federal Grants Fund	289,619	Federal grant funds
Total	\$ 4,099,277	

**Business-type activities:**

School Food Service Fund	\$ 352,140	Federal reimbursements
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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**A) Assets (Continued)**

**4) Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,462,781	\$ -	\$ 55,508	\$ 4,407,273
Construction in progress	<u>1,124,030</u>	<u>-</u>	<u>1,124,030</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,586,811</u>	<u>-</u>	<u>1,179,538</u>	<u>4,407,273</u>
Capital assets being depreciated:				
Buildings	172,564,483	1,179,537	175,369	173,568,651
Equipment and furniture	20,987,449	3,986,343	149,814	24,823,978
Vehicles	<u>15,940,282</u>	<u>1,053,278</u>	<u>473,692</u>	<u>16,519,868</u>
Total capital assets being depreciated	<u>209,492,214</u>	<u>6,219,158</u>	<u>798,875</u>	<u>214,912,497</u>
Less accumulated depreciation for:				
Buildings	74,003,453	3,103,442	166,369	76,940,526
Equipment and furniture	8,111,457	2,574,144	146,358	10,539,243
Vehicles	<u>10,049,733</u>	<u>342,351</u>	<u>472,759</u>	<u>9,919,325</u>
Total accumulated depreciation	<u>92,164,643</u>	<u>6,019,937</u>	<u>785,486</u>	<u>97,399,094</u>
Total capital assets being depreciated, net	<u>117,327,571</u>			<u>117,513,403</u>
Governmental activity capital assets, net	<u>\$122,914,382</u>			<u>\$121,920,676</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 5,554,844
Operational support services	<u>465,093</u>
Total	<u>\$ 6,019,937</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**A) Assets (Continued)**

**4) Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,950,234	\$ 96,146	\$ -	\$ 5,046,380
Less accumulated depreciation for:				
Furniture and equipment	3,130,779	214,537	-	3,345,316
Business-type activity capital assets, net				\$ 1,701,064

Net investment in capital assets is calculated as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets	\$ 219,319,770	\$ 5,046,380	\$ 224,366,150
Less:			
Accumulated depreciation	(97,399,094)	(3,345,316)	(100,744,410)
Installment purchase obligations	(4,721,915)	-	(4,721,915)
Total	\$ 117,198,761	\$ 1,701,064	\$ 118,899,825

**B) Liabilities**

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$8,833,389, \$8,686,209, and \$8,110,323 for the years ended June 30, 2016, 2015 and 2014, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

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

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

At June 30, 2016, the Board reported a liability of \$26,229,765 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Board's proportion was .712% and .724%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$1,837,544. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,982,324
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,841,773
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	2,162,545
Board contributions subsequent to the measurement date	8,833,389	-
Total	\$ 8,833,389	\$ 7,986,642

\$8,833,389 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, 2017.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

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

Year ended June 30:	
2017	\$ (4,143,056)
2018	(4,143,056)
2019	(3,916,267)
2020	4,215,737
2021	-
Total	<u>\$ (7,986,642)</u>

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

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

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 78,944,355	\$ 26,229,765	\$ (18,504,643)

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

**b) Other Postemployment Benefits**

**1) Healthcare Benefits**

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**II) 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)**

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,462,020, \$5,301,573, and \$5,039,786, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

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

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

**2) Long-term Disability Benefits**

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

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

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

**2) Long-term Disability Benefits (Continued)**

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$399,898, \$431,980, and \$410,649, respectively. These contributions represented 0.41%, 0.41%, and 0.44% of covered payroll, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

**2) Accounts Payable**

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

	<u>Vendors</u>	<u>Accrued Salary</u>	<u>Total</u>
<b>Governmental activities:</b>			
General	\$ 91,870	\$ 985,371	\$ 1,077,241
Other governmental	<u>122,563</u>	<u>3,344,079</u>	<u>3,466,642</u>
Total governmental activities	<u>\$ 214,433</u>	<u>\$ 4,329,450</u>	<u>\$ 4,543,883</u>
<b>Business-type activities:</b>			
School Food Service Fund	<u>\$ 44,707</u>	<u>\$ 29,822</u>	<u>\$ 74,529</u>

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental activities:</b>		
Change in proportion and difference between employer contributions and proportionate share of	\$ -	\$ 2,091,928
Difference between expected and actual experience	-	2,884,938
Difference between projected and actual earnings on plan investments	-	2,748,976
Pension contributions subsequent to the measurement date	<u>8,544,939</u>	
Total governmental activities	<u>\$ 8,544,939</u>	<u>\$ 7,725,842</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

**3) Deferred Outflows/Inflows of Resources (Continued)**

<b>Business-type activities:</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 70,617
Difference between projected and actual earnings on plan investments	-	92,797
Difference between expected and actual experience	-	97,386
Pension contributions subsequent to the measurement date	288,450	-
<b>Totals</b>	<b>\$ 288,450</b>	<b>\$ 260,800</b>

**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.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

**4) Risk Management (Continued)**

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, 2016, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

**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 2.65 percent. The future minimum payments of the energy conservation installment purchase as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 97,004	\$ 197,950	\$ 294,954
2018	91,673	206,595	298,268
2019	86,110	215,513	301,623
2020	80,308	224,712	305,020
2021	74,260	230,716	304,976
Thereafter	801,190	2,658,552	3,459,742
	<u>\$ 1,230,545</u>	<u>\$ 3,734,038</u>	<u>\$ 4,964,583</u>

Computer Equipment

In July 2014, under State law [G.S. 115C-528(a)], the Board to enter into a \$11,118,954 installment purchase contract to finance the purchase of computer equipment for instructional purposes and classroom engagement. The financing contract requires only principal payments for three years beginning in the fiscal year 2015. The future minimum payments of the computer equipment installment purchase as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	
2017	<u>\$ 3,118,954</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

**6) Long-Term Obligations (Continued)**

**a) Installment Purchases (Continued)**

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.

During the year ended June 30, 2014 the State accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at payments less than the purchase price. In 2014, the Board entered into an installment purchase contract to finance the purchase of twenty school buses for \$1,539,280. The contract requires only principal payments of \$384,820 upon delivery of the vehicles and \$384,820 annually, through November 15, 2017.

During the year ended June 30, 2016, the Board entered into two separate installment purchase contracts to finance the purchase of ten school buses. The contracts as follows:

- i. A \$483,548 contract for five buses requiring only principal payments of \$120,887 upon delivery of the vehicles and \$120,887 annually, through November 15, 2018.
- ii. A \$481,712 contract for five buses requiring only principal payments of \$120,428 upon delivery of the vehicles and \$120,428 annually, through November 15, 2019.

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

Year Ending June 30,	
2017	\$ 626,135
2018	241,314
2019	120,428
	\$ 987,877

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**B) Liabilities (Continued)**

**6) Long-Term Obligations (Continued)**

**b) Long-Term Obligation Activity**

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2016:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 9,549,481	\$ 8,044,376	\$ 7,146,615	\$ 10,447,242	\$ 7,150,000
Net pension liability	8,210,599	17,162,644	-	25,373,243	-
Installment purchase	7,888,593	4,747,771	4,795,495	7,840,869	3,943,039
Total	<u>\$ 25,648,673</u>	<u>\$ 29,954,791</u>	<u>\$ 11,942,110</u>	<u>\$ 43,661,354</u>	<u>\$ 11,093,039</u>
Business-type activities:					
Compensated absences	\$ 219,783	\$ 317,135	\$ 288,889	\$ 248,029	\$ 248,029
Net pension liability	<u>272,453</u>	<u>584,069</u>	<u>-</u>	<u>856,522</u>	<u>-</u>
Total	<u>\$ 492,236</u>	<u>\$ 901,204</u>	<u>\$ 288,889</u>	<u>\$ 1,104,551</u>	<u>\$ 248,029</u>

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

**C) Interfund Balances and Activity**

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

From the State Public School Fund to the School Food Services Fund for administrative costs	<u>\$ 54,878</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.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

**D) Fund Balance (Continued)**

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

	General Fund
Total fund balance	\$ 8,682,809
Less:	
Stabilization by State statute	(189,723)
Remaining unassigned fund balance	\$ 8,493,086

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, 2016.

**III) 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.

**IV) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

During the fiscal year ended June 30, 2016, the Board reported expenditures that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance. Expenditures exceeded amounts appropriated in the budget ordinance for the Capital Outlay Fund by \$813,149.

Management will amend procedures to provide additional monitoring and ensure compliance with the North Carolina General Statutes.

**V) REISSUANCE OF AUDITED FINANCIAL STATEMENTS**

After the issuance of the audited financial statements dated February 2, 2017, Management determined that capitalizing the assets associated with the energy conservation agreement, and depreciating the assets over their estimated useful life, more accurately represents the Board's net position. This adjustment increased the governmental activities total net position by \$3,559,532.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**VI) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 2, 2017, except for Note V, as to which the date is March 31, 2107, 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, 2016.

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## **INDIVIDUAL FUND SCHEDULES**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.712%	0.724%	0.766%
Board's proportionate share of the net pension liability (asset)	\$ 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 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 Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Three Fiscal Years**

	<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%

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**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, 2016**

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

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Rowan County:			
County appropriation	\$ 32,989,444	\$ 32,989,444	\$ -
Fines and forfeitures	575,000	699,001	124,001
Late list penalties	75,000	99,584	24,584
Charter school funding	253,574	253,574	-
Other	-	4,200	4,200
Total Rowan County	33,893,018	34,045,803	152,785
U.S. Government	657,803	355,676	(302,127)
Other:			
Medicaid administration	-	133,430	133,430
Interest earned	23,145	53,802	30,657
Rental of school property	155,000	213,688	58,688
Local government sales tax refund	330,000	334,488	4,488
Other	591,491	363,793	(227,698)
Total other	1,099,636	1,099,201	(435)
Total revenues	35,650,457	35,500,680	(149,777)
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	12,808,103	9,817,538	2,990,565
Special populations	917,596	970,903	(53,307)
Alternative programs	32,577	191,600	(159,023)
School leadership	1,438,345	1,588,286	(149,941)
Co-curricular	938,135	943,570	(5,435)
School based support	889,656	1,268,882	(379,226)
Total instructional services	17,024,412	14,780,779	2,243,633
System-wide support services:			
Support and development	617,921	402,641	215,280
Special population support and development	85,304	103,273	(17,969)
Alternative programs and services support and development	41,546	42,812	(1,266)
Technology support	3,025,599	2,098,648	926,951
Operational support	13,643,124	13,072,740	570,384
Financial and human resource	2,017,431	2,029,522	(12,091)
Accountability	101,610	74,985	26,625
System-wide pupil support	179,159	180,915	(1,756)
Policy, leadership, and public relations	690,794	575,339	115,455
Total system-wide support services	20,402,488	18,580,875	1,821,613

**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, 2016**

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

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
Ancillary services	\$ 6,148	\$ 6,052	\$ 96
Non-programmed charges	376,087	376,086	1
Debt service:			
Principal	1,830,287	1,830,287	-
Interest	25,059	25,059	-
	1,855,346	1,855,346	-
Total expenditures	39,664,481	35,599,138	4,065,343
Revenues under expenditures	(4,014,024)	(98,458)	3,915,566
<b>OTHER FINANCING SOURCES</b>			
Installment purchase obligations issued	3,782,511	3,782,511	-
<b>APPROPRIATED FUND BALANCE</b>	231,513	-	(231,513)
Net change in fund balance	\$ -	3,684,053	\$ 3,684,053
<b>FUND BALANCE</b>			
Beginning of year		4,998,756	
End of year		\$ 8,682,809	



**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Federal Grants Fund  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
U.S. Government	<u>\$ 18,749,960</u>	<u>\$ 11,290,663</u>	<u>\$ (7,459,297)</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	1,415,665	859,150	556,515
Special populations	5,434,106	4,170,806	1,263,300
Alternative programs	7,645,616	5,575,882	2,069,734
School based support	479,040	256,964	222,076
Total instructional services	<u>14,974,427</u>	<u>10,862,802</u>	<u>4,111,625</u>
System-wide support services:			
Support and development	7,844	1,095	6,749
Special population support and development	25,000	17,680	7,320
Alternative programs and services support and development	123,925	27,239	96,686
Technology support	21	20	1
Operational support	116,650	75,851	40,799
Total system-wide support services	<u>273,440</u>	<u>121,885</u>	<u>151,555</u>
Non-programmed charges	<u>3,502,093</u>	<u>305,976</u>	<u>3,196,117</u>
Total expenditures	<u>18,749,960</u>	<u>11,290,663</u>	<u>7,459,297</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Capital Outlay Fund

For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State of North Carolina	\$ 626,594	\$ 747,022	\$ 120,428
Rowan County	2,066,686	2,149,773	83,087
Other	185,315	1,595,150	1,409,835
Total revenues	<u>2,878,595</u>	<u>4,491,945</u>	<u>1,613,350</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	747,022	747,022	-
Total debt service	<u>747,022</u>	<u>747,022</u>	<u>-</u>
Property:			
Real property and buildings		3,129,516	
Furniture and equipment		1,513,498	
Buses and motor vehicles		998,568	
Total property	<u>4,828,433</u>	<u>5,641,582</u>	<u>(813,149)</u>
Total expenditures	<u>5,575,455</u>	<u>6,388,604</u>	<u>(813,149)</u>
Revenues under expenditures	(2,696,860)	(1,896,659)	800,201
<b>OTHER FINANCING SOURCES:</b>			
Installment purchase obligations issued	965,260	965,260	-
<b>APPROPRIATED FUND BALANCE</b>			
	<u>1,731,600</u>	<u>-</u>	<u>(1,731,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>(931,399)</u>	<u>\$ (931,399)</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>4,064,039</u>	
End of year		<u>\$ 3,132,640</u>	

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
School Food Service Fund  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Food sales	\$ 2,942,000	\$ 2,315,004	\$ (626,996)
<b>OPERATING EXPENDITURES</b>			
Business support services:			
Food costs		5,216,033	
Salaries and benefits		5,720,652	
Indirect costs		670,104	
Materials and supplies		399,092	
Equipment and maintenance		212,291	
Utilities and telephone		9,020	
Contracted services		38,419	
Travel		35,528	
Other		12,204	
Capital outlay		96,146	
Total operating expenditures	12,590,500	12,409,489	181,011
Operating loss	(9,648,500)	(10,094,485)	(445,985)
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	8,275,000	8,697,492	422,492
Federal commodities	750,000	784,925	34,925
State reimbursements	16,000	15,650	(350)
Indirect costs not paid	600,000	656,728	56,728
Interest earned on investments	6,000	8,399	2,399
Miscellaneous revenues	1,500	58,154	56,654
Total nonoperating revenues	9,648,500	10,221,348	572,848
Revenues over expenditures before other financing sources	-	126,863	126,863
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	54,878	54,878
Revenues and other financing sources over expenditures	\$ -	181,741	\$ 181,741
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(214,537)	
Capital acquisitions		96,146	
Increase in compensated absences payable		(28,246)	
Increase in inventories		67,113	
Net pension liability		(584,069)	
Deferred outflows of resources		2,909	
Deferred inflows of resources		792,211	
Change in net position (full accrual basis)		\$ 313,268	

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## **COMPLIANCE SECTION**

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

Member:  
American Institute of  
Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

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**Independent Auditors' 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, 2016, 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 February 2, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described as 2016-001, 2016-002, and 2016-003 in the accompanying schedule of findings and questioned costs to be material weaknesses.

**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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

**Board'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

February 2, 2017, except for Note V, as to which the date is March 31, 2017



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## **Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With 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, 2016. 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, and 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, 2016.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Rowan-Salisbury Board of Education, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rowan-Salisbury Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the 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 weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a material weakness.

Rowan-Salisbury Board of Education, North Carolina's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Rowan-Salisbury Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Rives & Associates LLP*

Lexington, North Carolina  
February 2, 2017, except for Note V, as to which the date is March 31, 2017





Member:  
American Institute of  
Certified Public Accountants

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

Member:  
North Carolina Association of  
Certified Public Accountants

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## **Independent Auditors' Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With the 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, 2016. 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, 2016.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Rowan-Salisbury Board of Education, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rowan-Salisbury Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a material weakness.

Rowan-Salisbury Board of Education, North Carolina's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Rowan-Salisbury Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Rives & Associates LLP*

Lexington, North Carolina

February 2, 2017, except for Note V, as to which the date is March 31, 2017

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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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	<u>  X  </u>	Yes	<u>      </u>	No
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Significant deficiency(s) identified that are not considered to be material weaknesses	<u>      </u>	Yes	<u>  X  </u>	No
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Noncompliance material to financial statements noted	<u>      </u>	Yes	<u>  X  </u>	No
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**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified	<u>  X  </u>	Yes	<u>      </u>	No
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Significant deficiency(s) identified that are not considered to be material weakness(es)	<u>      </u>	Yes	<u>  X  </u>	None reported
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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)?

	<u>  X  </u>	Yes	<u>      </u>	No
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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

**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>
	Child Nutrition Cluster:
	Noncash assistance:
10.555	National School Lunch Program - Noncash
10.559	Summer Food Service Program for Children - Noncash
	Cash assistance:
10.553	School Breakfast Program (Special Milk Program)
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

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

\$ 750,000

Auditee qualified as low-risk auditee

  X   Yes             No

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

**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	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiency(s) identified that are not considered to be material weakness(es)	<u>      </u>	Yes	<u>  X  </u>	None reported

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	<u>  X  </u>	Yes	<u>      </u>	No
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Identification of major State programs:

<b>State Program Name</b>
State Public School Fund

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SECTION II - FINANCIAL STATEMENT FINDINGS

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**Finding: 2016-001      Timely Bank Reconciliations**

**Finding classification:**      Material Weakness

**Criteria:**

Bank reconciliations should be performed monthly and in a timely manner.

**Condition:**

Bank reconciliations were not prepared in a timely manner throughout the fiscal year ended June 30, 2016.

**Effect:**

Failure to maintain an effective bank reconciliation process increases the risk of material misstatements in the financial statements.

**Cause:**

This was due to a software conversion and lack of management oversight for the individual who was in charge of the bank reconciliation process.

**Recommendation:**

The Board should continue to review their internal control procedure in place to ensure that bank reconciliations are performed and non-standard reconciling items will be investigated and resolved on a monthly basis.

**Management Response:**      See corrective action plan.

**Finding: 2016-002      Excess of Expenditures over Appropriations**

**Finding classification:**      Material Weakness

**Criteria:**

No obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

**Condition:**

The Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded amounts appropriated in the budget ordinance by \$813,149.

**Effect:**

Monies were spent for purposes which were not appropriated.

**Cause:**

Certain revenue and expenses were reclassified for proper recording of capital projects resulting in the expenditures exceeding the appropriated amounts.

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SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

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**Finding: 2016-002 (Continued)**

***Recommendation:***

We recommend the Board implement additional procedures to ensure transactions are posted to the appropriated fund(s). Additionally, we recommend the Board reconsider the timing and form of monthly reporting of expenditures as compared to the budget, accompanied by estimations of future additional expenditures.

***Management Response:*** See corrective action plan.

**Finding: 2016-003 Segregation of Duties**

***Finding classification:*** Material Weakness

***Criteria:***

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

***Condition:***

We noted during review of the Board's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to perform multiple functions in four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data and custody of assets. As a result of the lack of segregation, monitoring and oversight, several balances were identified by either management or as part of the audit process requiring adjustment.

***Effect:***

The lack of adequate segregation of accounting duties adversely affected the Board's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements timely. Various balances were not fully reconciled prior to the commencement of the audit procedures.

***Cause:***

Lack of structure and oversight in regards to job responsibilities, procedures and processes to properly segregate duties within the current capacity.

***Recommendation:***

We recommend that the Board continue to evaluate segregation of duties within the parameters of what the Board considers to be cost beneficial and to review current procedures as staffing levels change. Implementation of additional preventive and detective controls will add an additional level of assurance of the accuracy and integrity of information. Additionally, we recommend the Board establish written closing processes and provide training to employees that reinforces the internal control structure.

***Management Response:*** See corrective action plan.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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

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

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**Finding: 2016-001**      **Timely Bank Reconciliations**  
*Finding classification:*      Material Weakness

*Refer to Section II*

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

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**Finding: 2016-001**      **Timely Bank Reconciliations**  
*Finding classification:*      Material Weakness

*Refer to Section II*



**Corrective Action Plan  
For the Year Ended June 30, 2016**

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**SECTION V - CORRECTIVE ACTION PLANS**

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**Finding: 2016-001                      Timely Bank Reconciliations**

*Finding classification:*                      Material Weakness

**Name of contact person:**                      Robin S. Leslie, Chief Financial Officer

**Corrective Action:**

The issue of bank reconciliations has been addressed by management and the duties have been reassigned. This was a personnel issue that was corrected during the fiscal year. Bank reconciliations are currently being reconciled monthly by staff and reviewed by management.

**Finding: 2016-002                      Excess of Expenditures over Appropriations**

*Finding classification:*                      Material Weakness

**Name of contact person:**                      Robin S. Leslie, Chief Financial Officer

**Corrective Action:**

Because of the K12 software conversion, this reporting error was not caught before the year-end was closed out. This was a correction of an error. Controls are now in place to prevent this error from happening in future periods.

**Finding: 2016-003                      Segregation of Duties**

*Finding classification:*                      Material Weakness

**Name of contact person:**                      Robin S. Leslie, Chief Financial Officer

**Corrective Action:**

Corrective action has been put in place to correct the segregation of duties finding. Internal controls are in place to ensure proper segregation of duties.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2016**

Schedule 7

None reported.

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
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	\$ 5,482,850
School Improvement Cluster:			
School Improvement (Title I, Part A of ESEA)	84.010	PRC 105	80,242
Total School Improvement Grants			<u>80,242</u>
Special Education Cluster:			
Individuals with Disabilities Education Act (IDEA)			
- Preschool Handicapped	84.173	PRC 049	114,358
- Education of the Handicapped	84.027	PRC 060	4,148,652
- Risk Pool	84.027	PRC 114	10,742
- Special Needs Targeted Assistance	84.027	PRC 118	13,257
- Preschool Targeted Assistance	84.173	PRC 119	4,574
Total Special Education Cluster			<u>4,291,583</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>34,137</u>
State Personnel Development	84.323	PRC 082	<u>8,921</u>
Improving Teacher Quality State Grants	84.367	PRC 103	<u>636,625</u>
Language Acquisition Significant Inc. Grant	84.365	PRC 104, 111	<u>211,131</u>
Twenty-First Century Community Learning Centers	84.287	PRC 110	<u>284,457</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	260,717
Total U.S. Department of Education			<u>11,290,663</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

**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>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 774,743
Summer Food Service Program for Children	10.559		10,182
Non-Cash Assistance Subtotal			<u>784,925</u>
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program (Special Milk Program)	10.553		2,348,146
National School Lunch Program	10.555		5,867,735
Summer Food Service Program for Children	10.559		330,979
Total Cash Assistance			<u>8,546,860</u>
Total Child Nutrition Cluster			<u>9,331,785</u>
Passed-through the N.C. Department of Agriculture:			
Cash Assistance:			
Fresh Fruit and Vegetable Program	10.582		150,632
Total U.S. Department of Agriculture			<u>9,482,417</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	-		355,676
Total federal assistance			<u>21,128,756</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

**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 Public Instruction</u>			
State Public School Fund			\$ 104,452,733
Driver Training - SPSF		PRC 012	289,048
School Technology Fund - SPSF		PRC 015	332
Vocational Education			
- State Months of Employment		PRC 013	5,194,834
- Program Support Funds		PRC 014	533,567
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program		-	543,917
Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		-	747,022
Total State assistance			111,761,453
Total federal and State assistance			\$ 132,890,209

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards 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 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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.

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.

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