

**REVIEWED**

*By LGC at 9:49 am, Jan 09, 2017*

**BERTIE COUNTY  
BOARD OF EDUCATION  
Windsor, North Carolina**

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

**BERTIE COUNTY BOARD OF EDUCATION  
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# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Bertie County Board of Education  
Windsor, 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 Bertie County Board of Education, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bertie County Board of Education 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, State Public School, Special Restricted and Federal Grants funds for the year then ended in conformity 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 3 through 9 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 41 and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bertie County Board of Education's basic financial statements. The individual fund budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017 on our consideration of the Bertie County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bertie County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

January 6, 2017  
Rockingham, North Carolina  
(910) 997-1418

## **BERTIE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Bertie County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

For the fiscal year ended June 30, 2016, the Board's total government-wide net position decreased by \$2.1 million, due largely to \$1.9 million of prior period adjustments that were required to be recorded. Total government-wide net position at June 30, 2016 was \$833,000. Governmental activities had a deficit in net position of \$46,000 at June 30, 2016 and business-type activities net position was \$879,000.

### ***Overview of the Financial Statements***

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Supplementary section that presents budgetary schedules for governmental and enterprise funds*

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

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

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### ***Government-wide Statements***

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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.

## **BERTIE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

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

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

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

### ***Fund Financial Statements***

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

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

Bertie County 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 – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, 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 Special Restricted Fund and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

*Proprietary fund:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Bertie County Board of Education's only proprietary fund is an enterprise fund, the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

**BERTIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$833,000 as of June 30, 2016 as compared to \$2.9 million as of June 30, 2015, a decrease of \$2.1 million. The largest component of net position is net investment in capital assets of \$5.4 million. Following is a summary of the Statement of Net Position at June 30, 2016 and 2015:

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

|                                     | Governmental Activities |              | Business-type Activities |            | Total Primary Government |              |
|-------------------------------------|-------------------------|--------------|--------------------------|------------|--------------------------|--------------|
|                                     | 6/30/16                 | 6/30/15      | 6/30/16                  | 6/30/15    | 6/30/16                  | 6/30/15      |
| Current assets                      | \$ 1,089,052            | \$ 1,574,075 | \$ 1,102,891             | \$ 977,458 | \$ 2,191,943             | \$ 2,551,533 |
| Capital assets                      | 5,600,443               | 6,238,212    | 36,557                   | 19,963     | 5,637,000                | 6,258,175    |
| Total assets                        | 6,689,495               | 7,812,287    | 1,139,448                | 997,421    | 7,828,943                | 8,809,708    |
| Deferred outflows of resources      | 1,518,463               | 2,478,734    | 63,670                   | 109,119    | 1,582,133                | 2,587,853    |
| Current liabilities                 | 2,227,299               | 642,147      | 45,316                   | 828        | 2,272,615                | 642,975      |
| Long-term liabilities               | 5,069,326               | 2,793,826    | 238,822                  | 176,210    | 5,308,148                | 2,970,036    |
| Total liabilities                   | 7,296,625               | 3,435,973    | 284,138                  | 177,038    | 7,580,763                | 3,613,011    |
| Deferred inflows of resources       | 957,325                 | 4,654,525    | 40,141                   | 193,938    | 997,466                  | 4,848,463    |
| Net investment in                   |                         |              |                          |            |                          |              |
| capital assets                      | 5,373,413               | 6,176,754    | 36,557                   | 19,963     | 5,409,970                | 6,196,717    |
| Restricted net position             | 491,717                 | 946,349      | -                        | -          | 491,717                  | 946,349      |
| Unrestricted net position (deficit) | (5,911,122)             | (4,922,581)  | 842,282                  | 715,601    | (5,068,840)              | (4,206,980)  |
| Total net position                  | \$ (45,992)             | \$ 2,200,522 | \$ 878,839               | \$ 735,564 | \$ 832,847               | \$ 2,936,086 |

The net position of the Board's governmental activities decreased \$394,000 during the year. In addition, prior period adjustments were made that reduced beginning net position by \$1.9 million. These prior period adjustments are described more fully in the notes to the financial statements. Governmental activities ended the year with a deficit in net position of \$46,000 at June 30, 2016, indicating a decline in the financial condition of the Board. Restricted net position decreased \$455,000 while unrestricted net position decreased \$989,000 from the prior year. Net investment in capital assets decreased \$803,000 from the prior year.

The net position of the Board's business-type activities increased \$182,000 during the year. This increase of \$182,000 is the net profit generated by our school food service operations during the 2016 fiscal year. In addition, a prior period adjustment was made that reduced beginning net position by \$39,000.

**BERTIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**Table 2  
Condensed Statement of Activities  
For the Fiscal Years Ended June 30, 2016 and 2015**

|                                      | Governmental Activities |                     | Business-type Activities |                   | Total Primary Government |                     |
|--------------------------------------|-------------------------|---------------------|--------------------------|-------------------|--------------------------|---------------------|
|                                      | 6/30/16                 | 6/30/15             | 6/30/16                  | 6/30/15           | 6/30/16                  | 6/30/15             |
| Revenues:                            |                         |                     |                          |                   |                          |                     |
| Program revenues:                    |                         |                     |                          |                   |                          |                     |
| Charges for services                 | \$ 315,665              | \$ 499,553          | \$ 505,660               | \$ 403,910        | \$ 821,325               | \$ 903,463          |
| Operating grants and contributions   | 20,103,560              | 22,389,403          | 2,051,845                | 1,930,205         | 22,155,405               | 24,319,608          |
| Capital grants and contributions     | 82,318                  | 462,343             | -                        | -                 | 82,318                   | 462,343             |
| General revenues:                    |                         |                     |                          |                   |                          |                     |
| Other revenues                       | 6,282,501               | 4,005,316           | 215                      | 119               | 6,282,716                | 4,005,435           |
| Total revenues                       | <u>26,784,044</u>       | <u>27,356,615</u>   | <u>2,557,720</u>         | <u>2,334,234</u>  | <u>29,341,764</u>        | <u>29,690,849</u>   |
| Expenses:                            |                         |                     |                          |                   |                          |                     |
| Governmental activities:             |                         |                     |                          |                   |                          |                     |
| Instructional services               | 19,424,807              | 19,141,516          | -                        | -                 | 19,424,807               | 19,141,516          |
| System-wide support services         | 7,128,966               | 6,677,909           | -                        | -                 | 7,128,966                | 6,677,909           |
| Ancillary services                   | 284                     | 65,301              | -                        | -                 | 284                      | 65,301              |
| Payments to other governments        | 321,126                 | 616,083             | -                        | -                 | 321,126                  | 616,083             |
| Unallocated depreciation             | 262,611                 | 66,825              | -                        | -                 | 262,611                  | 66,825              |
| Business-type activities:            |                         |                     |                          |                   |                          |                     |
| School food service                  | -                       | -                   | 2,415,611                | 2,270,197         | 2,415,611                | 2,270,197           |
| Total expenses                       | <u>27,137,794</u>       | <u>26,567,634</u>   | <u>2,415,611</u>         | <u>2,270,197</u>  | <u>29,553,405</u>        | <u>28,837,831</u>   |
| Excess (deficiency) before transfers | (353,750)               | 788,981             | 142,109                  | 64,037            | (211,641)                | 853,018             |
| Transfers in (out)                   | (40,276)                | -                   | 40,276                   | -                 | -                        | -                   |
| Increase (decrease) in net position  | <u>(394,026)</u>        | <u>788,981</u>      | <u>182,385</u>           | <u>64,037</u>     | <u>(211,641)</u>         | <u>853,018</u>      |
| Beginning net position               |                         |                     |                          |                   |                          |                     |
| as previously reported               | 2,200,522               | 6,844,730           | 735,564                  | 860,081           | 2,936,086                | 7,704,811           |
| Restatement                          | (1,852,488)             | (5,433,189)         | (39,110)                 | (188,554)         | (1,891,598)              | (5,621,743)         |
| Beginning net position, restated     | <u>348,034</u>          | <u>1,411,541</u>    | <u>696,454</u>           | <u>671,527</u>    | <u>1,044,488</u>         | <u>2,083,068</u>    |
| Ending net position (deficit)        | <u>\$ (45,992)</u>      | <u>\$ 2,200,522</u> | <u>\$ 878,839</u>        | <u>\$ 735,564</u> | <u>\$ 832,847</u>        | <u>\$ 2,936,086</u> |

Total governmental activities generated revenues of \$26.8 million while expenses in this category totaled \$27.1 million for the year ended June 30, 2016, resulting in a decrease in net position of \$394,000 (including transfers to business-type activities of \$40,000). Comparatively, revenues were \$27.4 million and expenses totaled \$26.6 million for the year ended June 30, 2015, resulting in an increase in net position of \$789,000.

The Board's primary sources of revenues were funding from the State of North Carolina, Bertie County, and the United States Government, which respectively comprised 71.9%, 11.8% and 12.2% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 71.6% of our total expenditures during the most recent fiscal year. Of the remaining 28.4% of our total expenditures, 26.3% was attributable to system-wide support services.



**BERTIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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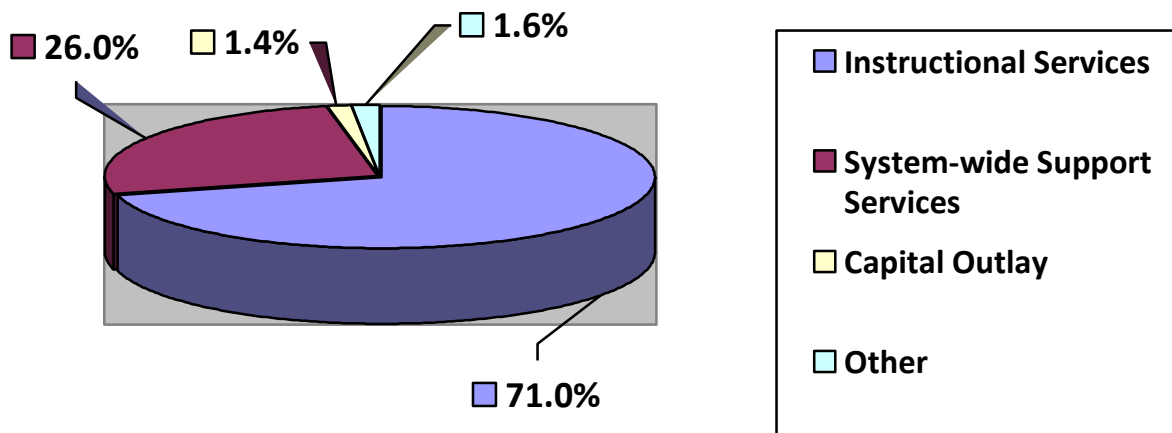
Our business-type activities generated revenues of \$2.6 million while expenses in this category totaled \$2.4 million for the year ended June 30, 2016. For the year, net position increased by \$182,000 (including transfers in of \$40,000). Comparatively, revenues and expenses were both \$2.3 million for the year ended June 30, 2015 with an increase in net position of \$64,000. In comparing the two years, increased food sales and federal reimbursements were the two biggest factors contributing to the year-over-year improvement in profitability.

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

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

The Board's governmental funds reported a combined deficit fund balance of \$495,000 at June 30, 2016, a decrease of \$1.4 million from the \$932,000 reported at June 30, 2015. \$1.1 million of this decrease was due to current year operating results while \$302,000 of the decrease was due to the correction of errors in previously issued financial statements. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2016 of \$1.3 million, including \$329,000 for the correction of errors. The General Fund ended the year with a deficit fund balance of \$705,000. The Special Restricted fund reported an increase in fund balance of \$55,000 but still ended the year with a deficit fund balance of \$135,000. The Capital Outlay and Individual Schools funds ended the year with fund balances of \$244,000 and \$101,000, respectively.

**Categorization of Expenditures for Governmental Funds**



Expenditures presented on modified accrual basis of accounting.

*Proprietary Fund:* The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$182,000 for the fiscal year ended June 30, 2016 compared to an increase of \$64,000 for the same 2015 period. See the discussion above under "Financial Analysis of the Board as a Whole" for further details regarding the year-over-year change in operating results for this fund.

**BERTIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. However, due to a lack of proper management oversight of the budgeting process, the Board violated its local budget in several areas, as described in Note 2 to the financial statements. In addition, errors were discovered during the current year that resulted in our General Fund reporting a \$705,000 deficit in ending fund balance at June 30, 2016. These errors are described more fully in Note 5 to the financial statements and also in the schedule of findings and questioned costs in the compliance section of the financial statements.

**Capital Assets**

Total primary government capital assets were \$5.6 million at June 30, 2016 compared to \$6.3 million at June 30, 2015. The decrease is primarily due to a \$668,000 prior period adjustment recorded in the year ended June 30, 2016. More detailed information about the prior period adjustment and Board's capital assets is contained in the notes to the financial statements. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2016 and 2015:

**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>6/30/16</u>                 | <u>6/30/15</u>      | <u>6/30/16</u>                  | <u>6/30/15</u>   | <u>6/30/16</u>                  | <u>6/30/15</u>      |
| Land                                 | \$ 70,730                      | \$ 70,730           | \$ -                            | \$ -             | \$ 70,730                       | \$ 70,730           |
| Construction in progress             | -                              | 699,449             | -                               | -                | -                               | 699,449             |
| Buildings and improvements           | 3,528,473                      | 3,110,667           | -                               | -                | 3,528,473                       | 3,110,667           |
| Equipment and furniture and vehicles | 2,001,240                      | 2,357,366           | 36,557                          | 19,963           | 2,037,797                       | 2,377,329           |
| <b>Total</b>                         | <b>\$ 5,600,443</b>            | <b>\$ 6,238,212</b> | <b>\$ 36,557</b>                | <b>\$ 19,963</b> | <b>\$ 5,637,000</b>             | <b>\$ 6,258,175</b> |

**Debt Outstanding**

During the year, the Board's long-term debt increased to \$227,000 at June 30, 2016. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in the notes to the financial statements.

**Economic Factors**

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects the school district. The following factors have affected the economic outlook of Bertie County:

- As of June 30, 2016, Bertie County experienced an unemployment rate of approximately 6.6% as compared to an unemployment rate of approximately 7.5% at June 30, 2015. Bertie County's unemployment rate is slightly above the June 30, 2016 State of N.C. and national unemployment rates which were both 5.1%.
- Due to limited regional growth and competition from local charter schools, the Board does not expect enrollment growth for the next year.

**BERTIE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Requests for Information***

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

Dr. Steven Hill, Superintendent  
Bertie County Board of Education  
Post Office Box 10, 715 US Highway 13 North  
Windsor, NC 27983

**BERTIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

**Exhibit 1**

|   | Primary Government         |                             |              |
|---|----------------------------|-----------------------------|--------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total        |
| <b>Assets</b>                             |                            |                             |              |
| Cash and cash equivalents                 | \$ 572,171                 | \$ 886,953                  | \$ 1,459,124 |
| Due from other governments                | 496,326                    | 99,119                      | 595,445      |
| Receivables                               | 20,555                     | 18,640                      | 39,195       |
| Inventories                               | -                          | 98,179                      | 98,179       |
| Capital assets:                           |                            |                             |              |
| Land                                      | 70,730                     | -                           | 70,730       |
| Other capital assets, net of depreciation | 5,529,713                  | 36,557                      | 5,566,270    |
| Total capital assets                      | 5,600,443                  | 36,557                      | 5,637,000    |
| Total assets                              | 6,689,495                  | 1,139,448                   | 7,828,943    |
| <b>Deferred Outflows of Resources</b>     | 1,518,463                  | 63,670                      | 1,582,133    |
| <b>Liabilities</b>                        |                            |                             |              |
| Bank overdraft                            | 466,066                    | -                           | 466,066      |
| Accounts payable and accrued expenses     | 437,508                    | 4,495                       | 442,003      |
| Accrued salaries and wages payable        | 492,753                    | -                           | 492,753      |
| Due to other governments                  | 187,655                    | -                           | 187,655      |
| Long-term liabilities:                    |                            |                             |              |
| Net pension liability                     | 3,978,299                  | 166,812                     | 4,145,111    |
| Due within one year                       | 643,317                    | 40,821                      | 684,138      |
| Due in more than one year                 | 1,091,027                  | 72,010                      | 1,163,037    |
| Total liabilities                         | 7,296,625                  | 284,138                     | 7,580,763    |
| <b>Deferred Inflows of Resources</b>      | 957,325                    | 40,141                      | 997,466      |
| <b>Net position (deficit)</b>             |                            |                             |              |
| Net investment in capital assets          | 5,373,413                  | 36,557                      | 5,409,970    |
| Restricted for:                           |                            |                             |              |
| Stabilization by State statute            | 146,574                    | -                           | 146,574      |
| School capital outlay                     | 243,733                    | -                           | 243,733      |
| Individual schools activities             | 101,410                    | -                           | 101,410      |
| Unrestricted (deficit)                    | (5,911,122)                | 842,282                     | (5,068,840)  |
| Total net position (deficit)              | \$ (45,992)                | \$ 878,839                  | \$ 832,847   |

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



**BERTIE COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

**Exhibit 3**

|  | Major Funds       |                        |                  |                       |                   | Non-major Fund        | Total<br>Governmental<br>Funds |
|--|-------------------|------------------------|------------------|-----------------------|-------------------|-----------------------|--------------------------------|
|  | General           | State Public<br>School | Federal Grants   | Special<br>Restricted | Capital Outlay    | Individual<br>Schools |                                |
| <b>Assets</b>                            |                   |                        |                  |                       |                   |                       |                                |
| Cash and cash equivalents                | \$ 267,490        | \$ -                   | \$ -             | \$ -                  | \$ 203,271        | \$ 101,410            | \$ 572,171                     |
| Due from other governments               | 5,706             | 413,883                | 36,275           | -                     | 40,462            | -                     | 496,326                        |
| Accounts receivable                      | 6,264             | -                      | -                | 14,291                | -                 | -                     | 20,555                         |
| Due from other funds                     | 120,313           | 466,066                | -                | -                     | -                 | -                     | 586,379                        |
| Total assets                             | <u>\$ 399,773</u> | <u>\$ 879,949</u>      | <u>\$ 36,275</u> | <u>\$ 14,291</u>      | <u>\$ 243,733</u> | <u>\$ 101,410</u>     | <u>\$ 1,675,431</u>            |
| <b>Liabilities and Fund balances</b>     |                   |                        |                  |                       |                   |                       |                                |
| Liabilities:                             |                   |                        |                  |                       |                   |                       |                                |
| Bank overdraft                           | -                 | 466,066                | -                | -                     | -                 | -                     | 466,066                        |
| Accounts payable and accrued liabilities | 434,240           | -                      | -                | 3,268                 | -                 | -                     | 437,508                        |
| Accrued salaries and wages payable       | 16,807            | 413,883                | 36,275           | 25,788                | -                 | -                     | 492,753                        |
| Due to other funds                       | 466,066           | -                      | -                | 120,313               | -                 | -                     | 586,379                        |
| Due to other governments                 | 187,655           | -                      | -                | -                     | -                 | -                     | 187,655                        |
| Total liabilities                        | <u>1,104,768</u>  | <u>879,949</u>         | <u>36,275</u>    | <u>149,369</u>        | <u>-</u>          | <u>-</u>              | <u>2,170,361</u>               |
| Fund balances:                           |                   |                        |                  |                       |                   |                       |                                |
| Restricted:                              |                   |                        |                  |                       |                   |                       |                                |
| Stabilization by State statute           | 132,283           | -                      | -                | 14,291                | -                 | -                     | 146,574                        |
| School capital outlay                    | -                 | -                      | -                | -                     | 243,733           | -                     | 243,733                        |
| Individual schools                       | -                 | -                      | -                | -                     | -                 | 101,410               | 101,410                        |
| Unassigned (deficit)                     | <u>(837,278)</u>  | <u>-</u>               | <u>-</u>         | <u>(149,369)</u>      | <u>-</u>          | <u>-</u>              | <u>(986,647)</u>               |
| Total fund balances (deficits)           | <u>(704,995)</u>  | <u>-</u>               | <u>-</u>         | <u>(135,078)</u>      | <u>243,733</u>    | <u>101,410</u>        | <u>(494,930)</u>               |
| Total liabilities and fund balances      | <u>\$ 399,773</u> | <u>\$ 879,949</u>      | <u>\$ 36,275</u> | <u>\$ 14,291</u>      | <u>\$ 243,733</u> | <u>\$ 101,410</u>     |                                |

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

|  |                    |
|--|--------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  | 5,600,443          |
| Deferred outflows of resources related to pensions   | 1,518,463          |
| Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds. | (1,734,344)        |
| Net pension liability  | (3,978,299)        |
| Deferred inflows of resources related to pensions  | (957,325)          |
| Net position of governmental activities  | <u>\$ (45,992)</u> |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 4**

|  | Major Funds         |                        |                  |                       | Non-major Fund    | Total<br>Governmental<br>Funds |                       |
|--|---------------------|------------------------|------------------|-----------------------|-------------------|--------------------------------|-----------------------|
|  | General             | State Public<br>School | Federal Grants   | Special<br>Restricted | Capital Outlay    |                                | Individual<br>Schools |
| Revenues:  |                     |                        |                  |                       |                   |                                |                       |
| State of North Carolina                                      | \$ -                | \$ 18,712,384          | \$ -             | \$ 539,725            | \$ 82,318         | \$ -                           | \$ 19,334,427         |
| Bertie County:   |                     |                        |                  |                       |                   |                                |                       |
| Local current expense  | 3,009,500           | -                      | -                | -                     | -                 | -                              | 3,009,500             |
| Other  | -                   | -                      | -                | -                     | 167,121           | -                              | 167,121               |
| U.S. Government  | -                   | -                      | 3,216,470        | 58,713                | -                 | -                              | 3,275,183             |
| Other  | 84,521              | -                      | -                | 669,841               | 81,095            | 285,320                        | 1,120,777             |
| Total revenues   | <u>3,094,021</u>    | <u>18,712,384</u>      | <u>3,216,470</u> | <u>1,268,279</u>      | <u>330,534</u>    | <u>285,320</u>                 | <u>26,907,008</u>     |
| Expenditures:  |                     |                        |                  |                       |                   |                                |                       |
| Current:   |                     |                        |                  |                       |                   |                                |                       |
| Instructional services:                                      |                     |                        |                  |                       |                   |                                |                       |
| Regular instructional  | 547,857             | 9,644,139              | 196,335          | 382,666               | -                 | -                              | 10,770,997            |
| Special populations  | 62,766              | 1,496,117              | 845,010          | 214,096               | -                 | -                              | 2,617,989             |
| Alternative programs   | 510                 | 701,011                | 1,518,311        | 630,445               | -                 | -                              | 2,850,277             |
| School leadership  | 18,703              | 1,270,687              | (26)             | 30,982                | -                 | -                              | 1,320,346             |
| Co-curricular  | 103,199             | -                      | -                | -                     | -                 | 294,863                        | 398,062               |
| School-based support   | 154,201             | 1,613,126              | 287,243          | 25,796                | -                 | -                              | 2,080,366             |
| System-wide support services:                                |                     |                        |                  |                       |                   |                                |                       |
| Support and development                                      | 27,452              | 421,956                | 50,847           | 2,016                 | -                 | -                              | 502,271               |
| Special population support and development                   | -                   | 116,727                | 48,355           | -                     | -                 | -                              | 165,082               |
| Alternative programs and services<br>support and development | -                   | 189,488                | 125,400          | -                     | -                 | -                              | 314,888               |
| Technology support   | 65,183              | 156,115                | 20,813           | 846                   | -                 | -                              | 242,957               |
| Operational support  | 2,081,291           | 2,316,680              | 63,756           | 110,057               | 247,890           | -                              | 4,819,674             |
| Financial and human resource services                        | 128,329             | 542,238                | 17,462           | 8,677                 | -                 | -                              | 696,706               |
| Accountability   | -                   | 4,315                  | -                | -                     | -                 | -                              | 4,315                 |
| Policy, leadership and public relations                      | 411,499             | 199,509                | -                | (2,225)               | -                 | -                              | 608,783               |
| Ancillary services   | 284                 | -                      | -                | -                     | -                 | -                              | 284                   |
| Non-programmed charges                                       | 321,126             | -                      | 42,964           | -                     | -                 | -                              | 364,090               |
| Debt service:  |                     |                        |                  |                       |                   |                                |                       |
| Principal retirement   | -                   | -                      | -                | -                     | 82,318            | -                              | 82,318                |
| Capital outlay   | -                   | -                      | -                | -                     | 400,217           | -                              | 400,217               |
| Total expenditures   | <u>3,922,400</u>    | <u>18,672,108</u>      | <u>3,216,470</u> | <u>1,403,356</u>      | <u>730,425</u>    | <u>294,863</u>                 | <u>28,239,622</u>     |
| Revenues over (under) expenditures                           | <u>(828,379)</u>    | <u>40,276</u>          | <u>-</u>         | <u>(135,077)</u>      | <u>(399,891)</u>  | <u>(9,543)</u>                 | <u>(1,332,614)</u>    |
| Other financing sources (uses):                              |                     |                        |                  |                       |                   |                                |                       |
| Transfers from other funds                                   | -                   | -                      | -                | 190,332               | -                 | -                              | 190,332               |
| Transfers to other funds                                     | (190,332)           | (40,276)               | -                | -                     | -                 | -                              | (230,608)             |
| Installment purchase obligations issued                      | -                   | -                      | -                | -                     | 247,890           | -                              | 247,890               |
| Total other financing sources (uses)                         | <u>(190,332)</u>    | <u>(40,276)</u>        | <u>-</u>         | <u>190,332</u>        | <u>247,890</u>    | <u>-</u>                       | <u>207,614</u>        |
| Net change in fund balance                                   | <u>(1,018,711)</u>  | <u>-</u>               | <u>-</u>         | <u>55,255</u>         | <u>(152,001)</u>  | <u>(9,543)</u>                 | <u>(1,125,000)</u>    |
| Fund balances (deficits):                                    |                     |                        |                  |                       |                   |                                |                       |
| Beginning of year, as previously reported                    | 643,139             | -                      | -                | (190,333)             | 395,734           | 83,387                         | 931,927               |
| Prior period adjustments                                     | (329,423)           | -                      | -                | -                     | -                 | 27,566                         | (301,857)             |
| Beginning of year, as restated                               | <u>313,716</u>      | <u>-</u>               | <u>-</u>         | <u>(190,333)</u>      | <u>395,734</u>    | <u>110,953</u>                 | <u>630,070</u>        |
| End of year  | \$ <u>(704,995)</u> | \$ <u>-</u>            | \$ <u>-</u>      | \$ <u>(135,078)</u>   | \$ <u>243,733</u> | \$ <u>101,410</u>              | \$ <u>(494,930)</u>   |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 5**

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

|  |                     |
|--|---------------------|
| Net changes in fund balances - total governmental funds  | \$ (1,125,000)      |
| 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 capital outlays exceeded depreciation in the current period.   | 107,595             |
| Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.   | (80,000)            |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                     |
| Gain on disposal of capital assets   | 2,452               |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   | 1,324,938           |
| 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (165,572)           |
| 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  | (394,768)           |
| Compensated absences   | <u>(63,671)</u>     |
| Total changes in net position of governmental activities   | <u>\$ (394,026)</u> |

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



**BERTIE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 6**

|  | General Fund       |                  |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|------------------|---------------------|---|
|  | Original<br>Budget | Final<br>Budget  | Actual              |   |
| Revenues:  |                    |                  |                     |   |
| State of North Carolina                                      | \$ -               | \$ -             | \$ -                | \$ -  |
| Bertie County  | 3,689,176          | 3,003,000        | 3,009,500           | 6,500   |
| U.S. Government  | -                  | -                | -                   | -   |
| Other  | 72,000             | 78,816           | 84,521              | 5,705   |
| Total revenues   | <u>3,761,176</u>   | <u>3,081,816</u> | <u>3,094,021</u>    | <u>12,205</u>   |
| Expenditures:  |                    |                  |                     |   |
| Current:   |                    |                  |                     |   |
| Instructional services                                       |                    |                  |                     |   |
| Regular instructional  | 356,294            | 160,771          | 547,857             | (387,086)   |
| Special populations  | -                  | 72               | 62,766              | (62,694)  |
| Alternative programs   | -                  | 510              | 510                 | -   |
| School leadership  | 61,430             | 26,025           | 18,703              | 7,322   |
| Co-curricular  | 66,430             | 103,579          | 103,199             | 380   |
| School-based support   | 10,000             | 154,208          | 154,201             | 7   |
| Total instructional services                                 | <u>494,154</u>     | <u>445,165</u>   | <u>887,236</u>      | <u>(442,071)</u>  |
| System-wide support services                                 |                    |                  |                     |   |
| Support and development                                      | -                  | 27,951           | 27,452              | 499   |
| Special population support and development                   | -                  | -                | -                   | -   |
| Alternative programs and services<br>support and development | -                  | -                | -                   | -   |
| Technology support   | 50,000             | 65,365           | 65,183              | 182   |
| Operational support  | 1,979,243          | 1,983,592        | 2,081,291           | (97,699)  |
| Financial and human resource services                        | 41,500             | 121,102          | 128,329             | (7,227)   |
| Accountability   | -                  | -                | -                   | -   |
| Policy, leadership and public relations                      | 438,103            | 418,083          | 411,499             | 6,584   |
| Total system-wide support services                           | <u>2,508,846</u>   | <u>2,616,093</u> | <u>2,713,754</u>    | <u>(97,661)</u>   |
| Ancillary services   |                    |                  |                     |   |
| Community  | 2,000              | 136              | 136                 | -   |
| Nutrition  | -                  | 148              | 148                 | -   |
| Total ancillary services                                     | <u>2,000</u>       | <u>284</u>       | <u>284</u>          | <u>-</u>  |
| Non-programmed charges                                       | 168,000            | 321,873          | 321,126             | 747   |
| Total expenditures   | <u>3,173,000</u>   | <u>3,383,415</u> | <u>3,922,400</u>    | <u>(538,985)</u>  |
| Revenues over (under) expenditures                           | <u>588,176</u>     | <u>(301,599)</u> | <u>(828,379)</u>    | <u>(526,780)</u>  |
| Other financing sources (uses):                              |                    |                  |                     |   |
| Transfers from other funds                                   | -                  | -                | -                   | -   |
| Transfers to other funds                                     | -                  | (190,332)        | (190,332)           | -   |
| Total other financing sources (uses)                         | <u>-</u>           | <u>(190,332)</u> | <u>(190,332)</u>    | <u>-</u>  |
| Fund balance appropriated                                    | -                  | 491,931          | -                   | (491,931)   |
| Net change in fund balance                                   | <u>\$ 588,176</u>  | <u>\$ -</u>      | <u>(1,018,711)</u>  | <u>\$ (1,018,711)</u>                                   |
| Fund balances (deficits):                                    |                    |                  |                     |   |
| Beginning of year, as previously reported                    |                    |                  | 643,139             |   |
| Prior period adjustments                                     |                    |                  | (329,423)           |   |
| Beginning of year, as restated                               |                    |                  | 313,716             |   |
| End of year  |                    |                  | <u>\$ (704,995)</u> |   |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2016**

*Exhibit 6 (continued)*

|  | State Public School Fund |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------------|-------------------|-------------------|---|
|  | Original<br>Budget       | Final<br>Budget   | Actual            |   |
| Revenues:  |                          |                   |                   |   |
| State of North Carolina                                      | \$ 15,489,985            | \$ 19,613,164     | \$ 18,712,384     | \$ (900,780)  |
| Bertie County  | -                        | -                 | -                 | -   |
| U.S. Government  | -                        | -                 | -                 | -   |
| Other  | -                        | -                 | -                 | -   |
| Total revenues   | <u>15,489,985</u>        | <u>19,613,164</u> | <u>18,712,384</u> | <u>(900,780)</u>  |
| Expenditures:  |                          |                   |                   |   |
| Current:   |                          |                   |                   |   |
| Instructional services                                       |                          |                   |                   |   |
| Regular instructional  | 8,467,150                | 10,201,121        | 9,644,139         | 556,982   |
| Special populations  | 1,456,248                | 1,583,695         | 1,496,117         | 87,578  |
| Alternative programs   | 331,088                  | 788,838           | 701,011           | 87,827  |
| School leadership  | 1,608,531                | 1,277,826         | 1,270,687         | 7,139   |
| Co-curricular  | -                        | -                 | -                 | -   |
| School-based support   | 869,699                  | 1,737,408         | 1,613,126         | 124,282   |
| Total instructional services                                 | <u>12,732,716</u>        | <u>15,588,888</u> | <u>14,725,080</u> | <u>863,808</u>  |
| System-wide support services                                 |                          |                   |                   |   |
| Support and development                                      | 278,300                  | 443,081           | 421,956           | 21,125  |
| Special population support and development                   | -                        | 117,196           | 116,727           | 469   |
| Alternative programs and services<br>support and development | 89,600                   | 192,863           | 189,488           | 3,375   |
| Technology support   | 104,650                  | 156,802           | 156,115           | 687   |
| Operational support  | 1,940,419                | 2,323,528         | 2,316,680         | 6,848   |
| Financial and human resource services                        | 184,300                  | 544,690           | 542,238           | 2,452   |
| Accountability   | -                        | 4,359             | 4,315             | 44  |
| Policy, leadership and public relations                      | 160,000                  | 201,338           | 199,509           | 1,829   |
| Total system-wide support services                           | <u>2,757,269</u>         | <u>3,983,857</u>  | <u>3,947,028</u>  | <u>36,829</u>   |
| Ancillary services   |                          |                   |                   |   |
| Community  | -                        | -                 | -                 | -   |
| Nutrition  | -                        | -                 | -                 | -   |
| Total ancillary services                                     | <u>-</u>                 | <u>-</u>          | <u>-</u>          | <u>-</u>  |
| Non-programmed charges                                       | -                        | -                 | -                 | -   |
| Total expenditures   | <u>15,489,985</u>        | <u>19,572,745</u> | <u>18,672,108</u> | <u>900,637</u>  |
| Revenues over (under) expenditures                           | <u>-</u>                 | <u>40,419</u>     | <u>40,276</u>     | <u>(143)</u>  |
| Other financing sources (uses):                              |                          |                   |                   |   |
| Transfers from other funds                                   | -                        | -                 | -                 | -   |
| Transfers to other funds                                     | -                        | (40,419)          | (40,276)          | 143   |
| Total other financing sources (uses)                         | <u>-</u>                 | <u>(40,419)</u>   | <u>(40,276)</u>   | <u>143</u>  |
| Fund balance appropriated                                    | -                        | -                 | -                 | -   |
| Net change in fund balance                                   | <u>\$ -</u>              | <u>\$ -</u>       | <u>-</u>          | <u>\$ -</u>   |
| Fund balances (deficits):                                    |                          |                   |                   |   |
| Beginning of year, as previously reported                    |                          |                   | -                 |   |
| Prior period adjustments                                     |                          |                   | -                 |   |
| Beginning of year, as restated                               |                          |                   | -                 |   |
| End of year  |                          |                   | <u>\$ -</u>       |   |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2016**

*Exhibit 6 (continued)*

|  | Federal Grants Fund |                 |           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|-----------------|-----------|---|
|  | Original<br>Budget  | Final<br>Budget | Actual    |   |
| Revenues:                                  |                     |                 |           |   |
| State of North Carolina                    | \$ -                | \$ -            | \$ -      | \$ -  |
| Bertie County                              | -                   | -               | -         | -   |
| U.S. Government                            | -                   | 4,601,613       | 3,216,470 | (1,385,143)   |
| Other                                      | -                   | -               | -         | -   |
| Total revenues                             | -                   | 4,601,613       | 3,216,470 | (1,385,143)   |
| Expenditures:                              |                     |                 |           |   |
| Current:                                   |                     |                 |           |   |
| Instructional services                     |                     |                 |           |   |
| Regular instructional                      | -                   | -               | 196,335   | -   |
| Special populations                        | -                   | -               | 845,010   | -   |
| Alternative programs                       | -                   | -               | 1,518,311 | -   |
| School leadership                          | -                   | -               | (26)      | -   |
| Co-curricular                              | -                   | -               | -         | -   |
| School-based support                       | -                   | -               | 287,243   | -   |
| Total instructional services               | -                   | -               | 2,846,873 | -   |
| System-wide support services               |                     |                 |           |   |
| Support and development                    | -                   | -               | 50,847    | -   |
| Special population support and development | -                   | -               | 48,355    | -   |
| Alternative programs and services          |                     |                 |           |   |
| support and development                    | -                   | -               | 125,400   | -   |
| Technology support                         | -                   | -               | 20,813    | -   |
| Operational support                        | -                   | -               | 63,756    | -   |
| Financial and human resource services      | -                   | -               | 17,462    | -   |
| Accountability                             | -                   | -               | -         | -   |
| Policy, leadership and public relations    | -                   | -               | -         | -   |
| Total system-wide support services         | -                   | -               | 326,633   | -   |
| Ancillary services                         |                     |                 |           |   |
| Community                                  | -                   | -               | -         | -   |
| Nutrition                                  | -                   | -               | -         | -   |
| Total ancillary services                   | -                   | -               | -         | -   |
| Non-programmed charges                     | -                   | -               | 42,964    | -   |
| Total expenditures                         | -                   | 4,601,613       | 3,216,470 | 1,385,143   |
| Revenues over (under) expenditures         | -                   | -               | -         | -   |
| Other financing sources (uses):            |                     |                 |           |   |
| Transfers from other funds                 | -                   | -               | -         | -   |
| Transfers to other funds                   | -                   | -               | -         | -   |
| Total other financing sources (uses)       | -                   | -               | -         | -   |
| Fund balance appropriated                  | -                   | -               | -         | -   |
| Net change in fund balance                 | \$ -                | \$ -            | \$ -      | \$ -  |
| Fund balances (deficits):                  |                     |                 |           |   |
| Beginning of year, as previously reported  |                     |                 | -         |   |
| Prior period adjustments                   |                     |                 | -         |   |
| Beginning of year, as restated             |                     |                 | -         |   |
| End of year                                |                     |                 | \$ -      |   |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2016**

*Exhibit 6 (continued)*

|  | Special Restricted Fund |                 |              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|--------------|---|
|  | Original<br>Budget      | Final<br>Budget | Actual       |   |
| Revenues:  |                         |                 |              |   |
| State of North Carolina                                      | \$ -                    | \$ 493,437      | \$ 539,725   | \$ 46,288   |
| Bertie County  | -                       | -               | -            | -   |
| U.S. Government  | -                       | 58,713          | 58,713       | -   |
| Other  | 736,730                 | 820,223         | 669,841      | (150,382)   |
| Total revenues   | 736,730                 | 1,372,373       | 1,268,279    | (104,094)   |
| Expenditures:  |                         |                 |              |   |
| Current:   |                         |                 |              |   |
| Instructional services                                       |                         |                 |              |   |
| Regular instructional  | 183,730                 | 469,534         | 382,666      | 86,868  |
| Special populations  | 53,000                  | 175,236         | 214,096      | (38,860)  |
| Alternative programs   | 500,000                 | 639,941         | 630,445      | 9,496   |
| School leadership  | -                       | 25,000          | 30,982       | (5,982)   |
| Co-curricular  | -                       | -               | -            | -   |
| School-based support   | -                       | 2,829           | 25,796       | (22,967)  |
| Total instructional services                                 | 736,730                 | 1,312,540       | 1,283,985    | 28,555  |
| System-wide support services                                 |                         |                 |              |   |
| Support and development                                      | -                       | 2,016           | 2,016        | -   |
| Special population support and development                   | -                       | -               | -            | -   |
| Alternative programs and services<br>support and development | -                       | -               | -            | -   |
| Technology support   | -                       | 846             | 846          | -   |
| Operational support  | -                       | 202,303         | 110,057      | 92,246  |
| Financial and human resource services                        | -                       | 45,000          | 8,677        | 36,323  |
| Accountability   | -                       | -               | -            | -   |
| Policy, leadership and public relations                      | -                       | -               | (2,225)      | 2,225   |
| Total system-wide support services                           | -                       | 250,165         | 119,371      | 130,794   |
| Ancillary services   |                         |                 |              |   |
| Community  | -                       | -               | -            | -   |
| Nutrition  | -                       | -               | -            | -   |
| Total ancillary services                                     | -                       | -               | -            | -   |
| Non-programmed charges                                       | -                       | -               | -            | -   |
| Total expenditures   | 736,730                 | 1,562,705       | 1,403,356    | 159,349   |
| Revenues over (under) expenditures                           | -                       | (190,332)       | (135,077)    | 55,255  |
| Other financing sources (uses):                              |                         |                 |              |   |
| Transfers from other funds                                   | -                       | 190,332         | 190,332      | -   |
| Transfers to other funds                                     | -                       | -               | -            | -   |
| Total other financing sources (uses)                         | -                       | 190,332         | 190,332      | -   |
| Fund balance appropriated                                    | -                       | -               | -            | -   |
| Net change in fund balance                                   | \$ -                    | \$ -            | 55,255       | \$ 55,255   |
| Fund balances (deficits):                                    |                         |                 |              |   |
| Beginning of year, as previously reported                    |                         |                 | (190,333)    |   |
| Prior period adjustments                                     |                         |                 | -            |   |
| Beginning of year, as restated                               |                         |                 | (190,333)    |   |
| End of year  |                         |                 | \$ (135,078) |   |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE**  
**June 30, 2016**

**Exhibit 7**

|  | <u>Enterprise Fund</u> |
|--|------------------------|
|  | <u>Major Fund</u>      |
|  | <u>School Food</u>     |
|  | <u>Service</u>         |
| <b>Assets</b>                            |                        |
| Current assets:                          |                        |
| Cash and cash equivalents                | \$ 886,953             |
| Due from other governments               | 99,119                 |
| Receivables                              | 18,640                 |
| Inventories                              | 98,179                 |
| Total current assets                     | <u>1,102,891</u>       |
| Noncurrent assets:                       |                        |
| Capital assets:                          |                        |
| Furniture and office equipment, net      | <u>36,557</u>          |
| Total assets                             | <u>1,139,448</u>       |
| <b>Deferred Outflows of Resources</b>    | <u>63,670</u>          |
| <b>Liabilities</b>                       |                        |
| Current liabilities:                     |                        |
| Accounts payable and accrued liabilities | 4,495                  |
| Compensated absences                     | 40,821                 |
| Total current liabilities                | <u>45,316</u>          |
| Noncurrent liabilities:                  |                        |
| Net pension liability                    | 166,812                |
| Compensated absences                     | 72,010                 |
| Total noncurrent liabilities             | <u>238,822</u>         |
| Total liabilities                        | <u>284,138</u>         |
| <b>Deferred Inflows of Resources</b>     | <u>40,141</u>          |
| <b>Net position</b>                      |                        |
| Net investment in capital assets         | 36,557                 |
| Unrestricted                             | 842,282                |
| Total net position                       | <u>\$ 878,839</u>      |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 8**

|   | Enterprise Fund<br>Major Fund<br>School Food<br>Service |
|---|---|
| Operating revenues:                                     |   |
| Food sales  | \$ 505,660  |
| Operating expenses:                                     |   |
| Food cost:  |   |
| Purchase of food  | 1,090,919   |
| Donated commodities                                     | 128,480   |
| Salaries and benefits                                   | 1,145,109   |
| Indirect costs  | 163,529   |
| Materials and supplies                                  | 4,400   |
| Repairs and maintenance                                 | 16,464  |
| Depreciation  | 5,634   |
| Non-capitalized equipment                               | 791   |
| Contracted services                                     | 3,711   |
| Other   | 20,103  |
| Total operating expenses                                | <u>2,579,140</u>  |
| Operating loss  | <u>(2,073,480)</u>                                      |
| Nonoperating revenues:                                  |   |
| Federal reimbursements                                  | 1,923,365   |
| Federal commodities                                     | 128,480   |
| Indirect costs not paid                                 | 163,529   |
| Interest earned   | 215   |
| Total nonoperating revenues                             | <u>2,215,589</u>  |
| Income before transfers                                 | 142,109   |
| Transfers from other funds                              | <u>40,276</u>   |
| Change in net position                                  | <u>182,385</u>  |
| Net position, beginning of year, as previously reported | 735,564   |
| Prior period adjustment                                 | <u>(39,110)</u>   |
| Net position, beginning of year, as restated            | <u>696,454</u>  |
| Net position, end of year                               | <u>\$ 878,839</u>                                       |

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

**BERTIE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 9**

|   | <u>Enterprise Fund</u> |
|---|------------------------|
|   | <u>Major Fund</u>      |
|   | <u>School Food</u>     |
|   | <u>Service</u>         |
| Cash flows from operating activities:   |                        |
| Cash received from customers  | \$ 501,708             |
| Cash paid for goods and services  | (1,170,753)            |
| Cash paid to employees for services   | <u>(1,148,858)</u>     |
| Net cash used by operating activities   | <u>(1,817,903)</u>     |
| Cash flows from noncapital financing activities:                                  |                        |
| Federal and State reimbursements  | <u>1,935,229</u>       |
| Cash flows from capital and related financing activities:                         |                        |
| Purchase of capital assets  | <u>(22,228)</u>        |
| Cash flows from investing activities:   |                        |
| Interest earned on investments  | <u>215</u>             |
| Net increase in cash and cash equivalents   | 95,313                 |
| Cash and cash equivalents, beginning of year                                      | <u>791,640</u>         |
| Cash and cash equivalents, end of year  | <u>\$ 886,953</u>      |
| Reconciliation of operating loss to net cash used by operating activities:        |                        |
| Operating loss  | <u>\$ (2,073,480)</u>  |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                        |
| Depreciation  | 5,634                  |
| Donated commodities   | 128,480                |
| Salaries paid by special revenue fund   | 40,276                 |
| Indirect costs not paid   | 163,529                |
| Changes in assets and liabilities:  |                        |
| Increase in accounts receivable   | (3,952)                |
| Increase in inventories   | (38,032)               |
| Increase in accounts payable and accrued liabilities                              | 3,667                  |
| Increase in net pension liability   | 113,115                |
| Increase in deferred outflows   | 6,339                  |
| Decrease in deferred inflows  | (153,797)              |
| Decrease in compensated absences payable  | <u>(9,682)</u>         |
| Total adjustments   | <u>255,577</u>         |
| Net cash used by operating activities   | <u>\$ (1,817,903)</u>  |

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$128,480 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

Indirect costs of \$163,529 that would be due to the Special Restricted Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The State Public School Fund paid salaries and benefits of \$40,276 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

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

**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

The Bertie County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Bertie County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. 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 displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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. All expenses are considered to be operating expenses.

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.



**BERTIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

*Special Restricted Fund.* The Special Restricted Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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

The Board reports the following nonmajor governmental funds:

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

The 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.

C. Measurement Focus and Basis of Accounting

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 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 as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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D. Budgetary Data

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

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1. The Board has no investments in the NCCMT or STIF as of June 30, 2016.

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.

4. Capital Assets

Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 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

**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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July 1, 1990 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.

For capital assets utilized in both governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

|                            | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20 - 50      |
| Equipment and furniture    | 5 - 10       |
| Vehicles                   | 6 - 20       |
| Computer equipment         | 3            |

Depreciation for assets 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 outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion - 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 one item that meet this criterion – pension related deferrals.

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate 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.

**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

*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.

*Unassigned fund balance (deficit)* – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board of Education does not have a formal management policy for revenue spending that provides guidance for programs with multiple revenue sources. The procedure followed by the Board has been for the Finance Officer to pay expenditures from restricted revenue sources first and then from general unrestricted revenues.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$448,938 consists of several elements as follows:

| <u>Description</u>   | <u>Amount</u>       |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 17,906,387       |
| Less accumulated depreciation  | <u>(12,305,944)</u> |
| Net capital assets   | 5,600,443           |
| Pension related deferred outflows of resources:  |                     |
| Contributions made to the pension plan in the current fiscal year  | 1,324,938           |
| Changes in proportion and differences between Board contributions and proportionate share of contributions   | 193,525             |

**BERTIE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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  | (227,030)   |
| Compensated absences  | (1,507,314) |
| Net pension liability | (3,978,299) |

Deferred inflows of resources related to pensions:

|   |                  |
|---|------------------|
| Differences between contributions and proportional share of contributions and changes in proportion | (73,977)         |
| Differences between expected and actual experience  | (452,333)        |
| Difference between projected and actual earnings on plan investments                                | <u>(431,015)</u> |

Total adjustment \$ 448,938

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$730,974 as follows:

| <u>Description</u>   | <u>Amount</u>     |
|--|-------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities   | \$ 503,995        |
| 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   | (396,400)         |
| 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 only affects the government-wide statement of net position | (247,890)         |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements                              | 82,318            |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   | 1,324,938         |
| Proceeds from the sale of capital assets are recorded as revenues in the fund Statements but not in the statement of activities  | (80,000)          |
| Revenues in the statement of activities that do not provide current financial Resources are not reported as revenues in the funds  |                   |
| Gain on disposal of capital assets   | 2,452             |
| 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  | (394,768)         |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources  | <u>(63,671)</u>   |
| Total adjustment   | <u>\$ 730,974</u> |

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10. Defined Benefit Pension Plans

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess of Fund Balance Appropriated over Fund Balance Available for Appropriation

For the fiscal year ended June 30, 2016 the Board appropriated \$491,931 of fund balance in the General Fund which violated State law [G.S. 115C-425(a)] because the Board only had \$313,716 of fund balance available for appropriation after the effects of the prior period adjustments reported in Note 5. Management will immediately begin reviewing calculations of fund balance available for appropriation as part of its routine process of adopting the annual budget and making budget amendments to ensure that this type of violation does not occur in the future.

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2016, the Board reported expenditures within the General, Special Restricted and Capital Outlay funds that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance, as summarized below:

|                                       | <u>Violation<br/>Amount</u> |
|---------------------------------------|-----------------------------|
| General Fund:                         |                             |
| Regular instructional services        | \$ 387,086                  |
| Special populations services          | 62,694                      |
| Operational support services          | 97,699                      |
| Financial and human resource services | <u>7,227</u>                |
| Total                                 | <u>\$ 554,706</u>           |
| Special Restricted Fund:              |                             |
| Special populations services          | \$ 38,860                   |
| School leadership services            | 5,982                       |
| School-based support services         | <u>22,967</u>               |
| Total                                 | <u>\$ 67,809</u>            |
| Capital Outlay Fund:                  |                             |
| Operational support services          | <u>\$ 227,124</u>           |

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

**BERTIE COUNTY BOARD OF EDUCATION**  
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Unbalanced Budget Resolution

North Carolina General Statute 115C-432 states that in adopting the budget resolution, the sum of estimated net revenues and appropriated fund balances in each fund shall be equal to appropriations in that fund. Budgeted revenues in the Board's fiscal year 2015-2016 budget resolution for the General Fund were \$588,176 higher than budgeted expenditures. Management will closely review the budget resolution to ensure that the sum of estimated net revenues and appropriated fund balances in each fund are equal to appropriations in that fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report 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 \$1,459,109 and a bank overdraft with the State Treasurer of \$(466,066). The bank balances with the financial institutions and the State Treasurer were \$1,492,175 and \$1,919,136, respectively. Of these balances, \$434,274 was covered by federal depository insurance and \$2,977,037 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board also had petty cash on hand at year end totaling \$15.

**BERTIE COUNTY BOARD OF EDUCATION**  
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2. Accounts Receivable

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

|                               | Due from (to)<br>other funds<br>(Internal<br>Balances) | Due from<br>other<br>governments | Other            | Total             |
|-------------------------------|--|----------------------------------|------------------|-------------------|
| Governmental activities:      |  |                                  |                  |                   |
| General Fund                  | \$ (345,753)   | \$ 5,706                         | \$ 6,264         | \$ (333,783)      |
| Other governmental activities | <u>345,753</u>   | <u>490,620</u>                   | <u>14,291</u>    | <u>850,664</u>    |
| Total governmental activities | <u>\$ -</u>  | <u>\$ 496,326</u>                | <u>\$ 20,555</u> | <u>\$ 516,881</u> |
| Business-type activities:     |  |                                  |                  |                   |
| School Food Service Fund      | <u>\$ -</u>  | <u>\$ 99,119</u>                 | <u>\$ 18,640</u> | <u>\$ 117,759</u> |

Due from other governments consists of the following:

|                           |                   |                          |
|---------------------------|-------------------|--------------------------|
| Governmental activities:  |                   |                          |
| General Fund              | \$ 5,706          | Amounts due from County  |
| State Public School Fund  | 413,883           | Operating Funds from DPI |
| Federal Grants Fund       | 36,275            | Federal grant funds      |
| Capital Outlay Fund       | <u>40,462</u>     | Amounts due from County  |
| Total                     | <u>\$ 496,326</u> |                          |
| Business-type activities: |                   |                          |
| School Food Service Fund  | <u>\$ 99,119</u>  | Federal grant funds      |



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3. Capital Assets

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

|   | <u>Beginning<br/>Balances</u> | <u>Adjustments</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|--------------------|------------------|------------------|----------------------------|
| Governmental activities:                    |                               |                    |                  |                  |                            |
| Capital assets not being depreciated:       |                               |                    |                  |                  |                            |
| Land  | \$ 70,730                     | \$ -               | \$ -             | \$ -             | \$ 70,730                  |
| Construction in progress                    | 699,449                       | -                  | 233,096          | (932,545)        | -                          |
| Total capital assets not being depreciated  | <u>770,179</u>                | <u>-</u>           | <u>233,096</u>   | <u>(932,545)</u> | <u>70,730</u>              |
| Capital assets being depreciated:           |                               |                    |                  |                  |                            |
| Buildings and improvements                  | 12,751,257                    | (54,142)           | 932,545          | (101,813)        | 13,527,847                 |
| Equipment, furniture and vehicles           | 3,982,769                     | 54,142             | 270,899          | -                | 4,307,810                  |
| Total capital assets being depreciated      | <u>16,734,026</u>             | <u>-</u>           | <u>1,203,444</u> | <u>(101,813)</u> | <u>17,835,657</u>          |
| Less accumulated depreciation for:          |                               |                    |                  |                  |                            |
| Buildings and improvements                  | 9,640,590                     | 249,260            | 133,789          | (24,265)         | 9,999,374                  |
| Equipment, furniture and vehicles           | 1,625,403                     | 418,556            | 262,611          | -                | 2,306,570                  |
| Total accumulated depreciation              | <u>11,265,993</u>             | <u>667,816</u>     | <u>396,400</u>   | <u>(24,265)</u>  | <u>12,305,944</u>          |
| Total capital assets being depreciated, net | <u>5,468,033</u>              |                    |                  |                  | <u>5,529,713</u>           |
| Governmental activity capital assets, net   | <u>\$ 6,238,212</u>           |                    |                  |                  | <u>\$ 5,600,443</u>        |
| Business-type activities:                   |                               |                    |                  |                  |                            |
| School Food Service Fund:                   |                               |                    |                  |                  |                            |
| Capital assets being depreciated:           |                               |                    |                  |                  |                            |
| Equipment, furniture and vehicles           | \$ 340,593                    | \$ -               | \$ 22,228        | \$ -             | \$ 362,821                 |
| Less accumulated depreciation for:          |                               |                    |                  |                  |                            |
| Equipment, furniture and vehicles           | 320,630                       | -                  | 5,634            | -                | 326,264                    |
| School Food Service capital assets, net     | <u>\$ 19,963</u>              |                    |                  |                  | <u>\$ 36,557</u>           |

Depreciation was charged to governmental functions as follows:

|                          |                   |
|--------------------------|-------------------|
| Instructional services   | \$ 133,789        |
| Unallocated depreciation | <u>262,611</u>    |
| Total                    | <u>\$ 396,400</u> |

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

*Plan Description.* The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina

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General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,380,493 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$4,145,111 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,

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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 both June 30, 2015 and at June 30, 2014, the Board's proportion was .11%.

For the year ended June 30, 2016, the Board recognized pension expense of \$415,978. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ -                                      | \$ 471,299                               |
| Net difference between projected and actual earnings on pension plan investments                           | -   | 449,087                                  |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 201,640                                   | 77,080                                   |
| Board contributions subsequent to the measurement date   | <u>1,380,493</u>                          | <u>-</u>                                 |
| Total  | <u>\$ 1,582,133</u>                       | <u>\$ 997,466</u>                        |

\$1,380,493 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

|            |                     |
|------------|---------------------|
| 2017       | \$ (488,799)        |
| 2018       | (488,799)           |
| 2019       | (486,944)           |
| 2020       | 668,716             |
| 2021       | -                   |
| Thereafter | <u>-</u>            |
| Total      | <u>\$ (795,826)</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

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on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

| Asset Class          | Target Allocation | Long-Term Expected Real<br>Rate of Return |
|----------------------|-------------------|---|
| Fixed Income         | 36.0%             | 2.5%                                      |
| Global Equity        | 40.5%             | 6.1%                                      |
| Real Estate          | 8.0%              | 5.7%                                      |
| Alternatives         | 6.5%              | 10.5%                                     |
| Credit               | 4.5%              | 6.8%                                      |
| Inflation Protection | 4.5%              | 3.7%                                      |
| Total                | 100%              |   |

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

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

*Sensitivity of the County'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:

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|  | 1% Decrease<br><u>(6.25%)</u> | Discount Rate<br><u>(7.25%)</u> | 1% Increase<br><u>(8.25%)</u> |
|--|-------------------------------|---------------------------------|-------------------------------|
| Board's proportionate share of the net pension liability (asset) | \$ 12,475,639                 | \$ 4,145,111                    | \$ (2,924,303)                |

*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

Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015 and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$839,820, \$774,549 and \$731,972, respectively. These contributions represented 5.60%, 5.49% and 5.40% of covered payroll, respectively.

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

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

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

It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$61,487, \$87,684 and \$76,125, respectively. These contributions represented 0.41%, 0.41% and 0.44% of covered payroll, respectively.

2. Bank Overdraft

At June 30, 2016, the Board had a bank overdraft balance of \$466,066 reported in the State Public School Fund.

3. Accounts Payable

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

|                               | <u>Vendors<br/>and Other</u> | <u>Due to Other<br/>Governments</u> | <u>Salaries and<br/>Benefits</u> | <u>Total</u>        |
|-------------------------------|------------------------------|-------------------------------------|----------------------------------|---------------------|
| Governmental activities:      |                              |                                     |                                  |                     |
| General Fund                  | \$ 434,240                   | \$ 187,655                          | \$ 16,807                        | \$ 638,702          |
| Other governmental activities | <u>3,268</u>                 | <u>-</u>                            | <u>475,946</u>                   | <u>479,214</u>      |
| Total governmental activities | <u>\$ 437,508</u>            | <u>\$ 187,655</u>                   | <u>\$ 492,753</u>                | <u>\$ 1,117,916</u> |
| Business-type activities:     |                              |                                     |                                  |                     |
| School Food Service Fund      | <u>\$ 4,495</u>              | <u>\$ -</u>                         | <u>\$ -</u>                      | <u>\$ 4,495</u>     |

4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ -                                      | \$ 471,299                               |
| Net difference between projected and actual earnings on pension plan investments                           | -   | 449,087                                  |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 201,640                                   | 77,080                                   |
| Board contributions subsequent to the measurement date   | <u>1,380,493</u>                          | <u>-</u>                                 |
| Total  | <u>\$ 1,582,133</u>                       | <u>\$ 997,466</u>                        |

**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1,000,000 each claim made/\$3,150,000 coverage period aggregate. Of the total limit of coverage provided to the Board by the Trust, the Trust is reinsured through commercial companies for losses in excess of \$150,000 each claim made/\$600,000 coverage period aggregate, up to the Board's total limit of coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the 2014-2015 and 2015-2016 fiscal years, the Board entered into two such financing contracts for the purchase of school buses. The financing contracts each require four equal principal-only payments with the first payment due within 10 days of receipt of the bus and the following 3 payments due on the next 3 immediately following November 15<sup>th</sup> dates. The future minimum payments of the installment purchases as of June 30, 2016 are as follows:



**BERTIE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u><br><u>Principal</u> |
|-----------------------------|--|
| 2017                        | \$ 82,528  |
| 2018                        | 82,529   |
| 2019                        | <u>61,973</u>                                      |
| Total                       | <u>\$ 227,030</u>                                  |

b. Long-Term Obligation Activity

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

|                           | <u>July 1, 2015</u> | <u>Increases</u>    | <u>Decreases</u>  | <u>June 30, 2016</u> | <u>Current<br/>Portion</u> |
|---------------------------|---------------------|---------------------|-------------------|----------------------|----------------------------|
| Governmental activities:  |                     |                     |                   |                      |                            |
| Installment purchases     | \$ 61,458           | \$ 247,890          | \$ 82,318         | \$ 227,030           | \$ 82,528                  |
| Net pension liability     | 1,288,725           | 2,689,574           | -                 | 3,978,299            | -                          |
| Compensated absences      | 1,443,643           | 956,711             | 893,040           | 1,507,314            | 560,789                    |
| Total                     | <u>\$ 2,793,826</u> | <u>\$ 3,894,175</u> | <u>\$ 975,358</u> | <u>\$ 5,712,643</u>  | <u>\$ 643,317</u>          |
| Business-type activities: |                     |                     |                   |                      |                            |
| Net pension liability     | \$ 53,697           | \$ 113,115          | \$ -              | \$ 166,812           | \$ -                       |
| Compensated absences      | 122,513             | 54,280              | 63,962            | 112,831              | 40,821                     |
| Total                     | <u>\$ 176,210</u>   | <u>\$ 167,395</u>   | <u>\$ 63,962</u>  | <u>\$ 279,643</u>    | <u>\$ 40,821</u>           |

Compensated absences and net pension liability related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2016 is as follows:

| <u>Receivable Fund</u>   | <u>Payable Fund</u>     | <u>Amount</u>     |
|--------------------------|-------------------------|-------------------|
| General Fund             | Special Restricted Fund | <u>\$ 120,313</u> |
| State Public School Fund | General Fund            | <u>\$ 466,066</u> |

The Special Restricted Fund borrowed \$120,313 from the General Fund to pay operating expenditures during the year. The General Fund owes the State Public School Fund \$466,066 to cover bank overdrafts incurred by the State Public School Fund.

2. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2016 consisted of the following:

|  |                   |
|--|-------------------|
| From the State Public School Fund to the School Food Service Fund<br>for administrative costs                          | <u>\$ 40,276</u>  |
| From the General Fund to the Special Restricted Fund to cover<br>the deficit in fund balance reported at June 30, 2015 | <u>\$ 190,332</u> |

**BERTIE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2016**

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D. Fund Balance

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

|   |                     |
|---|---------------------|
| Total fund balance (deficit) - General Fund | \$ (704,995)        |
| Less:                                       |                     |
| Stabilization by State statute              | <u>(132,283)</u>    |
| Remaining fund balance (deficit)            | <u>\$ (837,278)</u> |

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 5 – PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2016, the Board reported the following prior period adjustments:

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement requires the Board to record a deferred outflow of resources for retirement contributions made by the Board subsequent to the measurement date. During the current year, it was determined that the deferred outflows recorded at June 30, 2015 for retirement contributions made during the fiscal year ended June 30, 2015 were overstated by \$882,815 for governmental activities and \$39,110 for business-type activities. As a result, beginning net position reported for governmental and business-type activities at June 30, 2015 was decreased by \$882,815 and \$39,110, respectively. In addition, net position as of June 30, 2015 reported for the School Food Service Fund was decreased by \$39,110 due to this restatement.

Governmental activities accumulated depreciation as previously reported at June 30, 2015 was increased by \$667,816 to agree with the Board's detailed subsidiary capital asset records. This adjustment had the effect of decreasing net investment in capital assets as previously reported at June 30, 2015 by \$667,816.

It was determined during the current year that the State bank account was overdrawn by \$466,066 as of June 30, 2015. The adjustment to correct this error had the effect of decreasing governmental activities net position and fund balance in the General Fund, as previously reported at June 30, 2015, by \$466,066.

It was determined during the current year that an outstanding deposit for \$136,643 was not recorded at June 30, 2015. The adjustment to correct this error had the effect of increasing governmental activities net position and fund balance in the General Fund as previously reported at June 30, 2015 by \$136,643.

It was determined during the current year that cash of \$27,566 in the Individual Schools Fund was not recorded at June 30, 2015. The adjustment to correct this error had the effect of increasing governmental activities net position and fund balance in the Individual Schools Fund as previously reported at June 30, 2015 by \$27,566.

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS\***

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|  | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|--|---------------|---------------|---------------|
| Board's proportion of the net pension liability (asset)  | 0.113%        | 0.115%        | 0.109%        |
| Board's proportionate share of the net pension liability (asset)   | \$ 4,145,111  | \$ 1,342,422  | \$ 6,623,482  |
| Board's covered-employee payroll   | \$ 15,213,290 | \$ 15,565,190 | \$ 16,708,191 |
| Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 27.25%        | 8.62%         | 39.64%        |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 94.64%        | 98.24%        | 90.60%        |

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only three years of data presented.

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS**

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|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 1,380,493     | \$ 1,392,016     | \$ 1,352,615     |
| Contributions in relation to the contractually required contribution | <u>1,380,493</u> | <u>1,392,016</u> | <u>1,352,615</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Board's covered-employee payroll                                     | \$ 15,087,355    | \$ 15,213,290    | \$ 15,565,190    |
| Contributions as a percentage of covered-employee payroll            | 9.15%            | 9.15%            | 8.69%            |

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only three years of data presented.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

|   | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|---|------------------|------------------|------------------------------------|
| Revenues:                               |                  |                  |                                    |
| Bertie County:                          |                  |                  |                                    |
| County appropriation                    | \$ 3,003,000     | \$ 3,009,500     | \$ 6,500                           |
| Other:                                  |                  |                  |                                    |
| Fines and forfeitures                   | 78,696           | 84,401           | 5,705                              |
| Interest earned on investment           | 120              | 120              | -                                  |
| Total other                             | <u>78,816</u>    | <u>84,521</u>    | <u>5,705</u>                       |
| Total revenues                          | <u>3,081,816</u> | <u>3,094,021</u> | <u>12,205</u>                      |
| Expenditures:                           |                  |                  |                                    |
| Current:                                |                  |                  |                                    |
| Instructional services:                 |                  |                  |                                    |
| Regular instructional                   | 160,771          | 547,857          | (387,086)                          |
| Special populations                     | 72               | 62,766           | (62,694)                           |
| Alternative programs                    | 510              | 510              | -                                  |
| School leadership                       | 26,025           | 18,703           | 7,322                              |
| Co-curricular                           | 103,579          | 103,199          | 380                                |
| School-based support                    | <u>154,208</u>   | <u>154,201</u>   | <u>7</u>                           |
| Total instructional services            | <u>445,165</u>   | <u>887,236</u>   | <u>(442,071)</u>                   |
| System-wide support services:           |                  |                  |                                    |
| Support and development                 | 27,951           | 27,452           | 499                                |
| Technology support                      | 65,365           | 65,183           | 182                                |
| Operational support                     | 1,983,592        | 2,081,291        | (97,699)                           |
| Financial and human resource services   | 121,102          | 128,329          | (7,227)                            |
| Policy, leadership and public relations | <u>418,083</u>   | <u>411,499</u>   | <u>6,584</u>                       |
| Total system-wide support services      | <u>2,616,093</u> | <u>2,713,754</u> | <u>(97,661)</u>                    |
| Ancillary services:                     |                  |                  |                                    |
| Community                               | 136              | 136              | -                                  |
| Nutrition                               | <u>148</u>       | <u>148</u>       | <u>-</u>                           |
| Total ancillary services                | <u>284</u>       | <u>284</u>       | <u>-</u>                           |
| Non-programmed charges                  |                  |                  |                                    |
| Payments to other governments           | <u>321,873</u>   | <u>321,126</u>   | <u>747</u>                         |
| Total expenditures                      | <u>3,383,415</u> | <u>3,922,400</u> | <u>(538,985)</u>                   |
| Revenues under expenditures             | (301,599)        | (828,379)        | (526,780)                          |

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

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|   | Final<br>Budget | Actual              | Variance<br>Over<br>(Under) |
|---|-----------------|---------------------|-----------------------------|
| Other financing uses:                     |                 |                     |                             |
| Transfers to other funds                  | (190,332)       | (190,332)           | -                           |
| Fund balance appropriated                 | <u>491,931</u>  | <u>-</u>            | <u>(491,931)</u>            |
| Net change in fund balance                | <u>\$ -</u>     | <u>(1,018,711)</u>  | <u>\$ (1,018,711)</u>       |
| Fund balance (deficit):                   |                 |                     |                             |
| Beginning of year, as previously reported |                 | 643,139             |                             |
| Prior period adjustments                  |                 | <u>(329,423)</u>    |                             |
| Beginning of year, as restated            |                 | <u>313,716</u>      |                             |
| End of year                               |                 | <u>\$ (704,995)</u> |                             |

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
CAPITAL OUTLAY FUND  
For the Fiscal Year Ended June 30, 2016**

|  | Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|--|-----------------|------------|------------------------------------|
| Revenues:                                |                 |            |                                    |
| State of North Carolina:                 |                 |            |                                    |
| State appropriations - buses             | \$ 103,084      | \$ 82,318  | \$ (20,766)                        |
| Bertie County:                           |                 |            |                                    |
| County appropriations                    | 265,000         | 167,121    | (97,879)                           |
| Other:                                   |                 |            |                                    |
| Interest earned on investments           | -               | 95         | 95                                 |
| Proceeds from disposal of capital assets | 80,000          | 80,000     | -                                  |
| Miscellaneous                            | 1,000           | 1,000      | -                                  |
| Total other                              | 81,000          | 81,095     | 95                                 |
| Total revenues                           | 449,084         | 330,534    | (118,550)                          |
| Expenditures:                            |                 |            |                                    |
| Current:                                 |                 |            |                                    |
| System-wide support services:            |                 |            |                                    |
| Operational support                      | 20,766          | 247,890    | (227,124)                          |
| Debt service:                            |                 |            |                                    |
| Principal retirement                     | 82,318          | 82,318     | -                                  |
| Capital outlay                           | 547,599         | 400,217    | 147,382                            |
| Total expenditures                       | 650,683         | 730,425    | (79,742)                           |
| Revenues over (under) expenditures       | (201,599)       | (399,891)  | (198,292)                          |
| Other financing sources:                 |                 |            |                                    |
| Installment purchase obligations issued  | -               | 247,890    | 247,890                            |
| Fund balance appropriated                | 201,599         | -          | (201,599)                          |
| Net change in fund balance               | \$ -            | (152,001)  | \$ (152,001)                       |
| Fund balance:                            |                 |            |                                    |
| Beginning of year                        |                 | 395,734    |                                    |
| End of year                              |                 | \$ 243,733 |                                    |

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2016**

|  | Final<br>Budget    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|------------------------------------|
| Operating revenues:  |                    |                    |                                    |
| Food sales   | \$ -               | \$ 505,660         | \$ 505,660                         |
| Operating expenditures:  |                    |                    |                                    |
| Business support services:   |                    |                    |                                    |
| Purchase of food   | -                  | 1,128,951          | -                                  |
| Donated commodities  | -                  | 128,480            | -                                  |
| Salaries and benefits  | -                  | 1,189,134          | -                                  |
| Indirect costs   | -                  | 163,529            | -                                  |
| Materials and supplies   | -                  | 4,400              | -                                  |
| Repairs and maintenance  | -                  | 16,464             | -                                  |
| Non-capitalized equipment  | -                  | 791                | -                                  |
| Contracted services  | -                  | 3,711              | -                                  |
| Other  | -                  | 20,103             | -                                  |
| Capital outlay   | -                  | 22,228             | -                                  |
| Total operating expenditures   | <u>3,060,418</u>   | <u>2,677,791</u>   | <u>382,627</u>                     |
| Operating loss   | <u>(3,060,418)</u> | <u>(2,172,131)</u> | <u>888,287</u>                     |
| Nonoperating revenues:   |                    |                    |                                    |
| Federal reimbursements and grants  | 1,760,418          | 1,923,365          | 162,947                            |
| Federal commodities  | 500,000            | 128,480            | (371,520)                          |
| Indirect costs not paid  | -                  | 163,529            | 163,529                            |
| Interest earned  | -                  | 215                | 215                                |
| Total nonoperating revenues  | <u>2,260,418</u>   | <u>2,215,589</u>   | <u>(44,829)</u>                    |
| Excess (deficiency) of revenues over expenditures<br>before other financing sources and fund balance<br>appropriated | (800,000)          | 43,458             | 843,458                            |
| Other financing sources:   |                    |                    |                                    |
| Transfers from other funds   | -                  | 40,276             | 40,276                             |
| Fund balance appropriated  | <u>800,000</u>     | <u>-</u>           | <u>(800,000)</u>                   |
| Net change in fund balance   | <u>\$ -</u>        | <u>83,734</u>      | <u>\$ 83,734</u>                   |
| Reconciliation of modified accrual to full<br>accrual basis:   |                    |                    |                                    |
| Reconciling items:   |                    |                    |                                    |
| Depreciation   |                    | (5,634)            |                                    |
| Net pension liability  |                    | (113,115)          |                                    |
| Deferred outflows - pension  |                    | (6,339)            |                                    |
| Deferred inflows - pension   |                    | 153,797            |                                    |
| Equipment purchases  |                    | 22,228             |                                    |
| Decrease in compensated absences payable   |                    | 9,682              |                                    |
| Increase in inventories  |                    | <u>38,032</u>      |                                    |
| Change in net position (full accrual)  |                    | <u>\$ 182,385</u>  |                                    |





# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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*

To the Bertie County Board of Education  
Windsor, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bertie County Board of Education, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Bertie County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated January 6, 2017.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 16-01, 16-02, 16-03 and 16-04 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Bertie County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 16-02 and 16-03.

### ***Bertie County Board of Education's Responses to Findings***

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

### ***Purpose of this Report***

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

*Anderson Smith & Wike PLLC*

January 6, 2017  
Rockingham, North Carolina



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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

To the Bertie County Board of Education  
Windsor, North Carolina

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

We have audited Bertie County Board of Education, North Carolina's 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 Board's major federal programs for the year ended June 30, 2016. The Bertie County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

***Basis for Qualified Opinion on Title I, Grants to Local Educational Agencies and the Special Education Cluster***

As described in the accompanying schedule of findings and questioned costs, The Bertie County Board of Education did not comply with requirements regarding CFDA 84.010 Title I, Grants to Local Educational Agencies and CFDA 84.027 and 84.173 Special Education Cluster, as described in Finding 16-05 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to those programs.

***Qualified Opinion on Title I, Grants to Local Educational Agencies and the Special Education Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, The Bertie County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I, Grants to Local Educational Agencies and the Special Education Cluster for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-06, 16-07, and 16-08. Our opinion on each major federal program is not modified with respect to these matters.

The Bertie County Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the Bertie County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Bertie County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Bertie County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-05 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 16-06, 16-07 and 16-08 to be significant deficiencies.

The Bertie County Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

*Anderson Smith & Wike PLLC*

*January 6, 2017  
Rockingham, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Report On Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Bertie County Board of Education  
Windsor, North Carolina

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

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

### ***Management's Responsibility***

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

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

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

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

### ***Basis for Qualified Opinion on State Public School Fund***

As described in the accompanying schedule of findings and questioned costs, The Bertie County Board of Education did not comply with requirements regarding the State Public School Fund as described in Finding 16-09 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for The Board to comply with the requirements applicable to that program.

### ***Qualified Opinion on State Public School Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, The Bertie County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State Public School Fund for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 16-10. Our opinion on the Board's major State program is not modified with respect to this matter.

The Bertie County Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the Bertie County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bertie County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance 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 Bertie County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-09 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-10 to be a significant deficiency.

The Bertie County Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

*Anderson Smith & Wike PLLC*

*January 6, 2017  
Rockingham, North Carolina*



**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None Identified for Reporting*

Noncompliance material to financial statements noted? *Yes*

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *Yes*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *Yes*

Identification of major federal programs:

| <b>CFDA Numbers</b> | <b>Names of Federal Program or Cluster</b>    |
|---------------------|---|
| 84.010              | Title I, Grants to Local Educational Agencies |
|                     | Special Education Cluster:                    |
| 84.027              | Grants to States - IDEA, part B (611)         |
| 84.027              | Coordinated Early Intervening Services        |
| 84.027              | Special Needs Targeted Assistance             |
| 84.027              | Special Education – Risk Pool                 |
| 84.173              | Preschool Targeted Assistance                 |
| 84.173              | Preschool Grants - IDEA, Part B (619)         |

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

Auditee qualified as low-risk auditee? *No*

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016**

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**Section I - Summary of Auditors' Results (Continued)**

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

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

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

Identification of major State programs:

Program Name

State Public School Fund

**Section II - Financial Statement Findings**

**Finding 16-01**

**MATERIAL WEAKNESS**

Account Reconciliations

Criteria: Controls should ensure that all general ledger accounts are properly reconciled in a timely manner each month to enable the Board to make timely decisions based upon accurate data.

Condition: Management did not properly reconcile bank accounts, health insurance liability and other various general ledger accounts during the fiscal year.

Effect: Numerous errors relating to financial reporting were made during the year. Since bank accounts, health insurance accounts and other key general ledger account reconciliations were not performed in a timely manner, these errors were not corrected until after year end. Therefore, during the year management decisions were made by the Board while relying upon inaccurate financial reporting.

Cause: Lack of oversight by management.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 15-01.

Recommendation: We recommend that controls be put in place to ensure that all general ledger accounts are properly reconciled in a timely manner each month.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that all general ledger accounts are properly reconciled in a timely manner each month.

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016**

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**Section II - Financial Statement Findings (Continued)**

**Finding 16-02**

MATERIAL WEAKNESS  
Budget Violations

- Criteria: North Carolina General Statute 115C-441 states that all monies expended should be included in the budget resolution. In addition, North Carolina General Statute 115C-432 states that the sum of estimated net revenues and appropriated fund balances in each fund shall be equal to appropriations in that fund.
- Condition: During the year, the Board incurred expenditures within the General, Special Restricted and Capital Outlay funds that exceeded appropriations as detailed in Note 2. Also, budgeted revenues in the Board's fiscal year 2015-2016 budget resolution for the General Fund were \$588,176 higher than budgeted expenditures.
- Effect: The Board was in violation of State law.
- Cause: Budget amendments were not prepared when needed due to lack of timely recordkeeping and oversight of the budgetary process. Also, the General Fund budget in the 2015-2016 budget resolution was not closely reviewed by management and the Board to identify that it was not in balance.
- Identification of a repeat finding: Expenditures in excess of appropriations is a repeat finding from the immediate previous audit, Finding 15-01. The General Fund budget being out of balance is not a repeat finding.
- Recommendation: We recommend that budget amendments be prepared as needed. In addition, management and the Board should closely review the budget resolution to ensure that it is in balance.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that budgets are reviewed on a monthly basis and any necessary budget amendments are presented to the Board for approval in a timely manner. In addition, the budget resolution will be closely reviewed to ensure that the sum of estimated net revenues and appropriated fund balances in each fund are equal to appropriations in that fund.

**Finding 16-03**

MATERIAL WEAKNESS  
Appropriated Fund Balance

- Criteria: North Carolina General Statute 115C-425(a) states that appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year.
- Condition: During the year, the Board appropriated \$491,931 of fund balance in the General Fund which violated State law because the Board only had \$313,716 of fund balance available for appropriation.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2016**

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**Section II - Financial Statement Findings (Continued)**

|                                     |   |
|-------------------------------------|---|
| Effect:                             | The Board was in violation of State law.  |
| Cause:                              | Prior period adjustments were recorded during the current year which reduced fund balance available for appropriation at June 30, 2015 to a level below what the Board had appropriated for its fiscal year 2015-2016 budget.         |
| Identification of a repeat finding: | This is not a repeat finding from the immediate previous audit.   |
| Recommendation:                     | We recommend that management begin reconciling its cash and other general ledger accounts in a timely manner. This will help management to ensure that funds are available to pay for all expenditures budgeted by the school system. |

Views of responsible officials and planned corrective actions:

Management will monitor expenditures more closely to ensure that budget violations do not occur in the future and to ensure that funds are available to pay for all expenditures incurred by the school system.

**Finding 16-04**

**MATERIAL WEAKNESS**  
Prior Period Adjustments

|                                     |  |
|-------------------------------------|--|
| Criteria:                           | Controls should ensure that general ledger accounts are properly reconciled and reported in the financial statements. In addition, controls should be in place to ensure that all capital asset and pension-related accounting records are accurate and properly reported in the financial statements. |
| Condition:                          | It was determined during the current year that various general ledger account balances, capital asset balances and pension-related account balances were not accurately reported in the June 30, 2015 financial statements.  |
| Effect:                             | Various balances reported at June 30, 2015 had to be restated for the amounts detailed in Note 5 of the Board's current year financial statements.   |
| Cause:                              | The Board did not have the proper controls in place to ensure that the noted account balances were accurately calculated and presented in the June 30, 2015 financial statements.  |
| Identification of a repeat finding: | This is a repeat finding from the immediate previous audit, Finding 15-02.   |
| Recommendation:                     | We recommend that management implement controls to ensure that general ledger accounts, capital asset and pension-related account balances are reconciled in a timely manner and properly reported in the financial statements.  |

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that management implements controls and procedures to properly reconcile general ledger accounts and all capital asset and pension-related account balances and ensure that all such amounts are properly reflected in the financial statements each year.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Finding 16-05**

U.S. Department of Education  
 Passed Through the N.C. Department of Public Instruction  
 Program Names: Title I and Special Education Cluster  
 CFDA #'s: 84.010, 84.027 and 84.173

**MATERIAL WEAKNESS**

Compliance – Cash Management

Criteria: Controls should ensure that monthly bank reconciliations are prepared and accounting transactions are recorded and reconciled to the federal Budget Balance Reconciliation Report in a timely manner to enable the Board to make timely decisions based upon accurate data.

Condition: State bank account reconciliations were not properly prepared during the year and accounting records were not properly reconciled to the federal Budget Balance Reconciliation Report during the year.

Effect: See Finding 16-01.

Cause: See Finding 16-01.

Questioned costs: None

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 15-04.

Recommendation: See Finding 16-01.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that all bank account and other required reconciliations are prepared on a timely basis.

**Finding 16-06**

U.S. Department of Education  
 Passed Through the N.C. Department of Public Instruction  
 Program Name: Special Education Cluster  
 CFDA #'s: 84.027 and 84.173

**SIGNIFICANT DEFICIENCY**

Compliance – Activities Allowed or Unallowed

Criteria: Management is required to complete an Excess Cost Computation Form (ECCF) to prove that special education federal funds are used only for the excess costs of providing special education and related services to children with disabilities.

Condition: Management did not complete the required ECCF for the year under audit.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Controls were not in place to ensure that the aforementioned program requirements were adhered to.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2016**

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**Section III - Federal Award Findings and Questioned Costs (Continued)**

Questioned costs: None

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that controls be put in place to ensure that the required ECCF is completed each year.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls to ensure that the required ECCF is completed each year.

**Finding 16-07**

U.S. Department of Education  
 Passed Through the N.C. Department of Public Instruction  
 Program Names: Title I, Special Education Cluster  
 CFDA #'s: 84.010, 84.027 and 84.173

**SIGNIFICANT DEFICIENCY**

Compliance – Allowable Costs/Cost Principals

Criteria: The Uniform Grant Guidance regulates in §200.430(i) that all salaries charged to a Federal grant must be based on records that accurately reflect the work performed; and that these records are incorporated into the official records of the subrecipient. To meet this requirement, the subrecipient must have an established agency-wide system for determining that the charges are accurate, allowable, and properly allocated.

Condition: Management did not complete the required time and effort reports for the year under audit.

Context: Of the eight Title I employees tested, two did not have time and effort reports on file. Of the eight Special Education Cluster employees tested, none had time and effort reports on file.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Controls were not in place to ensure that the aforementioned program requirement was adhered to.

Questioned costs: None

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that controls be put in place to ensure that time and effort is documented consistently and in accordance with all of the requirements of the OMB Uniform Guidance for all employees paid with federal grant funds.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls to ensure that time and effort is documented consistently and in accordance with all of the requirements of the OMB Uniform Guidance for all employees paid with federal grant funds.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2016**

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**Section III - Federal Award Findings and Questioned Costs (Continued)**

**Finding 16-08**

U.S. Department of Education  
 Passed Through the N.C. Department of Public Instruction  
 Program Name: Special Education Cluster  
 CFDA #'s: 84.027 and 84.173

**SIGNIFICANT DEFICIENCY**

Compliance – Special Tests and Provisions

Criteria: Budget amendments are required if an LEA has exceeded the cumulative budgeted line items by 10% or more of their current total approved budget. These amendments are submitted through the BUD system and approved by the individual program consultant at DPI.

Condition: The district overspent its PRC 060 budgeted expenditures for account code 3.5210.060.121 by \$206,489.67 which is approximately 27% of total PRC 060 expenditures.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Controls were not in place to ensure that the aforementioned program requirement was adhered to.

Questioned costs: None

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that controls be put in place to ensure that budget amendments are completed in accordance with program requirements.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls to ensure that budget amendments are completed in accordance with program requirements.

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

**Finding 16-09**

N.C. Department of Public Instruction  
 Program Name: State Public School Fund

**MATERIAL WEAKNESS**

Compliance – Special Tests and Provisions

Criteria: Controls should ensure that monthly bank reconciliations are prepared and accounting transactions are recorded and reconciled to the Allotment Balance Reconciliation Report in a timely manner to enable the Board to make timely decisions based upon accurate data.

Condition: State bank account reconciliations were not properly prepared during the year and accounting records were not properly reconciled to the monthly Allotment Balance Reconciliation Report during the year.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2016**

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**Section IV - State Award Findings and Questioned Costs (Continued)**

Effect: See Finding 16-01.  
Cause: See Finding 16-01.  
Questioned costs: None  
Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 15-06.  
Recommendation: See Finding 16-01.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that all bank account and other required reconciliations are prepared on a timely basis.

**Finding 16-10**

N.C. Department of Public Instruction  
Program Name: State Public School Fund

**SIGNIFICANT DEFICIENCY**

Compliance – Activities Allowed or Unallowed

Criteria: The Board cannot exceed the number of positions or months of employment allotted by the Department of Public Instruction (DPI). Overpaid individuals per the State salary exception report must be refunded to DPI at gross salary paid plus matching benefits. Dollar allotment overdrafts, along with these other items are required to be refunded to DPI in a timely manner.

Condition: The Board exceeded the number of months allotted by DPI for classroom teachers by 5.55 months and instructional support by 4.62 months. The Board had outstanding State salary exceptions totaling \$71,648 and dollar allotment overdrafts totaling \$34,812 for the fiscal year ended June 30, 2016.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Controls were not in place to ensure that the aforementioned program requirements were adhered to.

Questioned Cost: The Board has recorded a liability of \$150,231 in its General Fund as of June 30, 2016, payable to the State of North Carolina, for the above noted position allotment overdrafts, salary exceptions and dollar allotment overdrafts. Most of these amounts have already been repaid to the State as of the date of our report.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that the Board implement procedures to minimize salary exceptions, position and dollar allotment overdrafts and refund any such items in a timely manner.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls and procedures to minimize salary exceptions, position and dollar allotment overdrafts and refund any such items in a timely manner.



**BERTIE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2016**

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**Finding 16-01**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that all general ledger accounts are properly reconciled in a timely manner each month.

Proposed Completion Date: Immediately

**Finding 16-02**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that budgets are reviewed on a monthly basis and any necessary budget amendments are presented to the Board for approval in a timely manner. In addition, the budget resolution will be closely reviewed to ensure that the sum of estimated net revenues and appropriated fund balances in each fund are equal to appropriations in that fund.

Proposed Completion Date: Immediately

**Finding 16-03**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to monitor expenditures more closely to ensure that budget violations do not occur in the future and to ensure that funds are available to pay for all expenditures incurred by the school system.

Proposed Completion Date: Immediately

**Finding 16-04**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to properly reconcile general ledger accounts and all capital asset and pension-related account balances and ensure that all such amounts are properly reflected in the financial statements each year.

Proposed Completion Date: Immediately

**BERTIE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2016**

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**Finding 16-05**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that all bank account and other required reconciliations are prepared in a timely manner.

Proposed Completion Date: Immediately

**Finding 16-06**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that the required Excess Cost Computation Form is completed each year.

Proposed Completion Date: Immediately

**Finding 16-07**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that time and effort is documented consistently and in accordance with all of the requirements of the OMB Uniform Guidance for all employees paid with federal grant funds.

Proposed Completion Date: Immediately

**Finding 16-08**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that budget amendments are completed in accordance with program requirements.

Proposed Completion Date: Immediately

**Finding 16-09**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to ensure that all bank account and other required reconciliations are prepared in a timely manner.

Proposed Completion Date: Immediately

**BERTIE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2016**

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**Finding 16-10**

Name of Contact Person: Dr. Steven Hill, Superintendent

Corrective Action Plan: Management will implement controls and procedures to minimize salary exceptions, position and dollar allotment overdrafts and refund any such items in a timely manner.

Proposed Completion Date: Immediately

**BERTIE COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2016**

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**Finding: 15-01**

Status: Not corrected. See Finding 16-01.

**Finding: 15-02**

Status: Not corrected. See Finding 16-04.

**Finding: 15-03**

Status: Not corrected. See Finding 16-02.

**Finding: 15-04**

Status: Not corrected. See Finding 16-05.

**Finding: 15-05**

Status: Corrected.

**Finding: 15-06**

Status: Not corrected. See Finding 16-09.

**BERTIE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

| <u>Grantor/Pass-through</u><br><u>Grantor/Program Title</u>                 | <u>Federal</u><br><u>CFDA</u><br><u>Number</u> | <u>State/</u><br><u>Pass-through</u><br><u>Grantor's</u><br><u>Number</u> | <u>Expenditures</u> |
|---|--|---|---------------------|
| <b>Federal Grants:</b>  |  |   |                     |
| <u>U.S. Department of Agriculture</u>                                       |  |   |                     |
| Passed-through the N.C. Department of Public Instruction:                   |  |   |                     |
| Child Nutrition Cluster:  |  |   |                     |
| Noncash Assistance (Commodities):   |  |   |                     |
| National School Lunch Program   | 10.555   | PRC 035   | \$ 128,480          |
| Cash Assistance:  |  |   |                     |
| School Breakfast Program  | 10.553   | PRC 035   | 663,305             |
| National School Lunch Program   | 10.555   | PRC 035   | 1,196,494           |
| Seamless Summer Program   | 10.555   | PRC 035   | 63,566              |
| Cash Assistance Subtotal  |  |   | <u>1,923,365</u>    |
| Total Child Nutrition Cluster   |  |   | <u>2,051,845</u>    |
| Total U.S. Department of Agriculture  |  |   | <u>2,051,845</u>    |
| <u>U.S. Department of Education</u>   |  |   |                     |
| Passed-through the N.C. Department of Public Instruction:                   |  |   |                     |
| Title I, Grants to Local Educational Agencies                               | 84.010   | PRC 050   | 1,378,059           |
| Migrant Education (Title I of IASA)   | 84.011   | PRC 051   | 3,177               |
| Title II, Math and Science Partnership                                      | 84.366   | PRC 112   | 62,426              |
| Twenty-first Century Community Learning Centers                             | 84.287   | PRC 110   | 432,061             |
| Supporting Effective Instruction State Grant                                | 84.367   | PRC 103   | 158,000             |
| Rural and Low Income Schools  | 84.358   | PRC 109   | 56,130              |
| Race to the Top - ARRA  | 84.395   | PRC 160   | 20,772              |
| Title I - School Improvement  | 84.010   | PRC 105   | 84,755              |
| Special Education Cluster:  |  |   |                     |
| Grants to States - IDEA, Part B (611)                                       | 84.027   | PRC 060   | 770,176             |
| Coordinated Early Intervening Services                                      | 84.027   | PRC 070   | 24,636              |
| Special Needs Targeted Assistance   | 84.027   | PRC 118   | 33,744              |
| Special Education - Risk Pool   | 84.027   | PRC 114   | 21,809              |
| Preschool Grants - IDEA, Part B (619)                                       | 84.173   | PRC 049   | 47,628              |
| Preschool Targeted Assistance   | 84.173   | PRC 119   | 4,187               |
| Total Special Education Cluster   |  |   | <u>902,180</u>      |
| Special Education - State Personnel Development                             | 84.323   | PRC 082   | 14,323              |
| Career and Technical Education - Basic Grants to States Program Development | 84.048   | PRC 017   | <u>39,379</u>       |
| Total U.S. Department of Education  |  |   | <u>3,151,262</u>    |
| <u>U.S. Department of Health and Human Services</u>                         |  |   |                     |
| Health Resources and Services Administration                                |  |   |                     |
| Passed-through the N.C. Department of Public Instruction:                   |  |   |                     |
| Abstinence Education  | 93.235   | PRC 101   | <u>65,208</u>       |

**BERTIE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended June 30, 2016**

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u>         |
|---|------------------------------------|---|-----------------------------|
| <u>U.S. Department of Defense</u>                     |                                    |   |                             |
| Direct Program:                                       |                                    |   |                             |
| ROTC  | None                               |   | 58,713                      |
| <b>Total Federal Assistance</b>                       |                                    |   | <b><u>5,327,028</u></b>     |
| <b>State Grants:</b>                                  |                                    |   |                             |
| <u>N.C. Department of Public Instruction:</u>         |                                    |   |                             |
| Cash Assistance:                                      |                                    |   |                             |
| State Public School Fund                              |                                    |   | 17,726,170                  |
| Vocational Education                                  |                                    |   |                             |
| State Months of Employment                            |                                    | PRC 013   | 731,360                     |
| Program Support Funds                                 |                                    | PRC 014   | 182,606                     |
| Driver Training                                       |                                    | PRC 012   | 44,214                      |
| School Technology Fund                                |                                    | PRC 015   | 28,034                      |
| Cash assistance subtotal                              |                                    |   | <u>18,712,384</u>           |
| Non-Cash Assistance:                                  |                                    |   |                             |
| State Buses Appropriation                             |                                    |   | <u>82,318</u>               |
| Total NC Department of Public Instruction             |                                    |   | <u>18,794,702</u>           |
| <u>N.C. Department of Health and Human Services:</u>  |                                    |   |                             |
| Division of Child Development:                        |                                    |   |                             |
| NC Pre-Kindergarten Program                           |                                    |   | <u>539,725</u>              |
| <b>Total State Assistance</b>                         |                                    |   | <b><u>19,334,427</u></b>    |
| <b>Total Federal and State Assistance</b>             |                                    |   | <b><u>\$ 24,661,455</u></b> |

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Bertie County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Bertie County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Bertie County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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