

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

Financial Statements  
For the Year Ended  
June 30, 2014

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

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Rowan-Salisbury Board of Education's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion 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 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 present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Special Revenue Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Rowan-Salisbury Board of Education's basic financial statements. The individual fund schedules and budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 5, 2014, on our consideration of the Rowan-Salisbury Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rowan-Salisbury Board of Education internal control over financial reporting and compliance.

*Rives & Associates, LLP*

Lexington, North Carolina

November 5, 2014

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

This section of the Rowan-Salisbury Board of Education's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2014. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- ... Although the Department of Public Instruction has not calculated and released Average Daily Membership past Month 4 as of this writing, Month 4 reflects an Average Daily Membership of 19,741 compared with 19,833 in Month 4 of 2012-13 and a final ADM of 19,720 for 2012-13.
- ... State allotments provided 66% of operating revenues. The county appropriation and federal allotments provided 20 and 9 percent, respectively. The remaining 5% was contributed from other state, local and federal sources.
- ... Following a prior year increase of \$2,369,000 state funding decreased by approximately \$2,177,971 or 2.01% in 2013-2014.
- ... Federal American Recovery and Reinvestment Act (ARRA) funding of \$973,000 was utilized including approximately \$302,000 restricted for a school improvement grant and almost \$671,000 utilized for provisions allowable under the Race to the Top grant.
- ... Salaries and related benefits accounted for 81% of operating expenditures. RowanWorks lists Rowan-Salisbury Schools as the second largest employer in Rowan County with 3,074 employees. The Board experienced a 14.81% teacher turnover in its 1,371 teaching positions.
- ... Over \$220,000 was received in local grant funding during 2013-2014.
- ... Student enrollment in the Free/Reduced Meal program equaled 63.3% qualifying the Board for federal E-rate funds. Additionally, 20 out of 20 elementary schools qualified for federal Title 1 funds as well as two middle schools and one high school.
- ... The Child Nutrition Program served over 33% of the students breakfast and over 68% of the students lunch on a daily basis. Approximately 285 Child Nutrition employees served over 3.7 million meals to students.
- ... 192 buses transported 10,327 students 2,434,140 miles at an efficiency rating of 87.07% compared to the state average efficiency rating of 93.08%.
- ... \$111,200 in federal funds was granted for the "Title II Mathematics and Science Partnership Grant" that was used for professional development opportunities for Inquiry Science Training with all K-8 science teachers.
- ... The Board served and received state and/or federal funds for 2,321 Exceptional Children students and 1,334 English as Second Language students. Eight NC Pre-Kindergarten classes provided 135 pre-school student slots and two Title 1 classes enrolled 32 additional pre-kindergarten students.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

***Overview of the Financial Statements***

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

- ... *Independent Auditor's Report*
- ... *Management's Discussion and Analysis*
- ... *Basic Financial Statements*
- ... *Required supplemental section that presents individual fund statements and schedules on a budgetary basis for certain governmental funds and the enterprise fund.*

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

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

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

**Government-wide Financial Statements**

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

The two government-wide statements report the Board's net position and how it has changed. Net position – the difference between the Board's assets and the total of liabilities and deferred inflows of resources – 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.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

- ... To assess the Board's overall health, one should consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

Net position are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$117,448,692 as of June 30, 2014, a decrease of 3.07%, as compared to net position at June 30, 2013 of \$121,172,825. The largest component of net position is net investment in capital assets of \$114,894,469 as of June 30, 2014 as compared to \$117,042,718 as of June 30, 2013. It comprises 97.8% of the total net position at June 30, 2014.

Following is a summary of the Statement of Net Position:

Table 1  
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Current assets	\$ 14,578,566	\$ 15,379,515	\$ 3,313,495	\$ 4,099,536	\$ 17,892,061	\$ 19,479,051
Capital assets	<u>112,888,152</u>	<u>115,427,248</u>	<u>2,006,316</u>	<u>1,968,373</u>	<u>114,894,468</u>	<u>117,395,621</u>
Total assets	<u>127,466,719</u>	<u>130,806,763</u>	<u>5,319,811</u>	<u>6,067,909</u>	<u>132,786,529</u>	<u>136,874,672</u>
Current liabilities	4,501,015	4,964,567	33,186	106,107	4,534,201	5,070,674
Long-term liabilities	<u>10,076,399</u>	<u>10,354,701</u>	<u>274,152</u>	<u>276,472</u>	<u>10,350,551</u>	<u>10,631,173</u>
Total liabilities	<u>14,577,414</u>	<u>15,319,268</u>	<u>307,338</u>	<u>382,579</u>	<u>14,884,752</u>	<u>15,701,847</u>
Deferred inflows of resources	<u>351,140</u>	-	<u>101,946</u>	-	<u>453,086</u>	-
Net investment in capital assets	112,888,153	115,074,345	2,006,316	1,968,373	114,894,469	117,042,718
Restricted	5,277,628	4,943,093	-	-	5,277,628	4,943,093
Unrestricted (deficit)	<u>(5,627,616)</u>	<u>(4,529,943)</u>	<u>2,904,211</u>	<u>3,716,957</u>	<u>(2,723,405)</u>	<u>(812,986)</u>
Total net position	<u>\$ 112,538,164</u>	<u>\$ 115,487,495</u>	<u>\$ 4,910,527</u>	<u>\$ 5,685,330</u>	<u>\$117,448,691</u>	<u>\$121,172,825</u>

Note that net position of governmental activities had a decrease of \$2,949,331 (2.6%) for 2014. This decrease is primarily because of a decrease in capital assets due to annual depreciation. Total net position in the business-type activities had a decrease of \$774,803 due to a decrease in current assets.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
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The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2  
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 211,570	\$ 229,474	\$ 3,015,558	\$ 3,119,650	\$ 3,227,128	\$ 3,349,124
Operating grants and contributions	128,631,792	128,914,486	8,859,386	8,323,244	137,491,178	137,237,730
Capital grants and contributions	5,796	-	-	-	5,796	-
<b>General revenues:</b>						
Other revenues	<u>34,732,324</u>	<u>40,764,909</u>	<u>73,688</u>	<u>24,522</u>	<u>34,806,012</u>	<u>40,789,431</u>
<b>Total revenues</b>	<u>163,581,482</u>	<u>169,908,869</u>	<u>11,948,632</u>	<u>11,467,416</u>	<u>175,530,114</u>	<u>181,376,285</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	134,095,161	140,742,413	-	-	134,095,161	140,742,413
System-wide support services	28,480,780	29,054,205	-	-	28,480,780	29,054,205
Ancillary services	16,086	120,163	-	-	16,086	120,163
Non-programmed charges	605,147	186,436	-	-	605,147	186,436
Depreciation	3,333,639	3,387,608	-	-	3,333,639	3,387,608
<b>Business-type activities:</b>						
Food service	<u>-</u>	<u>-</u>	<u>12,723,435</u>	<u>12,426,799</u>	<u>12,723,435</u>	<u>12,426,799</u>
<b>Total expenses</b>	<u>166,530,813</u>	<u>173,490,825</u>	<u>12,725,435</u>	<u>12,426,799</u>	<u>179,254,248</u>	<u>185,917,624</u>
Decrease in net position	(2,949,331)	(3,581,956)	(774,803)	(959,383)	(3,724,134)	(4,541,339)
Net position, beginning	<u>115,487,495</u>	<u>119,069,451</u>	<u>5,685,330</u>	<u>6,644,713</u>	<u>121,172,825</u>	<u>125,714,164</u>
Net position, ending	<u>\$ 112,538,164</u>	<u>\$ 115,487,495</u>	<u>\$ 4,910,527</u>	<u>\$ 5,685,330</u>	<u>\$ 117,448,691</u>	<u>\$121,172,825</u>

Total governmental activities generated revenues of \$163.6 million while expenses in this category totaled \$166.5 million. The decrease in net position stands at \$2,949,331. Instructional expenses comprised 80.5% of total governmental-type expenses while support services made up 17.1% of those expenses. County funding comprised 20.8% of total governmental revenue. Much of the remaining total governmental revenue consists of restricted state and federal money. Business-type activities generated revenue of \$11.9 million and had expenses of \$12.7 million. Net position decreased in the business-type activities by \$774,803.

For the total primary government, revenues decreased by \$5,846,171 or 3.2%. Expenditures decreased by \$6,663,376, a decrease of 3.6%. The decrease in revenues over expenditures resulted in a decrease in net position as of June 30, 2014 of \$3,724,134.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
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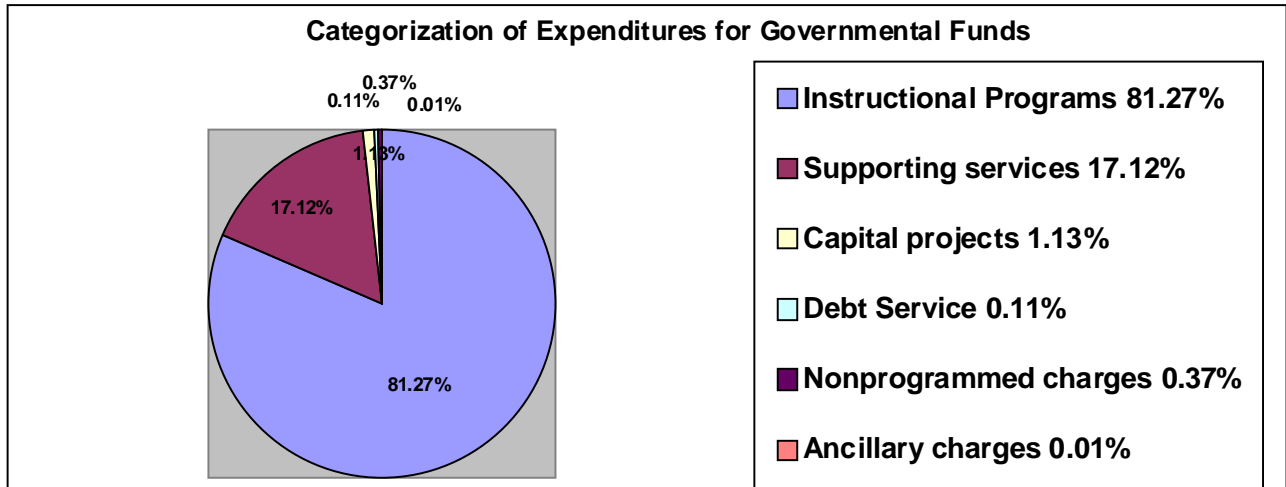
**Financial Analysis of the Board's Funds**

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

The Board's governmental funds reported a combined fund balance of \$9,902,862, a decrease of \$688,538 from last year.

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

Revenues from food sales decreased by approximately 3.2% or \$100,615. Non-operating revenues increased by 6.2% with expenditures increasing by 2.4%. The result was a net loss of \$774,803 as compared to a net loss of \$959,383 the prior year.



Expenditures presented on modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Actual General Fund revenues were \$625,982 under budget. Expenditures exceeded revenues by \$1,489,974 and fund balance decreased by the same amount. Of the total \$709,478 difference in actual expenditure and budget amounts in the General Fund, \$519,098 was realized in the instructional services category. Funds were also left unspent in departmental budgets in an effort to conserve funding to offset budget issues anticipated to arise in future fiscal years or in the event that the State would require another reversion in the current fiscal year that would necessitate the use of local funding to cover remaining expenditures.

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

Capital assets decreased by \$2,501,152 (or 2.1%) from the previous year. This was primarily due to depreciation. The following is a summary of the capital assets, net of depreciation at year-end.

**Table 3**  
**Summary of Capital Assets**  
**as of June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Land	\$ 2,921,823	\$ 2,936,080	\$ -	\$ -	\$ 2,921,823	\$ 2,936,080
Construction	430,726	407,952	-	-	430,726	407,952
Buildings	101,164,808	103,308,647	-	-	101,164,808	103,308,647
Equipment and furniture	3,959,641	4,023,155	2,006,316	1,968,373	5,965,957	5,991,528
Vehicles	<u>4,411,155</u>	<u>4,751,414</u>	<u>-</u>	<u>-</u>	<u>4,411,155</u>	<u>4,751,414</u>
Total	<u>\$112,888,153</u>	<u>\$115,427,248</u>	<u>\$2,006,316</u>	<u>\$1,968,373</u>	<u>\$114,894,469</u>	<u>\$117,395,621</u>

**Debt Outstanding**

There were installment purchases recorded at the net present value of the minimum lease payments of \$176,451 at June 30, 2014. The installment purchases were for the purchase of school buses. The Board is limited by North Carolina Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

**Economic Factors**

Population in the County has increased 4.7% from 2002 to 2010 with the 2010 census reporting the population at 138,428. It is projected to decrease by .03% by the year 2021. The Board anticipates a stable enrollment over the next several years and will need upgrades and continued maintenance on current facilities and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board.

Rowan County's local economy continues to rebound from the recent recession, as evidenced by continued private sector investment and new job creation. Projects creating more than 450 jobs were announced or completed in the County during fiscal year 2014. Over the past three years, the number of employed Rowan County citizens rebounded by approximately 4,100, reaching levels of employment not seen since 2008. In addition, tourism spending in Rowan County increased 5 percent, exceeding \$145 million during the fiscal year. Combined, these factors have reduced Rowan County's unemployment rate from a high of 13.1 percent in fiscal year 2009 to 7 percent in August 2014.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
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The County will continue to pursue new business investments and expansion of current businesses with the expectation of continued positive economic trends in the near future. The following significant projects were announced, under construction or completed during fiscal year 2014:

- ◇ Gildan Yarns completed construction and has begun operation of their first plant in Rowan County. This new ring-spinning facility near Salisbury, has added 200 new jobs to our local economy, and represents a \$50 million investment.
- ◇ Gildan Yarns, a marketer and vertically-integrated manufacturer of quality branded basic family apparel, has announced and will soon complete the construction of a second Rowan County facility. With over 600,000 square feet of new manufacturing space, this plant will employ 184 additional workers and add \$130 million to the tax base.
- ◇ Shat R Shield, a manufacturer of specialty lighting equipment, completed a \$1 million expansion, adding 15 additional jobs. The company manufactures safety coated lighting fixtures for use in food, pharmaceutical and medical environments.
- ◇ Clup Red, a licensed apparel manufacturer, acquired an existing building in Salisbury, investing more than \$1 million and adding 40 jobs.
- ◇ Integro Technologies – Integro completed work on a new \$4 million building in downtown Salisbury, adding nearly two dozen high-paying jobs. Integro, which designs systems to ensure quality on production lines, pays an average of wage exceeding \$75,000 a year, and now employs nearly 40 workers in the heart of our community.
- ◇ Retail Development – Rowan County is now under contract with one of the largest John Deere dealers and the Hutton Company, who are each preparing to build new retail developments. Combined, these businesses will employ hundreds of workers while adding substantially to the County's sales tax base.
- ◇ Freshhouse II, a fresh produce distributor, completed expansion of their operations in Rowan County, creating more than 90 jobs and investing \$6.3 million in Salisbury.
- ◇ Significant expansions were also completed by a number of existing industries including: Trelleborg Automotive, Advanced Machining, Filltech USA, and Custom Plastics Forming.

**Requests for Information**

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

Tara L. Trexler, Chief Financial Officer  
Rowan-Salisbury Board of Education  
P. O. Box 2349  
Salisbury, NC 28145-2349

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

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## Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,918,230	\$ 2,836,410	\$ 13,754,640
Due from other governments	3,660,336	307,788	3,968,124
Inventories	-	169,297	169,297
	<u>14,578,566</u>	<u>3,313,495</u>	<u>17,892,061</u>
Capital assets:			
Land and construction in progres:	3,352,549	-	3,352,549
Other capital assets, net of depreciation	109,535,603	2,006,316	111,541,919
Total capital assets	<u>112,888,152</u>	<u>2,006,316</u>	<u>114,894,468</u>
Total assets	<u>127,466,718</u>	<u>5,319,811</u>	<u>132,786,529</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	431,162	-	431,162
Accrued salaries and benefits	3,893,402	33,186	3,926,588
Long-term liabilities:			
Due within one year	176,451	-	176,451
Due in more than one year	10,076,399	274,152	10,350,551
Total liabilities	<u>14,577,414</u>	<u>307,338</u>	<u>14,884,752</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>351,140</u>	<u>101,946</u>	<u>453,086</u>
<b>NET POSITION</b>			
Net investment in capital assets	112,888,152	2,006,316	114,894,468
Restricted:			
Individual schools	1,703,000	-	1,703,000
Stabilization by State statute	686,726	-	686,726
School capital outlay	2,887,902	-	2,887,902
Unrestricted (deficit)	(5,627,616)	2,904,211	(2,723,405)
Total net position	<u>\$ 112,538,164</u>	<u>\$ 4,910,527</u>	<u>\$ 117,448,691</u>

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



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

**Statement of Activities**

**For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
Primary government:			
Governmental activities:			
Instructional services:			
Regular instructional	\$ 76,043,852	\$ 7,800	\$ 65,409,188
Special populations	19,717,530	-	17,738,207
Alternative programs	11,107,691	-	10,119,608
School leadership	9,659,814	-	6,910,389
Co-curricular	6,056,561	-	5,143,043
School-based support	11,509,713	-	9,592,993
System-wide support services:			
Support and development	1,116,465	-	581,356
Special population support and development	1,097,711	-	968,093
Alternative programs and services support and development	82,918	-	77,346
Technology support	1,727,683	-	377,208
Operational support	19,454,881	203,770	9,436,980
Financial and human resource	2,758,208	-	814,240
Accountability	186,320	-	112,336
System-wide pupil support	312,308	-	-
Policy, leadership and public relations	1,744,286	-	718,776
Ancillary services	16,086	-	62,610
Non-programmed charges	605,147	-	569,419
Unallocated depreciation expense	3,333,639	-	-
Total governmental activities	<u>166,530,813</u>	<u>211,570</u>	<u>128,631,792</u>
Business-type activities:			
School food service	12,723,435	3,015,558	8,859,386
Total business-type activities	<u>12,723,435</u>	<u>3,015,558</u>	<u>8,859,386</u>
Total primary government	<u>\$ 179,254,248</u>	<u>\$ 3,227,128</u>	<u>\$ 137,491,178</u>

General revenues:

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

Transfers

  Total general revenues and transfers

  Change in net position

Net position, beginning

Net position, ending

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ -	\$ (10,626,864)	\$ -	\$ (10,626,864)
-	(1,979,323)	-	(1,979,323)
-	(988,083)	-	(988,083)
-	(2,749,425)	-	(2,749,425)
-	(913,518)	-	(913,518)
-	(1,916,720)	-	(1,916,720)
-	(535,109)	-	(535,109)
-	(129,618)	-	(129,618)
-	(5,572)	-	(5,572)
-	(1,350,475)	-	(1,350,475)
5,796	(9,808,335)	-	(9,808,335)
-	(1,943,968)	-	(1,943,968)
-	(73,984)	-	(73,984)
-	(312,308)	-	(312,308)
-	(1,025,510)	-	(1,025,510)
-	46,524	-	46,524
-	(35,728)	-	(35,728)
-	(3,333,639)	-	(3,333,639)
<u>5,796</u>	<u>(37,681,655)</u>	<u>-</u>	<u>(37,681,655)</u>
-	-	(848,491)	(848,491)
-	-	(848,491)	(848,491)
<u>\$ 5,796</u>	<u>(37,681,655)</u>	<u>(848,491)</u>	<u>(38,530,146)</u>
	31,970,084	-	31,970,084
	2,041,752	-	2,041,752
	176,452	-	176,452
	47,504	11,078	58,582
	559,142	-	559,142
	(62,610)	62,610	-
	<u>34,732,324</u>	<u>73,688</u>	<u>34,806,012</u>
	(2,949,331)	(774,803)	(3,724,134)
	<u>115,487,495</u>	<u>5,685,330</u>	<u>121,172,825</u>
	<u>\$ 112,538,164</u>	<u>\$ 4,910,527</u>	<u>\$ 117,448,691</u>

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

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## **FUND FINANCIAL STATEMENTS**

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

**Exhibit 3**

**Balance Sheet  
Governmental Funds  
June 30, 2014**

	Major Funds					Non-Major	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,117,151	\$ -	\$ 2,210,177	\$ 2,887,902	\$ 1,703,000	\$ -	\$ 10,918,230
Due from other governments	97,967	2,739,882	24,487	564,272	-	233,728	3,660,336
Total assets	<u>\$ 4,215,118</u>	<u>\$ 2,739,882</u>	<u>\$ 2,234,664</u>	<u>\$ 3,452,174</u>	<u>\$ 1,703,000</u>	<u>\$ 233,728</u>	<u>\$ 14,578,566</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 431,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 431,162
Accrued salaries and benefits	888,300	2,739,882	31,492	-	-	233,728	3,893,402
Total liabilities	<u>1,319,462</u>	<u>2,739,882</u>	<u>31,492</u>	<u>-</u>	<u>-</u>	<u>233,728</u>	<u>4,324,564</u>
Deferred inflows of resources	-	-	351,140	-	-	-	351,140
Fund balances:							
Restricted:							
Stabilization by State statute	97,967	-	24,487	564,272	-	-	686,726
School capital outlay	-	-	-	2,887,902	-	-	2,887,902
Individual schools	-	-	-	-	1,703,000	-	1,703,000
Assigned:							
Special revenue	-	-	1,827,545	-	-	-	1,827,545
Subsequent years expenditures	-	-	-	-	-	-	-
Unassigned	2,797,689	-	-	-	-	-	2,797,689
Total fund balances	<u>2,895,656</u>	<u>-</u>	<u>1,852,032</u>	<u>3,452,174</u>	<u>1,703,000</u>	<u>-</u>	<u>9,902,862</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,215,118</u>	<u>\$ 2,739,882</u>	<u>\$ 2,234,664</u>	<u>\$ 3,452,174</u>	<u>\$ 1,703,000</u>	<u>\$ 233,728</u>	<u>\$ 14,578,566</u>

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

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

Total fund balance - governmental funds	\$ 9,902,862
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	112,888,153
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchase	\$ (176,451)
Compensated absences	(10,076,399)
Net position of governmental activities	<u>\$ 112,538,165</u>

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

**Exhibit 4**

	Major Funds					Non-Major	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 105,431,167	\$ 706,519	\$ 176,452	\$ -	\$ -	\$ 106,314,138
Rowan County	31,970,084	-	-	2,041,752	362,259	-	34,374,095
U.S. Government	349,777	-	-	-	-	14,873,570	15,223,347
Other	2,155,462	-	1,443,184	191,863	4,780,786	-	8,571,295
Total revenues	<u>34,475,323</u>	<u>105,431,167</u>	<u>2,149,703</u>	<u>2,410,067</u>	<u>5,143,045</u>	<u>14,873,570</u>	<u>164,482,875</u>
<b>EXPENDITURES</b>							
Current:							
Instructional services:							
Regular instructional	12,856,541	61,004,602	829,206	-	-	1,401,211	76,091,560
Special populations	1,989,516	10,755,799	2,177	-	-	6,982,408	19,729,900
Alternative programs	339,555	4,689,458	655,497	-	-	5,430,150	11,114,660
School leadership	2,755,484	6,821,418	-	-	-	88,972	9,665,874
Co-curricular	875,676	-	51,396	-	5,133,289	-	6,060,361
School-based support	1,821,411	9,210,831	102,530	-	-	382,162	11,516,934
System-wide support services:							
Support and development	527,361	546,901	8,448	-	-	34,455	1,117,165
Special population support and development	130,306	952,538	-	-	-	15,556	1,098,400
Alternative programs and services support and development	5,624	1,601	-	-	-	75,745	82,970
Technology support	1,351,558	376,297	-	-	-	912	1,728,767
Operational support	9,733,350	9,363,760	63,799	-	-	73,220	19,234,129
Financial and human resource	1,944,369	814,240	1,329	-	-	-	2,759,938
Accountability	74,101	112,336	-	-	-	-	186,437
System-wide pupil support	312,504	-	-	-	-	-	312,504
Policy, leadership and public relations	1,024,793	718,776	1,811	-	-	-	1,745,380
Ancillary services	11,330	-	4,756	-	-	-	16,086
Non-programmed charges	211,818	-	4,550	-	-	388,779	605,147
Debt service:							
Principal	-	-	-	176,452	-	-	176,452
Capital projects:							
Real property and buildings	-	-	-	1,442,720	-	-	1,442,720
Furniture and equipment	-	-	-	389,680	-	-	389,680
Buses and motor vehicles	-	-	-	33,739	-	-	33,739
Total expenditures	<u>35,965,297</u>	<u>105,368,557</u>	<u>1,725,499</u>	<u>2,042,591</u>	<u>5,133,289</u>	<u>14,873,570</u>	<u>165,108,803</u>

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

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

	Major Funds					Non-Major	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
Excess (deficiency) of revenues over expenditures	\$ (1,489,974)	\$ 62,610	\$ 424,204	\$ 367,476	\$ 9,756	\$ -	\$ (625,928)
<b>OTHER FINANCING SOURCES</b>							
Transfers to other funds	-	(62,610)	-	-	-	-	(62,610)
Total other financing uses	-	(62,610)	-	-	-	-	(62,610)
Net change in fund balance	(1,489,974)	-	424,204	367,476	9,756	-	(688,538)
<b>FUND BALANCE</b>							
Beginning of year	4,385,630	-	1,427,828	3,084,698	1,693,244	-	10,591,400
End of year	<u>\$ 2,895,656</u>	<u>\$ -</u>	<u>\$ 1,852,032</u>	<u>\$ 3,452,174</u>	<u>\$ 1,703,000</u>	<u>\$ -</u>	<u>\$ 9,902,862</u>

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

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

Net changes in fund balances - total governmental funds \$ (688,538)

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. (2,385,721)

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.

Repayment of debt 176,452

Proceeds from disposal of assets (5,796)

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:

Loss on disposal of capital assets (147,579)

Compensated absences 101,851

Total changes in net position of governmental activities \$ (2,949,331)

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>			Variance with Final Budget - Favorable (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Rowan County	31,840,645	32,345,084	31,970,084	(375,000)
U.S. Government	330,000	330,000	349,777	19,777
Other	2,875,000	2,426,221	2,155,462	(270,759)
Total revenues	<u>35,045,645</u>	<u>35,101,305</u>	<u>34,475,323</u>	<u>(625,982)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	13,047,862	13,312,919	12,856,541	456,378
Special populations	1,937,692	2,011,171	1,989,516	21,655
Alternative programs	792,595	330,327	339,555	(9,228)
School leadership	2,828,172	2,758,257	2,755,484	2,773
Co-curricular	982,007	888,011	875,676	12,335
School-based support	2,035,026	1,856,596	1,821,411	35,185
System-wide support services:				
Support and development	681,385	546,425	527,361	19,064
Special population support and development	122,205	130,479	130,306	173
Alternative programs and services support and development	16,827	5,194	5,624	(430)
Technology support	1,238,991	1,287,690	1,351,558	(63,868)
Operational support	9,548,881	9,871,025	9,733,350	137,675
Financial and human resource	2,024,206	1,977,325	1,944,369	32,956
Accountability	144,163	74,166	74,101	65
System-wide pupil support	313,909	313,082	312,504	578
Policy, leadership, and public relations	728,038	1,083,858	1,024,793	59,065
Ancillary services	20,906	11,432	11,330	102
Non-programmed charges	152,970	216,818	211,818	5,000
Total expenditures	<u>36,615,835</u>	<u>36,674,775</u>	<u>35,965,297</u>	<u>709,478</u>
Revenues over (under) expenditures	<u>(1,570,190)</u>	<u>(1,573,470)</u>	<u>(1,489,974)</u>	<u>83,496</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Appropriated fund balance	1,570,190	1,573,470	-	(1,573,470)
Total other financing sources (uses)	<u>1,570,190</u>	<u>1,573,470</u>	<u>-</u>	<u>(1,573,470)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,489,974)</u>	<u>\$ (1,489,974)</u>
Fund balances, beginning			<u>4,385,630</u>	
Fund balances, ending			<u>\$ 2,895,656</u>	

**Exhibit 5**

<b>State Public School Fund</b>			
Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Original	Final		
\$ 102,992,376	\$ 105,431,167	\$ 105,431,167	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>102,992,376</u>	<u>105,431,167</u>	<u>105,431,167</u>	<u>-</u>
63,408,289	65,014,944	61,004,602	4,010,342
9,955,957	10,789,190	10,755,799	33,391
2,772,643	4,939,276	4,689,458	249,818
6,536,113	6,977,913	6,821,418	156,495
-	-	-	-
9,318,990	9,686,794	9,210,831	475,963
333,218	546,905	546,901	4
877,553	952,549	952,538	11
-	1,602	1,601	1
164,714	376,301	376,297	4
8,206,683	9,364,239	9,363,760	479
657,491	814,252	814,240	12
56,860	112,338	112,336	2
-	-	-	-
658,369	718,783	718,776	7
-	-	-	-
-	-	-	-
<u>102,946,880</u>	<u>110,295,086</u>	<u>105,368,557</u>	<u>4,926,529</u>
<u>45,496</u>	<u>(4,863,919)</u>	<u>62,610</u>	<u>4,926,529</u>
(45,496)	(62,615)	(62,610)	5
-	-	-	-
<u>(45,496)</u>	<u>(62,615)</u>	<u>(62,610)</u>	<u>5</u>
<u>\$ -</u>	<u>\$ (4,926,534)</u>	<u>-</u>	<u>\$ 4,926,534</u>
		<u>-</u>	
		<u>\$ -</u>	

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2014**

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

	<b>Special Revenue Fund</b>			Variance with Final Budget - (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina:				
N.C. Pre-Kindergarten Program	\$ 594,900	\$ 613,739	\$ 606,519	\$ (7,220)
School nurse funding	100,000	100,000	100,000	-
Total State of North Carolina	<u>694,900</u>	<u>713,739</u>	<u>706,519</u>	<u>(7,220)</u>
U.S. Government:				
Confucius Classroom Grant	-	742	742	-
Total U.S. Government	<u>-</u>	<u>742</u>	<u>742</u>	<u>-</u>
Other:				
Tuition and fees	-	-	7,800	7,800
Indirect cost	600,000	772,077	838,779	66,702
Interest earned	-	-	6,611	6,611
Miscellaneous local operating revenues	255,349	947,165	589,252	(357,913)
Total other	<u>855,349</u>	<u>1,719,242</u>	<u>1,442,442</u>	<u>(276,800)</u>
Total revenues	<u>1,550,249</u>	<u>2,433,723</u>	<u>2,149,703</u>	<u>(284,020)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	255,349	1,456,708	829,206	627,502
Special populations	-	6,337	2,177	4,160
Alternative programs	594,900	699,425	655,497	43,928
Co-curricular	-	56,175	51,396	4,779
School-based support	100,000	104,549	102,530	2,019
System-wide support services:				
Support and development	144,715	8,448	8,448	-
Operational support	168,561	82,870	63,799	19,071
Financial and human resource	246,289	2,965	1,329	1,636
Policy, leadership, and public relations	40,435	1,811	1,811	-
Ancillary services	-	8,885	4,756	4,129
Non-programmed charges	-	5,550	4,550	1,000
Total expenditures	<u>1,550,249</u>	<u>2,433,723</u>	<u>1,725,499</u>	<u>708,224</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>424,204</u>	<u>424,204</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>424,204</u>	<u>\$ 424,204</u>
Fund balances, beginning			<u>1,427,828</u>	
Fund balances, ending			<u>\$ 1,852,032</u>	

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

Statement of Net Position

Proprietary Fund

June 30, 2014

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,836,410
Due from other governments	307,788
Inventories	169,297
Total current assets	<u>3,313,495</u>
Noncurrent assets:	
Capital assets, net of depreciation	2,006,316
Total assets	<u>5,319,811</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued salaries and benefits	33,186
Total current liabilities	<u>33,186</u>
Noncurrent liabilities:	
Compensated absences	274,152
Total liabilities	<u>307,338</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>101,946</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,006,316
Unrestricted	<u>2,904,211</u>
Total net position	<u>\$ 4,910,527</u>

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

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

Proprietary Fund

For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service</u>
	<u>Fund</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 3,019,035
<b>OPERATING EXPENSES</b>	
Purchase of food	4,960,567
Salaries and benefits	5,743,635
Indirect costs	705,358
Utilities and telephone	6,082
Materials and supplies	675,187
Contracted services	29,990
Equipment and maintenance	321,939
Depreciation	211,336
Travel	28,479
Other	40,862
Total operating expenses	<u>12,723,435</u>
Operating loss	<u>(9,704,400)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	7,867,229
Federal commodities	767,916
Indirect cost	224,241
Interest earned on investments	11,078
Miscellaneous revenues	(3,477)
Total nonoperating revenues	<u>8,866,987</u>
Loss before transfers	(837,413)
Transfers from other fund	<u>62,610</u>
Change in net position	(774,803)
<b>NET POSITION</b>	
Beginning of year	<u>5,685,330</u>
End of year	<u>\$ 4,910,527</u>

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

Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2014

	Enterprise Fund
	Major Fund
	School Food Service Fund
	<u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,910,637
Cash paid for goods and services	(5,802,707)
Cash paid to employees for services	(5,679,467)
Net cash used by operating activities	<u>(8,571,537)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	7,867,229
Miscellaneous revenues	(3,477)
Net cash provided by noncapital financing activities	<u>7,863,752</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	<u>(249,279)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>11,078</u>
Net decrease in cash	(945,986)
<b>CASH - BEGINNING OF YEAR</b>	<u>3,782,396</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 2,836,410</u></u>

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

Statement of Cash Flows

(Continued)

Proprietary Fund

For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service</u>
	<u>Fund</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (9,704,400)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	211,336
Donated commodities	767,916
Salaries paid by other fund	62,610
Indirect costs not paid	224,241
Changes in assets and liabilities:	
(Increase) decrease in:	
Due from other governments	(133,545)
Inventories	(26,400)
Increase (decrease) in:	
Accrued liabilities	3,878
Compensated absences payable	(2,320)
Deferred revenue	25,147
Total adjustments	<u>1,132,863</u>
Net cash used by operating activities	<u>\$ (8,571,537)</u>

Noncash investing, capital, and financing activities:

The School Food Service Fund consumed donated commodities with a value of \$767,916 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 7.

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A) Reporting Entity**

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

**B) Basis of Presentation**

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

The Board reports the following non-major governmental fund:

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

The Board reports the following major enterprise fund:

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

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

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

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

**D) Budgetary Data**

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

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

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

**1) Deposits and Investments**

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

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

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

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

**2) Cash and Cash Equivalents**

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

**3) Inventories**

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

**ROWAN-SALISBURY BOARD OF EDUCATION**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

**4) Capital Assets**

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

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

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

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

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

**5) Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has items that meet this criterion consisting of unearned grant revenue in the Special Revenue Fund and prepaid meals in the School Food Service Fund.

**6) Long-term Obligations**

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

**7) Compensated Absences**

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2014 is recorded in the government-wide and proprietary fund financial statements on the FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

**8) Net Position/Fund Balances**

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

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

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.

Committed Fund Balance - portion of fund balance that can only be used for a specific purpose imposed by a majority vote by quorum of the Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

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

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

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

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

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

The governmental funds balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$102,635,303 consists of several elements as follows:

Description	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 200,288,893
Less: Accumulated depreciation	<u>(87,400,740)</u>
Net capital assets	112,888,153
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	(176,451)
Compensated absences	<u>(10,076,399)</u>
Total adjustment	<u>\$ 102,635,303</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

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

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

b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund 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 (\$2,260,793) as follows:

Description	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,380,175
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	(3,765,896)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	176,452
Proceeds from disposal of assets	(5,796)
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:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	101,851
Loss on disposal of fixed assets	<u>(147,579)</u>
Total adjustment	<u>\$ (2,260,793)</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**II) DETAIL NOTES ON ALL FUNDS**

**A) Assets**

**1) Deposits**

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

At June 30, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$9,406,438. The bank balances with the financial institutions and the State Treasurer were \$9,694,114 and \$4,904,513, respectively. Of these balances, \$4,396,818 was covered by federal depository insurance and \$10,201,809 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**2) Investments**

At June 30, 2014, the Board of Education had \$4,333,996 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2014. The Board had no policy for managing interest rate risk or credit risk.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**A) Assets (Continued)**

**3) Accounts Receivable**

Receivables at the government-wide level at June 30, 2014, were as follows:

	Due from other
<b>Governmental activities:</b>	
General Fund	\$ 97,967
Other governmental activities	<u>3,562,369</u>
 Total	 <u>\$ 3,660,336</u>
 <b>Business-type activities:</b>	
School Food Service Fund	 <u>\$ 307,788</u>

Due from other governments consists of the following:

<b>Governmental activities:</b>		
General Fund	\$ 52,623	Fines and forfeitures
General Fund	45,344	Local grant funds
State Public School Fund	2,739,882	Operating funds from the State
Special Revenue Fund	24,487	Local grant funds
Capital Outlay Fund	564,272	County sales tax revenue
Federal Grants Fund	<u>233,728</u>	Federal grant funds
 Total	 <u>\$ 3,660,336</u>	
 <b>Business-type activities:</b>		
School Food Service Fund	 <u>\$ 307,788</u>	Federal reimbursements



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**A) Assets (Continued)**

**4) Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,936,080	\$ -	\$ 14,257	\$ 2,921,823
Construction in progress	<u>407,952</u>	<u>22,774</u>	<u>-</u>	<u>430,726</u>
Total capital assets not being depreciated	<u>3,344,032</u>	<u>22,774</u>	<u>14,257</u>	<u>3,352,549</u>
Capital assets being depreciated:				
Buildings	171,584,297	990,008	94,218	172,480,087
Equipment and furniture	9,863,232	219,721	445,370	9,637,583
Vehicles	<u>14,825,791</u>	<u>147,673</u>	<u>154,790</u>	<u>14,818,674</u>
Total capital assets being depreciated	<u>196,273,320</u>	<u>1,357,402</u>	<u>694,378</u>	<u>196,936,344</u>
Less accumulated depreciation for:				
Buildings	68,275,650	3,123,250	83,621	71,315,279
Equipment and furniture	5,840,077	210,390	372,525	5,677,942
Vehicles	<u>10,074,377</u>	<u>432,256</u>	<u>99,114</u>	<u>10,407,519</u>
Total accumulated depreciation	<u>84,190,104</u>	<u>3,765,896</u>	<u>555,260</u>	<u>87,400,740</u>
Total capital assets being depreciated, net	<u>112,083,216</u>			<u>109,535,604</u>
Governmental activity capital assets, net	<u>\$115,427,428</u>			<u>\$112,888,153</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 3,333,639
Operational support services	<u>432,257</u>
Total	<u>\$ 3,765,896</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**A) Assets (Continued)**

**4) Capital Assets (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,676,651	\$ 249,279	\$ -	\$ 4,925,930
Less accumulated depreciation for:				
Furniture and equipment	<u>2,708,278</u>	<u>211,336</u>	<u>-</u>	<u>2,919,614</u>
Business-type activity capital assets, net	<u>\$ 1,968,373</u>			<u>\$ 2,006,316</u>

**B) Liabilities**

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

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

**Plan Description:** Rowan-Salisbury Board of Education contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

**Funding Policy:** Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69%, of annual covered payroll. The contribution requirements of plan members and Rowan-Salisbury Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013, and 2012 were \$8,110,323, \$8,473,116, and \$7,593,294, respectively, equal to the required contributions for each year.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

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

**b) Other Postemployment Benefits**

**1) Healthcare Benefits**

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,039,786, \$5,391,058, and \$5,103,020, respectively. These contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

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

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

**2) Long-term Disability Benefits**

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

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

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

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

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

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

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$410,649, \$447,560, and \$530,714, respectively. These contributions represented 0.44%, 0.44%, and 0.52% of covered payroll, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

**2) Accounts Payable**

Accounts payable as of June 30, 2014 are as follows:

	<u>Vendors</u>	<u>Accrued Salary</u>	<u>Total</u>
<b>Governmental activities:</b>			
General	\$ 431,162	\$ 888,300	\$ 1,319,462
Other governmental	<u>-</u>	<u>3,005,102</u>	<u>3,005,102</u>
Total governmental activities	<u>\$ 431,162</u>	<u>\$ 3,893,402</u>	<u>\$ 4,324,564</u>
<b>Business-type activities:</b>			
School Food Service Fund	<u>\$ -</u>	<u>\$ 33,186</u>	<u>\$ 33,186</u>

**3) Deferred Inflows of Resources**

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

	<u>Unearned Revenue</u>
<b>Governmental activities:</b>	
Grants and scholarships (Special Revenue Fund)	<u>\$ 351,140</u>
<b>Business-type activities:</b>	
Prepaid meals (School Food Service Fund)	<u>\$ 101,946</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

**4) Risk Management**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases insurance coverage through Continental Western Insurance Company. The Board maintains general liability and errors and omissions coverage of \$1 million each occurrence limit. The Board purchases workers' compensation insurance through Republic Indemnity Insurance Company and the coverage provides the statutory limits for employees to the extent they are paid from federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. Continental Western Insurance Company has an annual aggregate limit for general liability of \$2,000,000 and \$2,000,000 for errors and omissions. The Board also purchases property insurance through the Firemen's Insurance Company of Washington, DC to insure the tangible property assets of the Board. The Board's property insurance policy provides a blanket insurance limit of \$546,203,743 on the Building and Contents. There is no co-insurance and the property is insured on a replacement cost basis. The property deductible is \$5,000 per occurrence. The property policy provides a \$5,000,000 limit for Flood and Earthquake with a \$25,000 deductible. The Firemen's Insurance Company of Washington DC and Continental Western Insurance Company are rated A+ by AM Best and Republic Indemnity Company of America is rated A by AM Best.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$215,000.

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

**5) Contingent Liabilities**

At June 30, 2014, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**B) Liabilities (Continued)**

**6) Long-Term Obligations**

**a) Installment Purchase**

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Sessions law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase price. During 2013, the Board entered into installment purchase contracts to finance the purchase of nine school buses. The financing contract requires four principal-only payments: one payment due upon acceptance of the buses and the remaining three payments are due annually.

The future minimum payments of the installment purchase as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u> <u>Principal</u>
2015	<u>\$ 176,451</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, 2014:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 10,178,250	\$ 7,654,701	\$ 7,756,552	\$ 10,076,399	\$ -
Installment purchase	352,903	-	176,452	176,451	176,451
Total	<u>\$ 10,531,153</u>	<u>\$ 7,654,701</u>	<u>\$ 7,933,004</u>	<u>\$ 10,252,850</u>	<u>\$ 176,451</u>
Business-type activities:					
Compensated absences	<u>\$ 276,472</u>	<u>\$ 309,788</u>	<u>\$ 312,108</u>	<u>\$ 274,152</u>	<u>\$ -</u>

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



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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

**c) Interfund Balances and Activity**

**Transfers to/from other funds at June 30, 2014, consist of the following:**

From the State Public School Fund to the School Food Services Fund for administrative costs	<u>\$ 62,610</u>
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**d) Fund Balance**

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

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

	<u>General Fund</u>
Total fund balance	\$ 2,895,656
Less:	
Stabilization by State statute	<u>(97,967)</u>
Remaining unassigned fund balance	<u>\$ 2,797,689</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board has no encumbrances as of June 30, 2014.

**III) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**IV) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 5, 2014, which is the date the financial statements were available to be issued, and no events have occurred that required recognition or disclosure for the year ended June 30, 2014.

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## **INDIVIDUAL FUND SCHEDULES**

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Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Rowan County			
County appropriation	\$ 32,345,084	\$ 31,970,084	\$ (375,000)
U.S. Government	330,000	349,777	19,777
Other:			
Fines and forfeitures	583,007	566,299	(16,708)
Late list	89,214	92,083	2,869
Medicaid administration	655,000	676,884	21,884
Interest earned	60,000	27,626	(32,374)
Rental of school property	220,000	203,770	(16,230)
Other	819,000	588,800	(230,200)
Total other	<u>2,426,221</u>	<u>2,155,462</u>	<u>(270,759)</u>
Total revenues	<u>35,101,305</u>	<u>34,475,323</u>	<u>(625,982)</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	13,312,919	12,856,541	456,378
Special populations	2,011,171	1,989,516	21,655
Alternative programs	330,327	339,555	(9,228)
School leadership	2,758,257	2,755,484	2,773
Co-curricular	888,011	875,676	12,335
School based support	1,856,596	1,821,411	35,185
Total instructional services	<u>21,157,281</u>	<u>20,638,183</u>	<u>519,098</u>
System-wide support services:			
Support and development	546,425	527,361	19,064
Special population support and development	130,479	130,306	173
Alternative programs and services support and development	5,194	5,624	(430)
Technology support	1,287,690	1,351,558	(63,868)
Operational support	9,871,025	9,733,350	137,675
Financial and human resource	1,977,325	1,944,369	32,956
Accountability	74,166	74,101	65
System-wide pupil support	313,082	312,504	578
Policy, leadership, and public relations	1,083,858	1,024,793	59,065
Total system-wide support services	<u>15,289,244</u>	<u>15,103,966</u>	<u>185,278</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2014**

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

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
Ancillary services:	\$ 11,432	\$ 11,330	\$ 102
Non-programmed charges:	216,818	211,818	5,000
Total expenditures	36,674,775	35,965,297	709,478
Revenues over (under) expenditures	(1,573,470)	(1,489,974)	83,496
<b>APPROPRIATED FUND BALANCE</b>	1,573,470	-	(1,573,470)
Net change in fund balance	\$ -	(1,489,974)	\$ (1,489,974)
<b>FUND BALANCE</b>			
Beginning of year		4,385,630	
End of year		\$ 2,895,656	

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Federal Grants Fund  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
U.S. Government	\$ 22,043,180	\$ 14,873,570	\$ (7,169,610)
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	1,842,988	1,401,211	441,777
Special populations	8,188,376	6,982,408	1,205,968
Alternative programs	7,261,277	5,430,150	1,831,127
School leadership	96,608	88,972	7,636
School based support	744,724	382,162	362,562
Total instructional services	<u>18,133,973</u>	<u>14,284,903</u>	<u>3,849,070</u>
System-wide support services:			
Support and development	97,638	34,455	63,183
Special population support and development	37,500	15,556	21,944
Alternative programs and services support and development	105,842	75,745	30,097
Technology support	919	912	7
Operational support	84,867	73,220	11,647
Total system-wide support services	<u>326,766</u>	<u>199,888</u>	<u>126,878</u>
Non-programmed charges	3,582,441	388,779	3,193,662
Total expenditures	<u>22,043,180</u>	<u>14,873,570</u>	<u>7,169,610</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Capital Outlay Fund

For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State of North Carolina	\$ 176,452	\$ 176,452	\$ -
Rowan County	1,553,701	2,041,752	488,051
Other	166,134	191,863	25,729
Total revenues	<u>1,896,287</u>	<u>2,410,067</u>	<u>513,780</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	<u>176,452</u>	<u>176,452</u>	<u>-</u>
Total debt service	<u>176,452</u>	<u>176,452</u>	<u>-</u>
Property:			
Real property and buildings		1,442,720	
Furniture and equipment		389,680	
Buses and motor vehicles		33,739	
Total property	<u>3,202,594</u>	<u>1,866,139</u>	<u>1,336,455</u>
Total expenditures	<u>3,379,046</u>	<u>2,042,591</u>	<u>1,336,455</u>
Revenues over (under) expenditures	(1,482,759)	367,476	1,850,235
<b>APPROPRIATED FUND BALANCE</b>	<u>1,482,759</u>	<u>-</u>	<u>(1,482,759)</u>
Net change in fund balance	<u>\$ -</u>	<u>367,476</u>	<u>\$ 367,476</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>3,084,698</u>	
End of year		<u>\$ 3,452,174</u>	

**Schedule of Revenues and Expenditures**

**Budget and Actual (Non-GAAP)**

**School Food Service Fund**

**For the Year Ended June 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Food sales	\$ 3,254,000	\$ 3,019,035	\$ (234,965)
<b>OPERATING EXPENDITURES</b>			
Business support services:			
Food costs		4,986,967	
Salaries and benefits		5,745,955	
Indirect costs		705,358	
Materials and supplies		675,187	
Equipment and maintenance		321,939	
Utilities and telephone		6,082	
Contracted services		29,990	
Travel		28,479	
Other		40,862	
Capital outlay		249,279	
Total operating expenditures	12,701,030	12,790,098	(89,068)
Operating loss	(9,447,030)	(9,771,063)	(324,033)
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	7,915,296	7,867,229	(48,067)
Federal commodities	735,734	767,916	32,182
Indirect costs not paid	750,000	224,241	(525,759)
Interest earned on investments	12,000	11,078	(922)
Miscellaneous revenues	34,000	(3,477)	(37,477)
Total nonoperating revenues	9,447,030	8,866,987	(580,043)
Revenues under expenditures before other financing sources	-	(904,076)	(904,076)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	62,610	62,610
Revenues and other financing sources under expenditures	\$ -	(841,466)	\$ (841,466)
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(211,336)	
Capital acquisitions		249,279	
Decrease in compensated absences payable		2,320	
Increase in inventories		26,400	
Change in net position (full accrual basis)		\$ (774,803)	

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## **COMPLIANCE SECTION**

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

Rowan-Salisbury Board of Education  
Salisbury, 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 the Rowan-Salisbury Board of Education, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Rowan-Salisbury Board of Education's basic financial statements, and have issued our report thereon dated November 5, 2014.

***Internal Control Over Financial Reporting***

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

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

### *Internal Control Over Financial Reporting (Continued)*

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs we consider to be a significant deficiency: 2014-01.

### *Compliance and Other Matters*

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

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

The Rowan-Salisbury Board of Education's responses to the finding identified in our audit are described in the accompany schedule of findings and questioned costs. The Rowan-Salisbury Board of Education, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *Purpose of this Report*

The purpose of this report is 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.

Rives & Associates, LLP

Lexington, North Carolina

November 5, 2014



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**Independent Auditors' Report On Compliance For Each Major Federal Program; Report  
on Internal Control  
Over Compliance; In Accordance With OMB Circular A-133; And The  
State Single Audit Implementation Act**

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

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

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education, major federal programs for the year ended June 30, 2014. The Rowan-Salisbury 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.

***Auditor's Responsibility***

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the Rowan-Salisbury Board of Education complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### *Report on Internal Control Over Compliance*

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

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

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

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

*Rives & Associates, LLP*  
Lexington, North Carolina  
November 5, 2014



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**Independent Auditors' Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act**

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

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

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education's major state programs for the year ended June 30, 2014. The Rowan-Salisbury 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Rowan-Salisbury 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 and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Rowan-Salisbury 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 Rowan-Salisbury Board of Education's compliance.

### *Opinion on Each Major State Program*

In our opinion, Rowan-Salisbury Board of Education complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

### *Report on Internal Control Over Compliance*

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

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

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

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

*Rives & Associates, LLP*

Lexington, North Carolina

November 5, 2014

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

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

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**Financial Statements**

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified	_____	Yes	<u>  X  </u> No
Significant deficiency(s) identified that are not considered to be material weaknesses	<u>  X  </u>	Yes	_____ No
Noncompliance material to financial statements noted	_____	Yes	<u>  X  </u> No

**Federal Awards**

Internal control over major federal programs:			
Material weakness(es) identified	_____	Yes	<u>  X  </u> No
Significant deficiency(s) identified that are not considered to be material weakness(es)	_____	Yes	<u>  X  </u> None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<u>  X  </u> No





**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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

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

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**State Awards**

Internal control over major State programs:

Material weaknesses identified \_\_\_\_\_ Yes   X   No

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_\_\_ Yes   X   No

Identification of major State programs:

**State Program Name**

State Public School Fund

Vocational Education:

State Months of Employment

Program Support Funds

NC Pre-Kindergarten Program

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SECTION II - FINANCIAL STATEMENT FINDINGS

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**Finding 2014-01**

*Finding classification:* Significant deficiency

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

Condition: Bank reconciliations were not prepared in a timely manner throughout the fiscal year ended June 30, 2014

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

Cause: This was due to the bank reconciliation not completed in a timely manner in previous years.

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

Management Response: See corrective action plan.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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

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

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None reported.

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

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None reported.

Corrective Action Plan  
For the Year Ended June 30, 2014

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SECTION V - CORRECTIVE ACTION PLANS

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**Finding 2014-01**

*Finding classification:* Significant deficiency

Name of contact person: Tara Trexler, Chief Financial Officer

Corrective Action: All bank accounts will be reconciled on a monthly basis in a timely manner. Non-standard reconciling items will be investigated and resolved on a monthly basis. A change was made in the finance staff reconciling the bank statements but issues that existed as a result of previous years' bank reconciliations not balancing resulted in the unresolved reconciling items in the current year's bank reconciliations.

Proposed Completion Date: August 2014

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2014

**Finding 13-01**

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

*Status:* Repeat finding. See Finding 2014-01

**Finding 13-02**

*Description:* Paraprofessionals hired after January 8, 2002 performing instructional duties working in programs supported by Title I funds must meet appropriate qualifications as required by the No Child Left Behind Act of 2001

*Status:* Corrected.

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	<u>\$ 5,113,371</u>
School Improvement Cluster:			
School Improvement (Title I, Part A of ESEA)	84.010	PRC 105	34,730
ARRA - School Improvement Grants	84.388	PRC 143	302,091
Total School Improvement Grants			<u>336,821</u>
Special Education Cluster:			
Individuals with Disabilities Education Act (IDEA)			
- Preschool Handicapped	84.173	PRC 049	143,376
- Education of the Handicapped	84.027	PRC 060	7,034,248
- Risk Pool	84.027	PRC 114	61,969
- Special Needs Targeted Assistance	84.027	PRC 118	14,686
- Preschool Targeted Assistance	84.173	PRC 119	1,294
Total Special Education Cluster			<u>7,255,573</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>29,427</u>
State Personnel Development	84.323	PRC 082	<u>15,607</u>
Improving Teacher Quality	84.367	PRC 103	<u>722,558</u>
Language Acquisition Significant Inc. Grant	84.365	PRC 104	<u>184,532</u>
21st Century Community Learning	84.287C	PRC 110	<u>180,701</u>
Math and Science Partnership	84.366	PRC 112	<u>111,200</u>
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States	84.048	PRC 017	<u>252,834</u>
ARRA-Race to the Top (RttT)	84.395	PRC 156, 158	<u>670,944</u>
Total U.S. Department of Education			<u>14,873,568</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Exepnditures of Federal and State Awards**  
**For the Year Ended June 30, 2014**

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants (Continued):			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 767,916
Non-Cash Assistance Subtotal			<u>767,916</u>
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program (Special Milk Program)	10.553		1,964,039
National School Lunch Program	10.555		5,582,082
Summer Food Service Program for Children	10.559		160,813
Total Cash Assistance			<u>7,706,934</u>
Total Child Nutrition Cluster			<u>8,474,850</u>
Passed-through the N.C. Department of Agriculture:			
Cash Assistance:			
Fresh Fruit and Vegetable Program	10.582		160,296
Total U.S. Department of Agriculture			<u>8,635,146</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	-		349,777
Total federal assistance			<u>23,858,491</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Exepnditures of Federal and State Awards**  
**For the Year Ended June 30, 2014**

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 99,716,635
Driver Training - SPSF		PRC 012	327,746
School Technology Fund - SPSF		PRC 015	(843)
Vocational Education			
- State Months of Employment		PRC 013	5,031,679
- Program Support Funds		PRC 014	329,014
 <u>N.C. Department of Health and Human Services</u>			
School Nurse grant		-	100,000
NC Pre-Kindergarten Program		-	606,519
 Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		-	176,452
Textbooks		-	26,936
Total State assistance			106,314,138
Total federal and State assistance			\$ 130,172,629

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

Basis of Presentation

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