

# **Haywood County Board of Education**

Financial Statements  
For the Year Ended  
June 30, 2016

# HAYWOOD COUNTY BOARD OF EDUCATION

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ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Haywood County Board of Education as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Other Special Revenue Fund and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

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

schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016 on our consideration of Haywood County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Haywood County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

October 25, 2016  
Statesville, North Carolina  
(704)-562-5039

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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

***Financial Highlights***

- The 10-day enrollment in FY 2015-16 was 7,188, a decrease of 212 students from FY 2014-15. The historical enrollment for Haywood County schools reflects a total decrease of 825 students from FY 2007-2008.
- The first charter school opened in Haywood County in FY 2015-16. The total reduction to Haywood County's state allotment based on charter schools 1<sup>st</sup> month ADM was \$880,150.00. In FY 2016-17, the local charter school has experienced a 54% increase in enrollment over their first year's initial enrollment. Management anticipates a reduction to its state allotment for approximately 90 students.

***Overview of the Financial Statements***

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

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

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

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

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

***Government-wide Statements***

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

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

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

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

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

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

***Fund Financial Statements***

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

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

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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Haywood County Board of Education has three types of funds:

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

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

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

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

*Fiduciary fund:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Haywood County Board of Education has one fiduciary fund – the Haywood County Schools Foundation Fund, which provides scholarships to many Haywood County students, is accounted for as a Private-Purpose Trust Fund. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The fiduciary fund statement of Net Position is shown as Exhibit 9 and 10 of this report.

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

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$56,333,108 as of June 30, 2016. The largest component of net position is the net investment in capital assets, of \$64,411,780. It comprises 114% the total net position.



**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

Following is a summary of the Statement of Net Position:

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>As of June 30, 2016 and 2015</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
Current assets	\$ 8,379,450	\$ 8,595,300	\$ 209,962	\$ 151,374	\$ 8,589,412	\$ 8,746,674
Capital assets	64,201,667	65,967,312	257,355	295,692	64,459,022	66,263,004
Total assets	<u>72,581,117</u>	<u>74,562,612</u>	<u>467,317</u>	<u>447,066</u>	<u>73,048,434</u>	<u>75,009,678</u>
Deferred outflows of resources	<u>3,592,109</u>	<u>3,550,217</u>	<u>115,006</u>	<u>121,155</u>	<u>3,707,115</u>	<u>3,671,372</u>
Current liabilities	2,315,595	4,343,239	66,324	154,792	2,381,919	4,498,031
Long-term liabilities	14,943,143	5,708,021	500,386	219,397	15,443,529	5,927,418
Total liabilities	<u>17,258,738</u>	<u>10,051,260</u>	<u>566,710</u>	<u>374,189</u>	<u>17,825,448</u>	<u>10,425,449</u>
Deferred inflows of resources	<u>2,516,427</u>	<u>12,234,029</u>	<u>80,566</u>	<u>417,500</u>	<u>2,596,993</u>	<u>12,651,529</u>
Net investment in						
capital assets	63,729,225	65,558,506	257,355	295,692	63,986,580	65,854,198
Restricted net position	1,869,339	1,774,226	-	-	1,869,339	1,774,226
Unrestricted net position	<u>(9,200,503)</u>	<u>(11,505,192)</u>	<u>(322,308)</u>	<u>(519,160)</u>	<u>(9,522,811)</u>	<u>(12,024,352)</u>
Total net assets	<u>\$ 56,398,061</u>	<u>\$ 55,827,540</u>	<u>\$ (64,953)</u>	<u>\$ (223,468)</u>	<u>\$ 56,333,108</u>	<u>\$ 55,604,072</u>

Note that net position increased during the year, indicating an improvement in the financial condition of the Board. The increase was due to operations of the Board. Also note that the Board carries capital assets for which Haywood County carries the offsetting debt.

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 85,740	\$ 87,949	\$ 1,364,751	\$ 1,399,074	\$ 1,450,491	\$ 1,487,023
Operating grants and contributions	46,844,405	47,007,999	3,301,849	3,168,362	50,146,254	50,176,361
Capital grants and contributions	429,586	527,382	-	-	429,586	527,382
<b>General revenues:</b>						
Other revenues	20,992,518	21,080,863	174	65	20,992,692	21,080,928
<b>Total revenues</b>	<b>68,352,249</b>	<b>68,704,193</b>	<b>4,666,774</b>	<b>4,567,501</b>	<b>73,019,023</b>	<b>73,271,694</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	53,657,675	53,129,103	-	-	53,657,675	53,129,103
System-wide support services	12,874,233	13,986,567	-	-	12,874,233	13,986,567
Ancillary services	405,220	366,298	-	-	405,220	366,298
Non-programmed charges	572,111	34,080	-	-	572,111	34,080
Unallocated depreciation	218,337	214,754	-	-	218,337	214,754
<b>Business-type activities:</b>						
Food service	-	-	4,562,411	4,693,879	4,562,411	4,693,879
<b>Total expenses</b>	<b>67,727,576</b>	<b>67,730,802</b>	<b>4,562,411</b>	<b>4,693,879</b>	<b>72,289,987</b>	<b>72,424,681</b>
Transfers in (out)	(54,152)	(56,800)	54,152	56,800	-	-
Increase(decrease) in net position	570,521	916,591	158,515	(69,578)	729,036	847,013
Beginning net position (as restated)	55,827,540	54,910,949	(223,468)	(153,890)	55,604,072	54,757,059
Ending net position	<b>\$ 56,398,061</b>	<b>\$ 55,827,540</b>	<b>\$ (64,953)</b>	<b>\$ (223,468)</b>	<b>\$ 56,333,108</b>	<b>\$ 55,604,072</b>

Total governmental activities generated revenues of \$68.4 million while expenses in this category totaled \$67.7 million for the year ended June 30, 2016. Comparatively, revenues were \$68.7 million and expenses totaled \$67.7 million for the year ended June 30, 2015. After transfers to the business-type activities, the increase in net position stands at \$570,521 at June 30, 2016, compared to an increase of \$916,591 in 2015. Instructional services comprised 79% of total governmental-type expenses while system-wide support services made up 19% of those expenses for 2016. County funding comprised 22% of total governmental revenue. Much of the remaining 78% of total governmental revenue for 2016 consists of restricted State and federal money. Business-type activities generated revenue of \$4.7 million and had expenses of \$4.6 million in 2016. Net position

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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increased in the business-type activities by \$158,515, after transfers in from the governmental activities of \$54,152.

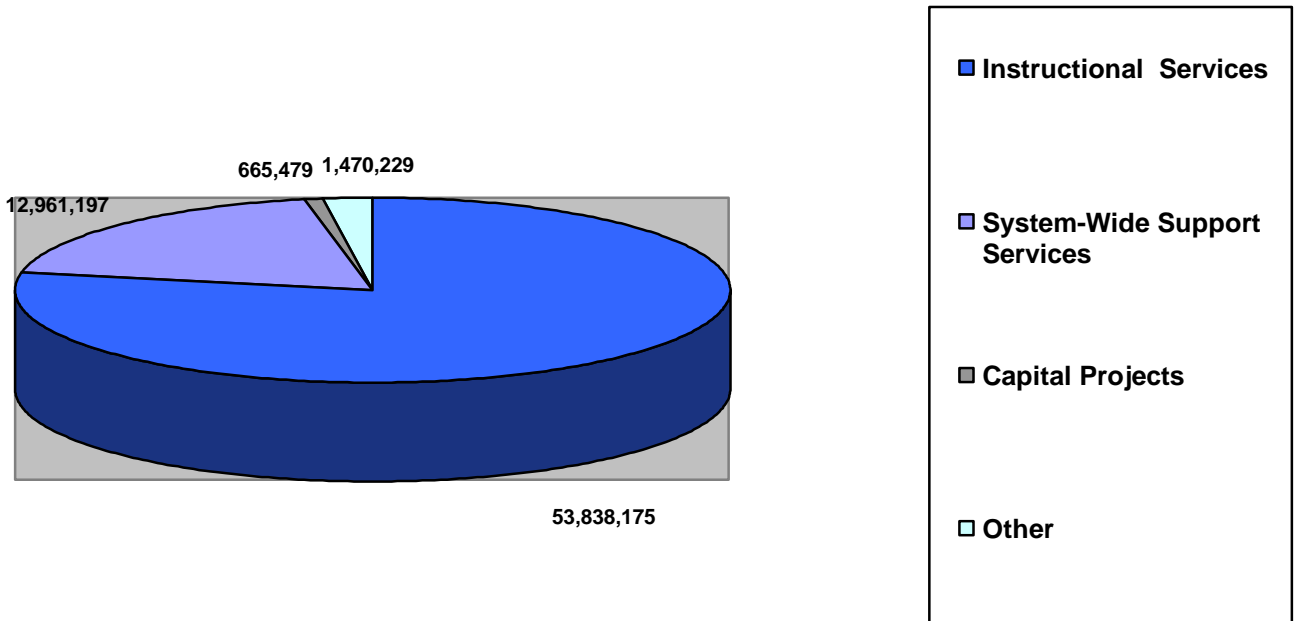
**Financial Analysis of the Board's Funds**

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

The Board's governmental funds reported a combined fund balance of \$6,063,855, a \$139,837 decrease from last year. The General Fund had expenditures in excess of revenues of \$687,715.

Proprietary Fund: The Board's business-type fund had an increase in net position in the current year of \$158,515.

**Categorization of Expenditures for Governmental Funds**



Expenditures are presented on the modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in expenditures. Generally, budget amendments fall into four categories: 1) amendments made as the Department of Public Instruction issues allotment revisions which include additions and changes; 2) amendments to adjust Federal Program differences between planning allotments and initial

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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allotments; 3) amendments to recognize new funding sources such as federal or State grants; and 4) amendments to appropriate fund balance at the Board's direction.

**Capital Assets**

Capital assets decreased by \$1,803,982 from the previous year. This decrease was due to depreciation expense exceeding capital additions in the current year. The following is a summary of the capital assets, net of depreciation at year-end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Land	\$ 3,395,756	\$ 3,395,756	\$ -	\$ -	\$ 3,395,756	\$ 3,395,756
Construction in progress	-	-	-	-	-	-
Buildings and improvements	57,808,975	59,653,179	-	-	57,808,975	59,653,179
Equipment and furniture	1,175,145	1,309,497	257,355	295,692	1,432,500	1,605,189
Vehicles	1,821,791	1,608,880	-	-	1,821,791	1,608,880
Total	<u>\$ 64,201,667</u>	<u>\$ 65,967,312</u>	<u>\$ 257,355</u>	<u>\$ 295,692</u>	<u>\$ 64,459,022</u>	<u>\$ 66,263,004</u>

**Debt Outstanding**

During the year the Board's outstanding debt for installment purchases increased by \$63,636. This increase is not considered significant and occurred during the normal operations of the Board. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction.

**Economic Factors**

The local unemployment rate of 4.5% was below the state rate of 5.2%, as well as below the national rate of 5.1% at June 30, 2016.

The population in year 2016 reflected a 4.25% increase from 2007, while the per capita income reflected a 13.2% increase for the last year information was available in comparison to 2007.

The sales tax revenue for Haywood reflected a 5.62% increase over fiscal year 2014-15. Haywood County has averaged a 6.54% increase in sales tax revenue over the past three years.

**HAYWOOD COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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***Requests for Information***

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

Angie Gardner, Finance Officer  
Haywood County Board of Education  
1230 North Main Street  
Waynesville, NC 28786

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

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,163,856	\$ 20,672	\$ 6,184,528
Due from other governments	2,107,843	132,107	2,239,950
Receivables (net)	42,687	4,981	47,668
Internal balances	65,064	(65,064)	-
Inventories	-	117,266	117,266
Capital assets			
Land, improvements, and construction in progress	3,395,756	-	3,395,756
Other capital assets, net of depreciation	60,805,911	257,355	61,063,266
Total capital assets	64,201,667	257,355	64,459,022
Total assets	72,581,117	467,317	73,048,434
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	3,592,109	115,006	3,707,115
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	195,272	7,585	202,857
Accrued salaries and wages payable	2,120,323	7,042	2,127,365
Unavailable revenues	-	51,697	51,697
Long-term liabilities:			
Net pension liability	10,674,051	341,743	11,015,794
Due within one year	2,077,116	76,696	2,153,812
Due in more than one year	2,191,976	81,947	2,273,923
Total liabilities	17,258,738	566,710	17,825,448
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,516,427	80,566	2,596,993
<b>NET POSITION</b>			
Net investment in capital assets	63,729,225	257,355	63,986,580
Restricted for:			
Stabilization by State statute	335,730	-	335,730
Individual schools	1,482,917	-	1,482,917
Capital Outlay	50,692	-	50,692
Unrestricted	(9,200,503)	(322,308)	(9,522,811)
Total net position	\$ 56,398,061	\$ (64,953)	\$ 56,333,108

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental Activities:							
Instructional programs:							
Regular instructional	\$ 30,807,453	\$ 53,654	\$ 25,953,135	\$ -	\$ (4,800,664)	\$ -	\$ (4,800,664)
Special populations	7,769,161	-	7,503,930	-	(265,231)	-	(265,231)
Alternative programs	4,162,798	-	3,608,580	-	(554,218)	-	(554,218)
School leadership	3,840,626	-	2,469,951	-	(1,370,675)	-	(1,370,675)
Co-curricular	4,256,067	-	-	-	(4,256,067)	-	(4,256,067)
School-based support	2,821,570	-	2,192,282	-	(629,288)	-	(629,288)
Support services:							
Support and development	583,480	-	307,094	-	(276,386)	-	(276,386)
Special populations	269,947	-	267,228	-	(2,719)	-	(2,719)
Alternative programs	286,183	-	225,215	-	(60,968)	-	(60,968)
Technology support	796,984	-	217,045	-	(579,939)	-	(579,939)
Operational support	9,026,674	32,086	3,514,401	429,586	(5,050,601)	-	(5,050,601)
Financial and human resource services	550,680	-	173,625	-	(377,055)	-	(377,055)
Accountability	85,027	-	9,258	-	(75,769)	-	(75,769)
System-wide pupil support services	306,764	-	-	-	(306,764)	-	(306,764)
Policy, leadership and public relations	968,494	-	273,431	-	(695,063)	-	(695,063)
Ancillary services	405,220	-	129,230	-	(275,990)	-	(275,990)
Non programmed charges	572,111	-	-	-	(572,111)	-	(572,111)
Unallocated depreciation expense**	218,337	-	-	-	(218,337)	-	(218,337)
Total governmental activities	67,727,576	85,740	46,844,405	429,586	(20,367,845)	-	(20,367,845)
Business-type activities:							
School food service	4,562,411	1,364,751	3,301,849	-	-	104,189	104,189
Total primary government	\$ 72,289,987	\$ 1,450,491	\$ 50,146,254	\$ 429,586	(20,367,845)	104,189	(20,263,656)
General revenues:							
Unrestricted county appropriations - operating					14,748,007	-	14,748,007
Investment earnings, unrestricted					30,606	174	30,780
Miscellaneous, unrestricted					6,213,905	-	6,213,905
Transfers					(54,152)	54,152	-
Total general revenues					20,938,366	54,326	20,992,692
Change in net position					570,521	158,515	729,036
Net position-beginning					55,827,540	(223,468)	55,604,072
Net position-ending					\$ 56,398,061	\$ (64,953)	\$ 56,333,108

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

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

**Exhibit 3**

	Major Funds					Non-Major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Federal Grants	Other Special Revenue	Capital Outlay	
<b>ASSETS</b>							
Cash and investments	\$ 2,953,050	\$ -	\$ 1,482,917	\$ 95,000	\$ 1,632,889	\$ -	\$ 6,163,856
Due from other governments	41,805	1,728,848	-	195,324	67,175	74,691	2,107,843
Due from other funds	184,063	-	-	-	-	-	184,063
Receivables (net)	4,231	-	-	-	38,456	-	42,687
Total assets	<u>\$ 3,183,149</u>	<u>\$ 1,728,848</u>	<u>\$ 1,482,917</u>	<u>\$ 290,324</u>	<u>\$ 1,738,520</u>	<u>\$ 74,691</u>	<u>\$ 8,498,449</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 191,902	\$ -	\$ -	\$ -	\$ 3,370	\$ -	\$ 195,272
Accrued salaries and wages payable	163,670	1,728,848	-	195,324	32,481	-	2,120,323
Due to other funds	-	-	-	95,000	-	23,999	118,999
Total liabilities	<u>355,572</u>	<u>1,728,848</u>	<u>-</u>	<u>290,324</u>	<u>35,851</u>	<u>23,999</u>	<u>2,434,594</u>
Fund balances:							
Restricted:							
Stabilization by State statute	230,099	-	-	-	105,631	-	335,730
Capital Outlay	-	-	-	-	-	50,692	50,692
Individual Schools	-	-	1,482,917	-	-	-	1,482,917
Assigned:							
Designated for subsequent year's expenditures	-	-	-	-	-	-	-
Designated for band expenditures	70,000	-	-	-	-	-	70,000
Special revenues	-	-	-	-	1,597,038	-	1,597,038
Unassigned	2,527,478	-	-	-	-	-	2,527,478
Total fund balances	<u>2,827,577</u>	<u>-</u>	<u>1,482,917</u>	<u>-</u>	<u>1,702,669</u>	<u>50,692</u>	<u>6,063,855</u>
Total liabilities and fund balances	<u>\$ 3,183,149</u>	<u>\$ 1,728,848</u>	<u>\$ 1,482,917</u>	<u>\$ 290,324</u>	<u>\$ 1,738,520</u>	<u>\$ 74,691</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	64,201,667
Deferred outflows of resources related to pensions	3,592,109
Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(4,269,092)
Net pension liability	(10,674,051)
Deferred inflows of resources related to pensions	(2,516,427)
Net position of governmental activities	<u>\$ 56,398,061</u>



**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

*Exhibit 4*

	Major Funds				Non-Major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Federal Grants	Other Special Revenue		Capital Outlay
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 40,252,145	\$ -	\$ -	\$ 360,189	\$ 678,679	\$ 41,291,013
Haywood County	14,748,007	-	-	-	-	500,000	15,248,007
U.S. Government	-	-	-	5,383,119	224,427	-	5,607,546
Other	517,692	-	4,160,870	-	1,526,114	4,931	6,209,607
Total revenues	15,265,699	40,252,145	4,160,870	5,383,119	2,110,730	1,183,610	68,356,173
<b>EXPENDITURES</b>							
<b>Current:</b>							
Instructional services:							
Regular instructional	4,715,916	24,777,940	-	425,440	179,880	18,346	30,117,522
Special populations	434,903	5,048,593	-	2,371,879	211,202	-	8,066,577
Alternative programs	454,533	1,282,315	-	2,164,204	410,118	-	4,311,170
School Leadership	1,521,563	2,469,951	-	-	-	-	3,991,514
Co-curricular	320,558	-	4,102,719	-	-	-	4,423,277
School-based support	665,415	2,127,506	-	18,770	116,424	-	2,928,115
System-wide support services:							
Support and development	299,309	261,749	-	45,345	-	-	606,403
Special populations	13,324	192,069	-	75,159	-	-	280,552
Alternative programs	13,492	33,502	-	155,562	91,485	-	294,041
Technology support	495,017	145,484	-	-	181,094	-	821,595
Operational support	4,855,605	3,402,625	-	80,505	79,136	558,491	8,976,362
Financial and human resource services	395,954	171,941	-	-	4,262	-	572,157
Accountability	62,452	-	-	-	25,747	-	88,199
System-wide pupil support services	318,210	-	-	-	-	-	318,210
Policy, leadership and public relations	731,164	272,514	-	-	-	-	1,003,678
Ancillary services:							
Community	3,880	-	-	-	-	-	3,880
Nutrition	78,873	11,804	-	-	326,585	-	417,262
Non-programmed charges	573,246	-	-	46,255	-	-	619,501
Capital outlay	-	-	-	-	-	665,479	665,479
<b>Debt Service</b>							
Principal	-	-	-	-	-	429,586	429,586
Total expenditures	15,953,414	40,197,993	4,102,719	5,383,119	1,625,933	1,671,902	68,935,080
Revenues over (under) expenditures	(687,715)	54,152	58,151	-	484,797	(488,292)	(578,907)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers (to) from other funds	-	(54,152)	-	-	-	-	(54,152)
Installment purchase obligations issued	-	-	-	-	-	493,222	493,222
Total other financing sources (uses)	-	(54,152)	-	-	-	493,222	439,070
Net change in fund balance	(687,715)	-	58,151	-	484,797	4,930	(139,837)
Fund balances-beginning	3,515,292	-	1,424,766	-	1,217,872	45,762	6,203,692
Fund balances-ending	\$ 2,827,577	\$ -	\$ 1,482,917	\$ -	\$ 1,702,669	\$ 50,692	\$ 6,063,855

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

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

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

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

Net changes in fund balances - total governmental funds \$ (139,837)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,761,721)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities. 3,592,109

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (63,636)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(1,174,293)
Compensated absences	121,823
Loss on disposal of capital assets	<u>(3,924)</u>

Total changes in net position of governmental activities \$ 570,521

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

**Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Haywood County	14,246,616	14,748,007	14,748,007	-
U.S. Government	-	-	-	-
Other	440,000	501,478	517,692	16,214
Total revenues	<u>14,686,616</u>	<u>15,249,485</u>	<u>15,265,699</u>	<u>16,214</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	5,607,579	4,807,133	4,715,916	91,217
Special populations	155,549	434,056	434,903	(847)
Alternative programs	427,850	539,443	454,533	84,910
School leadership	1,592,495	1,703,903	1,521,563	182,340
Co-curricular	329,522	329,522	320,558	8,964
School-based support	666,639	762,430	665,415	97,015
System-wide support services				
Support and development	314,038	337,367	299,309	38,058
Special populations	-	14,020	13,324	696
Alternative programs	-	15,559	13,492	2,067
Technology support	497,009	504,379	495,017	9,362
Operational support	5,341,645	5,429,413	4,855,605	573,808
Financial and human resource services	420,986	435,053	395,954	39,099
Accountability	80,713	83,891	62,452	21,439
System-wide pupil support services	333,245	339,693	318,210	21,483
Policy, leadership and public relations	770,062	785,337	731,164	54,173
Ancillary services				
Community	7,500	10,935	3,880	7,055
Nutrition	45,745	83,166	78,873	4,293
Non-programmed charges	30,000	568,146	573,246	(5,100)
Total expenditures	<u>16,620,577</u>	<u>17,183,446</u>	<u>15,953,414</u>	<u>1,230,032</u>
Revenues over (under) expenditures	(1,933,961)	(1,933,961)	(687,715)	1,246,246
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(1,933,961)	(1,933,961)	(687,715)	1,246,246
Appropriated fund balance	<u>1,933,961</u>	<u>1,933,961</u>	<u>-</u>	<u>(1,933,961)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(687,715)	<u>\$ (687,715)</u>
Fund balances, beginning of year			3,515,292	
Fund balances, end of year			<u>\$ 2,827,577</u>	

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

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

**Exhibit 5 (continued)**

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 39,454,613	\$ 40,944,340	\$ 40,252,145	\$ (692,195)
Haywood County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>39,454,613</u>	<u>40,944,340</u>	<u>40,252,145</u>	<u>(692,195)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	25,300,243	25,291,319	24,777,940	513,379
Special populations	4,539,968	5,068,162	5,048,593	19,569
Alternative programs	1,096,598	1,349,100	1,282,315	66,785
School leadership	2,287,800	2,476,208	2,469,951	6,257
Co-curricular	-	-	-	-
School-based support	1,979,403	2,134,083	2,127,506	6,577
System-wide support services				
Support and development	253,514	262,958	261,749	1,209
Special populations	177,128	194,045	192,069	1,976
Alternative programs	33,024	33,871	33,502	369
Technology support	-	206,786	145,484	61,302
Operational support	3,295,379	3,412,513	3,402,625	9,888
Financial and human resource services	174,716	172,038	171,941	97
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	261,231	273,751	272,514	1,237
Ancillary services				
Community	-	-	-	-
Nutrition	250	15,354	11,804	3,550
Non-programmed charges	-	-	-	-
Total expenditures	<u>39,399,254</u>	<u>40,890,188</u>	<u>40,197,993</u>	<u>692,195</u>
Revenues over (under) expenditures	55,359	54,152	54,152	-
Other financing sources (uses):				
Transfers (to) from other funds	<u>(55,359)</u>	<u>(54,152)</u>	<u>(54,152)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues, other sources, and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

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

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

**Exhibit 5 (continued)**

	<b>Federal Grants Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Haywood County	-	-	-	-
U.S. Government	6,215,439	6,801,275	5,383,119	(1,418,156)
Other	-	-	-	-
Total revenues	<u>6,215,439</u>	<u>6,801,275</u>	<u>5,383,119</u>	<u>(1,418,156)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	712,109	700,691	425,440	275,251
Special populations	1,971,815	2,492,183	2,371,879	120,304
Alternative programs	2,354,843	2,514,894	2,164,204	350,690
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	73,851	53,291	18,770	34,521
System-wide support services				
Support and development	33,340	45,884	45,345	539
Special populations	77,271	77,397	75,159	2,238
Alternative programs	178,074	212,926	155,562	57,364
Technology support	-	-	-	-
Operational support	101,108	106,426	80,505	25,921
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Non-programmed charges	713,028	597,583	46,255	551,328
Total expenditures	<u>6,215,439</u>	<u>6,801,275</u>	<u>5,383,119</u>	<u>1,418,156</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues, other sources, and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

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

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

**Exhibit 5 (continued)**

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 328,844	\$ 643,393	\$ 360,189	\$ (283,204)
Haywood County	-	-	-	-
U.S. Government	360,653	360,653	224,427	(136,226)
Other	1,109,450	2,187,205	1,526,114	(661,091)
Total revenues	<u>1,798,947</u>	<u>3,191,251</u>	<u>2,110,730</u>	<u>(1,080,521)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	166,421	220,115	179,880	40,235
Special populations	184,782	578,884	211,202	367,682
Alternative programs	568,450	844,396	410,118	434,278
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	183,012	186,387	116,424	69,963
System-wide support services				
Support and development	-	-	-	-
Special populations	-	-	-	-
Alternative programs	87,547	126,150	91,485	34,665
Technology support	561,557	746,010	181,094	564,916
Operational support	4,000	103,128	79,136	23,992
Financial and human resource services	15,878	15,878	4,262	11,616
Accountability	27,300	27,800	25,747	2,053
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	342,503	326,585	15,918
Nutrition	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>1,798,947</u>	<u>3,191,251</u>	<u>1,625,933</u>	<u>1,565,318</u>
Revenues over (under) expenditures	-	-	484,797	484,797
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	484,797	484,797
Appropriated fund balance	-	-	-	-
Revenues, other sources, and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	484,797	<u>\$ 484,797</u>
Fund balances, beginning of year			1,217,872	
Fund balances, end of year			<u>\$ 1,702,669</u>	

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

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**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2016**

**Exhibit 6**

	<u>Major Fund</u>
	<u>School Food Service</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 20,672
Due from other governments	132,107
Accounts receivable	4,981
Inventories	117,266
Total current assets	<u>275,026</u>
Noncurrent assets:	
Capital assets, net	<u>257,355</u>
Total assets	<u>532,381</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>115,006</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	7,585
Accrued salaries and wages	7,042
Due to other funds	65,064
Compensated absences	76,696
Unavailable revenues	51,697
Total current liabilities	<u>208,084</u>
Noncurrent liabilities:	
Net pension liability	341,743
Compensated absences	81,947
Total noncurrent liabilities	<u>423,690</u>
Total liabilities	<u>631,774</u>
<b>DEFERRED INTFLOWS OF RESOURCES</b>	<u>80,566</u>
<b>NET POSITION</b>	
Net investment in capital assets	257,355
Unrestricted	(322,308)
Total net position	<u>\$ (64,953)</u>

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

**Exhibit 7**

	<u>Major Fund</u>
	<u>School Food Service</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 1,364,751
<b>OPERATING EXPENSES</b>	
Purchase of food	1,812,538
Salaries and benefits	2,181,684
Indirect costs	386,959
Materials and supplies	46,836
Repairs and maintenance	48,651
Workshops	4,760
Telephone and mobile communications	7,033
Travel	12,461
Depreciation	54,672
Other	6,817
Total operating expenses	<u>4,562,411</u>
Operating loss	<u>(3,197,660)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	2,621,752
Federal commodities	282,967
State Breakfast Grant	10,171
Interest earned	174
Indirect costs not paid	386,959
Total nonoperating revenues	<u>3,302,023</u>
Net income (loss) before transfers	104,363
Transfer from other funds	<u>54,152</u>
Change in net position	158,515
Total net position - beginning	<u>(223,468)</u>
Total net position - ending	<u>\$ (64,953)</u>



**HAYWOOD COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS -  
For the Year Ended June 30, 2016**

**Exhibit 8**

	<u>Major Fund</u>
	<u>School Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,359,280
Cash paid for goods and services	(1,689,627)
Cash paid to employees for services	(2,263,414)
Net cash used by operating activities	<u>(2,593,761)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	2,620,423
State reimbursements	10,171
Net cash provided by financing activities	<u>2,630,594</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(16,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>174</u>
Net increase in cash and cash equivalents	20,672
Balance-beginning of the year	<u>-</u>
Balance-end of the year	<u>\$ 20,672</u>

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS -**  
**For the Year Ended June 30, 2016**

	<u>Major Fund</u>
	<u>School Food Service</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (3,197,660)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	54,672
Donated commodities consumed	282,967
Indirect costs not paid	386,959
Expenses paid by other funds	54,152
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in inventories	(35,122)
(Increase) decrease in accounts receivable	(1,465)
Increase (decrease) in accounts payable	1,624
(Increase) decrease in deferred outflows of resources	6,149
Increase (decrease) in deferred inflows of resources	(336,934)
Increase (decrease) in net pension liability	228,022
Increase (decrease) in accrued salaries and wages	(4,470)
Increase (decrease) in unavailable revenues	(4,006)
Increase (decrease) in compensated absences	(28,649)
Total adjustments	<u>603,899</u>
Net cash used by operating activities	<u>\$ (2,593,761)</u>

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

Indirect costs of \$386,959 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$282,967 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid salaries and benefits of \$54,672 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND**  
**June 30, 2016**

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**Exhibit 9**

	<b>Private- Purpose Trust Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 2,006,107
Land held for investment	<u>244,000</u>
Total Assets	<u>\$ 2,250,107</u>
<b>NET POSITION</b>	
Assets held in trust for private purposes	<u>\$ 2,250,107</u>

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND**  
**For the Year Ended June 30, 2016**

**Exhibit 10**

**Private-  
Purpose  
Trust Fund**

Additions:	
Contributions and other revenue	\$ 366,166
Investment earnings (losses)	4,046
Total additions	<u>370,212</u>
Deductions:	
Administrative expenses	41,304
Fundraising expenses	20,405
Scholarships and grants paid	385,038
Total deductions	<u>446,747</u>
Change in net position	(76,535)
Total net position - beginning	<u>2,326,642</u>
Total net position - ending	<u>\$ 2,250,107</u>

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

Haywood County Schools Foundation, Inc. (the “Foundation”) is a non-profit corporation that has been determined to be exempt from income tax under Internal Code Section 501(c)(3), and is governed by a board of directors appointed by the Board. Although it is legally separate from the Board, the Foundation is reported as if it were part of the primary government because its sole purpose is to promote, develop and encourage public and private support for the Haywood County school system. The Foundation is reported as a fiduciary fund. Separate financial statements have not been issued.

Basis of Presentation

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

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

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

The Board reports one fiduciary fund, a private-purpose trust fund which consists of the Haywood County Schools Foundation, Inc., a component unit of the Haywood County Board of Education.

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

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Measurement Focus and Basis of Accounting

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

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

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose function level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$5,000) from one function to another within a fund. Such transfers must be reported to the governing board at its next regular meeting. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2016.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. The NCCMT Cash Portfolio's securities are measured at amortized cost, which is the NCCMT's share price. The STIF securities (as valued under level 2 of the fair value hierarchy) are reported at cost and maintain a constant \$1 per share value. Investments valued under level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents

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



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

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Inventories

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

Capital Assets

Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1987 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. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	<u>Years</u>
Buildings	30 - 50
Improvements	20
Equipment and furniture	5 - 20
Vehicles	6 - 8

Land and construction in progress are not depreciated.

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

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

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Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate 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 pension related deferrals that meet this criterion.

Long-term obligations

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

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position 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.

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

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Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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

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

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

Band expenditures – portion of fund balance that is designated for future purchases of band uniforms.

Assigned for Other Special Revenues – revenue sources restricted for expenditures that are required by federal, State and other providers to be spent for specific purposes.

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

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

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

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Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$50,334,206 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 108,670,322
Less Accumulated Depreciation	<u>44,468,655</u>
Net capital assets	64,201,667
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(32,830)
Contributions made to the pension plan in current fiscal year	3,478,597
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(3,796,650)
Installment purchase obligations	(472,442)
Net pension liability	(10,674,051)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(1,213,642)
Differences between projected and actual earnings on plan earnings	<u>(1,156,443)</u>
Total adjustment	<u>\$ 50,334,206</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$710,358 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 1,004,844
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but no in the fund statements.	(2,766,565)
Contributions to the pension plan in the current year are not included on the Statement of activities	3,592,109
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(1,174,293)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	121,823
Loss on disposal of capital assets	(3,924)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt.	(63,636)
Total adjustment	\$ 710,358

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

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NOTE 2 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$4,793,923 and with the State Treasurer of \$95,000. The bank balances with the financial institutions and the State Treasurer were \$5,825,274 and \$236,159, respectively. Of these balances, \$2,118,429 was covered by federal depository insurance and \$3,943,004 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2016, the Board had \$1,642,673 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate risk or credit risk.

At June 30, 2016, the Haywood County Schools Foundation, Inc. (a blended component unit included in the basic financial statements as a Fiduciary Fund) reported \$1,659,039 of equity securities. These securities are reported at fair value and classified as level 1 of the fair value hierarchy since they are valued using quoted market prices in active markets.

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

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Accounts Receivable

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

	Due from other governments	Other
Governmental activities:		
General Fund	\$ 41,805	\$ 4,231
Other Government Funds	<u>2,066,038</u>	<u>38,456</u>
Total	<u>\$ 2,107,843</u>	<u>\$ 42,687</u>
Business-type activities:		
School Food Service	<u>\$ 132,107</u>	<u>\$ 4,981</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 41,805	Haywood County
State Public School Fund	1,728,848	Operating funds from DPI
Federal Grants Fund	195,324	Federal grant funds
Capital Outlay Fund	74,691	Haywood County
Other Special Revenue Fund	<u>67,175</u>	Federal and State grants
Total	<u>\$ 2,107,843</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 132,107</u>	Federal grants

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

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Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,395,756	\$ -	\$ -	\$ 3,395,756
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,395,756</u>	<u>-</u>	<u>-</u>	<u>3,395,756</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	92,645,502	317,202	-	92,962,704
Equipment and furniture	4,530,608	83,985	68,074	4,546,519
Vehicles	7,245,821	603,657	84,135	7,765,343
Total capital assets being depreciated	<u>104,421,931</u>	<u>1,004,844</u>	<u>152,209</u>	<u>105,274,566</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	32,992,323	2,161,406	-	35,153,729
Equipment and furniture	3,221,111	218,337	68,074	3,371,374
Vehicles	5,636,941	386,822	80,211	5,943,552
Total accumulated depreciation	<u>41,850,375</u>	<u>2,766,565</u>	<u>148,285</u>	<u>44,468,655</u>
Total capital assets being depreciated, net	<u>62,571,556</u>			<u>60,805,911</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 65,967,312</u>			<u>\$ 64,201,667</u>



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

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 2,149,585	\$ 16,335	\$ -	\$ 2,165,920
<b>Less accumulated depreciation for:</b>				
Furniture and office equipment	<u>1,853,893</u>	<u>54,672</u>	<u>-</u>	<u>1,908,565</u>
<b>School Food Service capital assets, net:</b>	<u>\$ 295,692</u>			<u>\$ 257,355</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 2,161,406
System-wide support services	386,822
Unallocated depreciation	<u>218,337</u>
Total	<u>\$ 2,766,565</u>

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined at 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years

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

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

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$3,589,969 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$11,015,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share of the net pension liability was based on a projection of the Board's long-term

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Boards proportion was .30% and .29%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$1,186,536. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,252,498
Net difference between projected and actual earnings on pension plan investments	-	1,193,468
Changes in proportion and differences between Board contributions and proportionate share of contributions	117,146	151,027
Board contributions subsequent to the measurement date	<u>3,589,969</u>	<u>-</u>
Total	<u>\$ 3,707,115</u>	<u>\$ 2,596,993</u>

\$3,589,969 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (1,456,008)
2018	(1,456,008)
2019	(1,399,376)
2020	1,831,545
2021	-
Thereafter	-
Total	<u>\$ (2,479,847)</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u><u>100.0%</u></u>	

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension

**HAYWOOD COUNTY BOARD OF EDUCATION**  
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plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.25%)</u>	<u>Discounted Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 33,154,500	\$ 11,015,794	\$ (7,771,451)

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

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

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

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,197,415, \$2,190,346, and \$2,061,671, respectively. These contributions represented 5.6%, 5.49%, and 5.4% of covered payroll, respectively.

**2. Other Employment Benefits**

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

**Death Benefits**

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

**Disability Benefits**

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

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available

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

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by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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

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

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

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

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The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$160,882, \$163,578, and \$167,988, respectively. These contributions represented 0.41%, 0.41%, and 0.44% of covered payroll, respectively.

Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 191,902	\$ 163,670
Other Governmental	3,370	1,956,653
Total-governmental activities	<u>\$ 195,272</u>	<u>\$ 2,120,323</u>
Business-type Activities		
School Food Service	<u>\$ 7,585</u>	<u>\$ 7,042</u>

Unavailable Revenues

The balance in unavailable revenues at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 51,697</u>

Deferred Outflows and Deferred Inflows of Resources

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



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

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 117,146	\$ 151,027
Difference between projected and actual earnings on plan investments	-	1,193,468
Board contributions subsequent to the measurement date	3,589,969	
Difference between expected and actual experience	<u>-</u>	<u>1,252,498</u>
Totals	<u>\$ 3,707,115</u>	<u>\$ 2,596,993</u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,550,000, and an annual aggregate limit of \$2,550,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from federal or local funds. Workers' compensation coverage is provided by the State for through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. The excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. Increased Cost of Construction is covered with a \$10 million per occurrence limit.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

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

Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party financing arrangements with various companies. At June 30, 2016, there are remaining annual payments due on four such agreements. These financing contracts require annual payments ranging from \$21,429 to \$203,755 over four years.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
	<u>Principal</u>
2017	\$ 327,708
2018	123,305
2019	21,429
Total	<u>\$ 472,442</u>

b. Long-Term Obligation Activity

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

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Maturities</u>
<b>Governmental activities:</b>					
Installment purchases	\$ 408,806	\$ 493,222	\$ 429,586	\$ 472,442	\$ 327,708
Net pension liability	3,332,373	7,341,678	-	10,674,051	-
Compensated absences	3,918,473	3,122,488	3,244,311	3,796,650	1,749,408
	<u>\$ 7,659,652</u>	<u>\$ 10,957,388</u>	<u>\$ 3,673,897</u>	<u>\$ 14,943,143</u>	<u>\$ 2,077,116</u>
<b>Business-type activities:</b>					
Net pension liability	\$ 113,721	\$ 228,022	\$ -	\$ 341,743	\$ -
Compensated absences	187,292	119,828	148,477	158,643	76,696
Total	<u>\$ 301,013</u>	<u>\$ 347,850</u>	<u>\$ 148,477</u>	<u>\$ 500,386</u>	<u>\$ 76,696</u>

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

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

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Transfers to/from other funds

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

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ <u>54,152</u>

Due to/from other funds

	<u>Amount</u>
Advance from the General Fund to the Federal Grants Fund to ensure the Federal Grants Fund always has a minimum cash balance	\$ <u>95,000</u>
Advance from the General Fund to the School Food Service Fund to fund operations	\$ <u>65,064</u>
Advance from the General Fund to the Capital Outlay Fund to fund operations	\$ <u>23,999</u>

Fund Balance

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

Total fund balance - General Fund	\$ 2,827,577
Less:	
Stabilization by State statute	(230,099)
Bond expenditures	<u>(70,000)</u>
Remaining fund balance	\$ <u>2,527,478</u>

**NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

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

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.299%	0.294%	0.296%
Board's proportionate share of the net pension liability (asset)	\$ 11,015,794	\$ 3,446,094	\$ 18,000,571
Board's covered-employee payroll	\$ 40,124,287	\$ 38,224,527	\$ 39,092,249
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.45%	9.02%	46.05%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF BOARD CONTRIBUTIONS**  
**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**  
*Last Three Fiscal Years*

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,589,969	\$ 3,671,372	\$ 3,321,711
Contributions in relation to the contractually required contribution	<u>3,589,969</u>	<u>3,671,372</u>	<u>3,321,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 39,234,622	\$ 40,124,287	\$ 38,224,527
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%

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

	Budget	Actual	Variance Positive (Negative)
<b>Exhibit A-1</b>			
<b>Revenues:</b>			
Haywood County:			
Appropriations from general revenues	\$ 14,748,007	\$ 14,748,007	\$ -
Other :			
Fines and forfeitures		376,360	
Indirect costs allocated		117,751	
Miscellaneous		23,581	
Total	501,478	517,692	16,214
Total revenues	15,249,485	15,265,699	16,214
<b>Expenditures:</b>			
Instructional services:			
Regular instructional		4,715,916	
Special populations		434,903	
Alternative programs		454,533	
School leadership		1,521,563	
Co-curricular		320,558	
School-based support		665,415	
Total instructional services	8,576,487	8,112,888	463,599
System-wide support services:			
Support and development		299,309	
Special populations		13,324	
Alternative programs		13,492	
Technology support		495,017	
Operational support		4,855,605	
Financial and human resource services		395,954	
Accountability		62,452	
System-wide pupil support services		318,210	
Policy, leadership and public relations		731,164	
Total system-wide support services	7,944,712	7,184,527	760,185
Ancillary services	94,101	82,753	11,348
Non-programmed charges:	568,146	573,246	(5,100)
Total expenditures	17,183,446	15,953,414	1,230,032

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

	<u>Budget</u>	<u>Actual</u>	<b>Exhibit A-1 (Continued)</b>  Variance Positive (Negative)
Revenues over (under) expenditures	(1,933,961)	(687,715)	1,246,246
Appropriated fund balance	<u>1,933,961</u>	<u>-</u>	<u>(1,933,961)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(687,715)</u>	<u>\$ (687,715)</u>
Fund balances:			
Beginning of year, July 1		<u>3,515,292</u>	
End of year, June 30		<u>\$ 2,827,577</u>	

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

**Exhibit B-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Building Capital Fund	\$ -	\$ -	\$ -
Public School Capital Fund - Lottery	250,000	249,093	(907)
State appropriation - buses	429,586	429,586	-
Total State of North Carolina revenues	<u>679,586</u>	<u>678,679</u>	<u>(907)</u>
Haywood County appropriations	500,000	500,000	-
Other	<u>-</u>	<u>4,931</u>	<u>4,931</u>
Total revenues	<u>1,179,586</u>	<u>1,183,610</u>	<u>4,024</u>
Expenditures:			
Current:			
Instructional services	18,346	18,346	-
System-wide support services	558,491	558,491	-
Capital outlay	666,385	665,479	906
Debt Service:			
Principal	<u>429,586</u>	<u>429,586</u>	<u>-</u>
Total expenditures	<u>1,672,808</u>	<u>1,671,902</u>	<u>906</u>
Revenues under expenditures	(493,222)	(488,292)	4,930
Other financing sources:			
Installment purchase obligations issued	<u>493,222</u>	<u>493,222</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	4,930	<u>\$ 4,930</u>
Fund balances:			
Beginning of year, July 1		<u>45,762</u>	
End of year, June 30		<u>\$ 50,692</u>	



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

**Exhibit C-1**

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ 1,514,825	\$ 1,363,286	\$ (151,539)
Operating expenditures:			
Business support services	4,558,353	4,279,541	278,812
Operating loss	(3,043,528)	(2,916,255)	127,273
Nonoperating revenues:			
Federal reimbursements		2,621,752	
Federal commodities		282,967	
State Breakfast Grant		10,171	
Interest earned		174	
	3,043,528	2,915,064	(128,464)
Revenues under expenditures before transfers	-	(1,191)	(1,191)
Transfer from other funds	-	54,152	54,152
Revenues and other sources over (under) expenditures	\$ -	52,961	\$ 52,961
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(54,672)	
Contributions to the pension plan in the current year		(6,149)	
Indirect costs		(386,959)	
Indirect costs not paid		386,959	
Accounts payable		(1,624)	
Compensated absences		28,649	
Accounts receivable		1,465	
Deferred outflows - pension		(6,149)	
Deferred inflows - pension		336,934	
Net pension liability		(228,022)	
Inventories		35,122	
Change in net position - full accrual		\$ 158,515	

**COMPLIANCE SECTION**



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**INDEPENDENT AUDITORS' REPORT**

**To the Haywood County Board of Education  
Waynesville, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Haywood County Board of Education, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Haywood County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 25, 2016.

*Internal Control over Financial Reporting*

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

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

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

### *Purpose of this Report*

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

*Anderson Smith & Wike PLLC*

*October 25, 2016  
Statesville, North Carolina*



**Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act**

**INDEPENDENT AUDITORS' REPORT**

**To the Haywood County Board of Education  
Waynesville, North Carolina**

*Report on Compliance for Each Major Federal Program*

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

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

*Opinion on Each Major Federal Program*

In our opinion, the Haywood County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

*Report on Internal control Over Compliance*

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

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

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

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

*Anderson Smith & Wike PLLC*

**October 25, 2016**  
**Statesville, North Carolina**



**Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

**INDEPENDENT AUDITORS' REPORT**

**To the Haywood County Board of Education  
Waynesville, North Carolina**

*Report on Compliance for Each Major State Program*

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

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

### *Opinion on Each Major State Program*

In our opinion, the Haywood County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

### *Report on Internal Control over Compliance*

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

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

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

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

*Anderson Smith & Wike PLLC*

**October 25, 2016**  
**Statesville, North Carolina**



**Haywood County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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Section I. Summary of Auditors' Results

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Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

**Haywood County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster: Commodities - noncash School Breakfast Program National School Lunch Program Summer Food Service Program for Children
10.553	
10.555	
10.559	

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

\$ 750,000

Auditee qualified as low-risk auditee?

yes     no

State Awards

Internal control over major State programs:

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

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

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

yes     no

Identification of major State programs:

Program Name  
State Public School Fund

**Haywood County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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Section II. Financial Statement Findings

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Finding: None

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Section III. Federal Award Findings and Questioned Costs

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Finding: None

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Section IV. State Award Findings and Questioned Costs

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Finding: None

**Haywood County Board of Education  
Corrective Action Plan  
For the Year Ended June 30, 2016**

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Section II. Financial Statement Findings

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Finding: None Reported

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Section III. Federal Award Findings and Questioned Costs

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Finding: None Reported

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Section IV. State Award Findings and Questioned Costs

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Finding: None Reported

**Haywood County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

There were no audit findings reported in the prior year.

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 282,967
Cash Assistance:			
School Breakfast Program	10.553		1,857,992
National School Lunch Program	10.555		714,788
Summer Food Service Program for Children	10.559		48,972
Cash Assistance Subtotal			<u>2,621,752</u>
Total Child Nutrition Cluster:			<u>2,904,719</u>
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	2,031,167
Migrant Education (Title I of IASA)	84.011	PRC 051	66,480
Reward School Mini Grant	84.010	PRC 100	42,730
Education for Homeless Children and Youth	85.196	PRC 026	29,970
Supporting Effective Instruction State Grant	84.367	PRC 103	387,659
State Personnel Development	84.323	PRC 082	52,727
Twenty-First Century Community Learning Center	84.287	PRC 110	236,674
English Language Acquisition Grants	84.365	PRC 104	27,751
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	2,313,460
- Targeted Assistance	84.027	PRC 118	11,323
- Targeted Assistance for Preschool	84.027	PRC 119	1,468
- Risk Pool	84.027	PRC 114	32,542
- Preschool Handicapped	84.173	PRC 049	48,447
Total Special Education Cluster:			<u>2,407,240</u>

**HAYWOOD COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
- Program Development	84.048	PRC 017	100,721
Total U.S. Department of Education			5,383,119
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	NONE		124,301
<u>U.S. Department of Labor</u>			
Passed through Southwestern Planning and Economic			
Development Commission:			
JTPA IIC	17.259	PRC 303	100,126
Total U.S. Department of Labor			100,126
Total federal assistance			8,512,265
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			37,816,911
Driver Training - SPSF		PRC 012	111,467
School Technology Fund - SPSF		PRC 015	75,326
Adolescent Pregnancy Prevention			
Vocational Education			
- State Months of Employment		PRC 013	2,121,624
- Program Support Funds		PRC 014	126,817
Passed through Haywood County:			
Public School Capital Fund - Lottery			249,093
Total N.C. Department of Public Instruction			40,501,238
<u>N.C. Department of Public Instruction:</u>			
School buses - Noncash			429,586

**HAYWOOD COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development:			
Passed through Haywood County Partnership for Children			
North Carolina Pre-Kindergarten Program			360,189
<u>N.C. Department of Agriculture</u>			
State Breakfast Funds			<u>10,171</u>
Total State assistance			<u>41,301,184</u>
Total federal and State assistance			<u>\$ 49,813,449</u>

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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