

COLUMBUS COUNTY BOARD OF EDUCATION  
FINANCIAL REPORT  
June 30, 2018

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# **FINANCIAL SECTION**



Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

## Independent Auditors' Report

To the Columbus County Board of Education  
Whiteville, 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 Columbus County Board of Education, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Columbus County Board of Education's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express 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 Columbus County Board of Education, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School 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 10 and the Schedule of the Proportionate Share of the Net Pension Liability and OPEB Liabilities and the Schedule of Board Contributions on pages 44 through 49, 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 provided us will sufficient evident to express and 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 Columbus County Board of Education's basic financial statements. The combining and 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 combining and 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 combining and 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 April 30, 2019 on our consideration of Columbus 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 Columbus County Board of Education's internal control over financial reporting and compliance.

*Thompson, Rice, Scott, Adams & Co., P.A.*

**Whiteville, NC**

**April 30, 2019**

## Management's Discussion and Analysis

This section of the Columbus 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, 2018. This information should be read in conjunction with the audited financial statements included in this report.

### **Financial Highlights**

- The Board experienced a decrease in enrollment of 87 students from the previous year.
- The Board is working diligently with the Columbus County Board of Commissioners to find ways to fund increases required for the continuing improvement of educational services for Columbus County students.

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

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, and fiduciary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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 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, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

Columbus 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-side and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Federal Grants Fund, and the Other Restricted Funds Fund.

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

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Columbus County Board of Education has two proprietary funds, the School Food Service and Child Care Service Funds.

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. Columbus County Board of Education has one fiduciary fund – the Scholarship Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$48,114,724 as of June 30, 2018. The largest component of net position is unrestricted net position, of (\$95,259,174), which is greater than the total net position because of the implementation of GASB 75.

Following is a summary of the Statement of Net Position:

**Table 1  
Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current assets	\$ 8,653,115	\$ 8,829,950	\$ 1,760,855	\$ 1,240,485	\$ 10,413,970	\$ 10,070,435
Capital assets	40,685,625	42,702,360	36,425	36,283	40,722,050	42,738,643
Total assets	<u>49,338,740</u>	<u>51,532,310</u>	<u>1,797,280</u>	<u>1,276,768</u>	<u>51,136,020</u>	<u>52,809,078</u>
Deferred outflows of resources	13,106,233	13,512,279	517,761	547,467	13,623,994	14,059,746
Current liabilities	65,254,481	2,379,665	2,454,305	103,161	67,708,786	2,482,826
Long-term liabilities	20,928,614	24,142,646	822,676	937,610	21,751,290	25,080,256
Total liabilities	<u>86,183,095</u>	<u>26,522,311</u>	<u>3,276,981</u>	<u>1,040,771</u>	<u>89,460,076</u>	<u>27,563,082</u>
Deferred inflows of resources	22,570,037	1,179,482	844,625	46,475	23,414,662	1,225,957
Net investment in capital assets	40,119,287	41,713,350	36,425	36,283	40,155,712	41,749,633
Restricted net position	6,988,738	5,891,432	-	-	6,988,738	5,891,432
Unrestricted net position	<u>(93,416,184)</u>	<u>(10,261,986)</u>	<u>(1,842,990)</u>	<u>700,706</u>	<u>(95,259,174)</u>	<u>(9,561,280)</u>
Total net position	<u>\$ (46,308,159)</u>	<u>\$ 37,342,796</u>	<u>\$ (1,806,565)</u>	<u>\$ 736,989</u>	<u>\$ (48,114,724)</u>	<u>\$ 38,079,785</u>

Both the government-wide and business-type activities experienced an decrease in net position. The decrease in net position (-226.35%) was largely because of the implementation of GASB 75 and the related liabilities and deferred inflows of resources.

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

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 2,095,227	\$ 2,141,706	\$ 360,884	\$ 372,695	\$ 2,456,111	\$ 2,514,401
Operating grants and contributions	47,139,299	47,785,923	4,548,759	4,509,114	51,688,058	52,295,037
Capital grants and contributions	335,479	398,752	-	-	335,479	398,752
<b>General revenues:</b>						
Other revenues	7,997,801	11,373,331	-	-	7,997,801	11,373,331
<b>Total revenues</b>	<b>57,567,806</b>	<b>61,699,712</b>	<b>4,909,643</b>	<b>4,881,809</b>	<b>62,477,449</b>	<b>66,581,521</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional programs	49,107,301	47,858,159	-	-	49,107,301	47,858,159
System-wide Support	12,469,978	11,272,821	-	-	12,469,978	11,272,821
Ancillary services	94,398	57,938	-	-	94,398	57,938
Non-programmed charges	593,289	688,309	-	-	593,289	688,309
Interest on long-term debt	2,290	3,746	-	-	2,290	3,746
<b>Business-type activities:</b>						
Food service	-	-	4,505,277	4,619,240	4,505,277	4,619,240
<b>Total expenses</b>	<b>62,267,256</b>	<b>59,880,973</b>	<b>4,505,277</b>	<b>4,619,240</b>	<b>66,772,533</b>	<b>64,500,213</b>
Increase (decrease) in net position	(4,699,450)	1,818,739	404,366	262,569	(4,295,084)	2,081,308
Net position, beginning	37,342,796	35,524,057	736,989	474,420	38,079,785	35,998,477
Restatement	(78,951,505)	-	(2,947,919)	-	(81,899,424)	-
Net position, beginning, restated	(41,608,709)	35,524,057	(2,210,930)	474,420	(43,819,639)	35,998,477
Net position, ending	<b>\$ (46,308,159)</b>	<b>\$ 37,342,796</b>	<b>\$ (1,806,564)</b>	<b>\$ 736,989</b>	<b>\$ (48,114,723)</b>	<b>\$ 38,079,785</b>

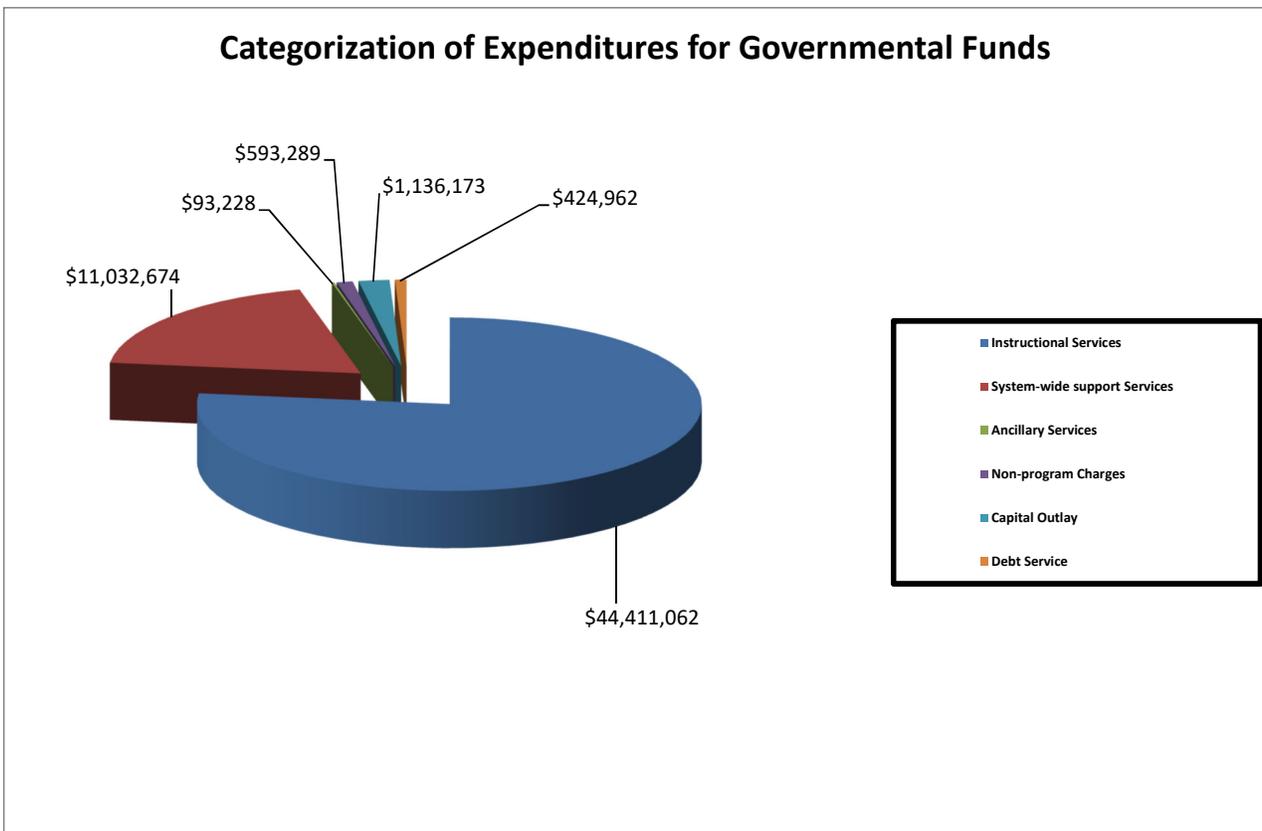
Total governmental activities generated revenues of \$57,567,806 while expenses in this category totaled \$62,267,256. Comparatively, revenues were \$61,699,712 and expenses totaled \$59,880,973 for the year ended June 30, 2017. The decrease in net position stands at \$4,699,450, compared with an increase of \$1,818,739 in 2017. Instructional services comprised 79% of total governmental-type expenses while system-wide support services made up 20% of those expenses for 2018. County funding comprised 13.08% of total governmental revenue. In 2017, County funding was 12.86%. Much of the remaining 86.92% of total governmental revenue for 2018 consists of restricted State and federal money. This money represented 87.14% of total revenue in 2017. Business-type activities generated revenue of \$4,909,643 and had expenses of \$4,505,278. Net position decreased in the business-type activities by \$2,543,554 primarily because restatement to net position from the implementation of GASB 75.

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

Governmental Funds: The focus of Columbus 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 \$6,294,293, a \$123,582 decrease over the prior year. The General Fund had expenditures in excess of revenues of \$43,576, the Capital Outlay Fund had revenues in excess of expenditures of \$486,735 and the Other Restricted Fund had expenditures over revenues of \$715,036. The individual schools had combined revenues in excess of expenditures in the amount of \$159,433. Expenditures increased over the prior year, and included \$579,939 in capitalizable assets.

Proprietary Funds: The Board's School Food Service Fund reflected an increase of \$407,662 in net position over last year, and the Child Care Service Fund reflected a decrease of \$3,297. Revenues and expenses decreased slightly during the current year. The School participated in a program where all students in grades K-8 received free meals, which resulted in a decline in charged meals but in increase in federal funding.



**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget to account for changes in expenditure expectations. The total General Fund Budget increased \$212,229 during the year.

**Capital Assets**

Capital assets decreased by \$1,978,290 (or 4.63%) over the previous year. Capitalized costs exceeded depreciation expense for the year.

The following is a summary of the capital assets, net of depreciation at year end.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>
Land	\$ 3,614,609	\$ 3,614,609	\$ -	\$ -	\$ 3,614,609	\$ 3,614,609
Construction in progress	89,677	401,842	-	-	89,677	401,842
Buildings	71,843,140	71,189,082	-	-	71,843,140	71,189,082
Equipment and furniture	4,805,846	4,713,148	312,149	283,668	5,117,995	4,996,816
Vehicles	9,521,744	9,424,628	-	-	9,521,744	9,424,628
Less accumulated depreciation	(49,189,391)	(46,679,252)	(275,724)	(247,385)	(49,465,115)	(46,926,637)
Total	\$ 40,685,625	\$ 42,664,057	\$ 36,425	\$ 36,283	\$ 40,722,050	\$ 42,700,340

**Debt Outstanding**

During the year the Board’s outstanding debt decreased by \$422,672. This was a result of paying installment payments for buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

**Economic Factors**

The Board anticipates enrollment will decrease slightly over the next several years due to the enrollment in charter schools and will need a relatively steady or increasing stream of income in order to maintain existing facilities and equipment and to update and improve instructional efforts. County funding is a major source of income for the Board; therefore the County’s economic outlook directly affects that of the schools. The following economic factors must be considered when viewing the County’s ability to provide the required level of funding.

- Columbus County has experienced an unemployment rate of approximately 4.6% as compared to the statewide average of 3.7%.
- Two primary elements of the local economy, textiles and agriculture, have experienced significant losses in the past few years, resulting in a bleak economic outlook.
- The County administration is actively cultivating new alternatives to offset the dwindling impact of textiles and agriculture on the local economy. However, these efforts are more long range in nature and are not likely to produce significant improvements in the short term.

***Requests for Information***

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

Lisa Nowlin, Finance Officer  
Columbus County Board of Education  
P.O. Box 729  
Whiteville, NC 28472  
910-642-5168

# **BASIC FINANCIAL STATEMENTS**

**Columbus County Board of Education  
Statement of Net Position  
June 30, 2018**

Exhibit 1

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,907,225	\$ 1,543,952	\$ 7,451,177
Due from other governments	2,614,682	147,714	2,762,396
Receivables (net)	7,441	-	7,441
Net OPEB asset	116,013	4,332	120,345
Internal balances	7,754	(10,754)	(3,000)
Inventories	-	75,611	75,611
Capital assets (Note 1)			
Land, improvements, and construction in progress	3,704,286	-	3,704,286
Other capital assets, net of depreciation	36,981,339	36,425	37,017,764
Total capital assets	40,685,625	36,425	40,722,050
Total assets	\$ 49,338,740	\$ 1,797,280	\$ 51,136,020
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,106,233</b>	<b>\$ 517,761</b>	<b>\$ 13,623,994</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 87,621	\$ 1,448	\$ 89,069
Accrued salaries and wages payable	2,149,195	94,370	2,243,565
Accrued interest payable	-	-	-
Prepaid meals	-	5,511	5,511
Long-term liabilities			
Net pension liability	17,071,936	691,691	17,763,627
Net OPEB liability	63,017,665	2,352,976	65,370,641
Due within one year	335,480	-	335,480
Due in more than one year	3,521,198	130,985	3,652,183
Total liabilities	\$ 86,183,095	\$ 3,276,981	\$ 89,460,076
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 22,570,037</b>	<b>\$ 844,625</b>	<b>\$ 23,414,662</b>
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 40,119,287	\$ 36,425	\$ 40,155,712
Restricted:			
Individual Schools	1,017,116	-	1,017,116
Stabilization by State Statute	538,577	-	538,577
School Capital Outlay	5,433,045	-	5,433,045
DIPNC OPEB plan	116,013	4,332	120,345
Unrestricted	(93,532,197)	(1,847,322)	(95,379,519)
Total net position	\$ (46,308,159)	\$ (1,806,565)	\$ (48,114,724)

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

**Columbus County Board of Education  
Statement of Activities  
For the Year Ended June 30, 2018**

Exhibit 2

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
<b>Primary government</b>							
<b>Governmental Activities:</b>							-
Instructional programs:							
Regular	\$ 26,103,097	\$ -	\$ 22,166,633	\$ -	\$ (3,936,464)	\$ -	\$ (3,936,464)
Special	6,484,549	-	5,731,650	-	(752,899)	-	(752,899)
Alternative programs	5,791,070	-	5,157,527	-	(633,543)	-	(633,543)
School leadership	3,842,416	-	3,293,006	-	(549,410)	-	(549,410)
Co-curricular	2,242,336	1,983,654	-	-	(258,682)	-	(258,682)
School-based support	4,643,833	-	4,193,565	-	(450,268)	-	(450,268)
System-wide support services:							
Support and development	501,845	-	414,785	-	(87,060)	-	(87,060)
Special populations	273,533	-	242,706	-	(30,827)	-	(30,827)
Alternative programs	417,841	-	377,783	-	(40,058)	-	(40,058)
Technology support	363,285	-	259,150	-	(104,135)	-	(104,135)
Operational support	9,142,624	70,496	4,177,658	335,479	(4,558,991)	-	(4,558,991)
Financial and human resource	472,109	-	372,317	-	(99,792)	-	(99,792)
Accountability	80,587	-	73,249	-	(7,338)	-	(7,338)
System-wide pupil support Policy, leadership, and public relations	1,218,154	-	519,304	-	(698,850)	-	(698,850)
Ancillary services	94,398	41,077	90,933	-	37,612	-	37,612
Non-programmed charges	593,289	-	69,033	-	(524,256)	-	(524,256)
Debt service:					-		-
Interest on long-term debt	2,290	-	-	-	(2,290)	-	(2,290)
Total Governmental activities	62,267,256	2,095,227	47,139,299	335,479	(12,697,251)	-	(12,697,251)
<b>Business-type activities:</b>							
School Food Service	4,497,373	356,276	4,548,759	-	-	407,662	407,662
Child Care Service	7,905	4,608	-	-	-	(3,297)	(3,297)
Total business-type activities	4,505,278	360,884	4,548,759	-	-	404,365	404,365
Total primary government	\$ 66,772,534	\$ 2,456,111	\$ 51,688,058	\$ 335,479	\$ (12,697,251)	\$ 404,365	\$ (12,292,886)
General revenues:							
Unrestricted county appropriations - operating					5,898,369	-	5,898,369
Unrestricted county appropriations - capital					1,629,358	-	1,629,358
Miscellaneous, unrestricted					452,041	-	452,041
Gain(loss) on disposal					4,898	-	4,898
Investment earnings, unrestricted					13,135	-	13,135
Total general revenues					7,997,801	-	7,997,801
Change in net position					(4,699,450)	404,365	(4,295,085)
Net position - beginning					37,342,796	736,989	38,079,785
Restatement					(78,951,505)	(2,947,919)	(81,899,424)
Net position - beginning, restated					(41,608,709)	(2,210,930)	(43,819,639)
Net position - ending					\$ (46,308,159)	\$ (1,806,565)	\$ (48,114,724)

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

**Columbus County Board of Education  
Balance Sheet  
Governmental Funds  
June 30, 2018**

Exhibit 3

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,819	\$ -	\$ 4,890,369	\$ 1,008,037	\$ 5,907,225
Due from other governments	538,577	1,543,158	321,059	211,888	2,614,682
Accounts receivable	-	-	563	6,878	7,441
Inventory	-	-	-	-	-
Due from other funds	-	-	235,946	10,754	246,700
Total assets	\$ 547,396	\$ 1,543,158	\$ 5,447,937	\$ 1,237,557	\$ 8,776,048
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 62,338	\$ (11)	\$ 14,892	\$ 10,402	\$ 87,621
Due to other funds	-	-	-	238,946	238,946
Accrued salaries and wages payable	387,229	1,542,550	-	219,416	2,149,195
Total liabilities	\$ 449,567	\$ 1,542,539	\$ 14,892	\$ 468,764	\$ 2,475,762
Deferred inflows of resources:	\$ -	\$ 620	\$ -	\$ 5,374	\$ 5,994
Fund balances:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Stabilization by State Statute	538,577	-	-	-	538,577
School Capital Outlay	-	-	5,433,045	-	5,433,045
Individual Schools	-	-	-	1,017,116	1,017,116
Committed:					
Other Restricted Funds	-	-	-	(253,697)	(253,697)
Assigned:					
Subsequent Year's Expenditures	-	-	-	-	-
Unassigned	(440,748)	-	-	-	(440,748)
Total fund balances	97,829	-	5,433,045	763,419	6,294,293
Total liabilities, deferred inflows of resources, and fund balances	\$ 547,396	\$ 1,543,159	\$ 5,447,937	\$ 1,237,557	\$ 8,776,049

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

**Columbus County Board of Education  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2018**

Exhibit 3a

Total fund balance, governmental funds	\$	6,294,293
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</p>		
Net OPEB asset		116,013
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		40,685,625
Deferred outflows of resources related to pensions		8,935,344
Deferred outflows of resources related to OPEB		4,170,889
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Long-term Compensated Absences), are not due and payable in the current period and are not included in the funds.		(3,856,678)
Net pension liability		(17,071,937)
Net OPEB liability		(63,017,665)
Deferred inflows of resources related to pensions		(667,363)
Deferred inflows of resources related to OPEB		(21,896,680)
Net Position of Governmental Activities	<u>\$</u>	<u>(46,308,159)</u>

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

**Columbus County Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

Exhibit 4

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Other Governmental Funds	
<b>REVENUES</b>					
State of North Carolina	\$ 6,419	\$ 40,067,038	\$ 335,479	\$ 2,607,395	\$ 43,016,331
U.S. Government	-	-	-	4,464,866	4,464,866
Columbus County	5,898,369	-	1,629,358	-	7,527,727
Other	155,929	-	83,033	2,319,920	2,558,882
Total	6,060,717	40,067,038	2,047,870	9,392,181	57,567,806
<b>EXPENDITURES</b>					
Current:					
Instructional services:					
Regular	426,196	21,678,396	-	1,386,760	23,491,352
Special	70,322	4,621,587	-	1,115,221	5,807,130
Alternative programs	6,176	1,079,663	-	4,205,737	5,291,576
School leadership	145,029	3,293,006	-	-	3,438,035
Co-curricular	330,690	-	-	1,824,221	2,154,911
School-based support	11,174	3,462,940	-	753,944	4,228,058
System-wide support services					
Support and development	34,331	326,221	-	89,794	450,346
Special population	4,110	135,082	-	107,624	246,816
Alternative programs	-	7,564	-	370,219	377,783
Technology support	75,525	259,150	-	-	334,675
Operational support	3,722,441	4,177,650	-	529	7,900,620
Financial and human resources	86,784	372,317	-	-	459,101
Accountability services	-	73,249	-	-	73,249
System-wide pupil support					
Policy, leadership, and public relations	664,917	519,217	-	5,950	1,190,084
Ancillary services	2,342	62,459	-	28,427	93,228
Non-programmed charges	524,256	(1,463)	-	70,496	593,289
Debt service:					
Principal	-	-	422,672	-	422,672
Interest and other charges	-	-	2,290	-	2,290
Capital outlay					
Real property and buildings	-	-	484,542	-	484,542
Furniture and equipment	-	-	451,814	-	451,814
Buses and motor vehicles	-	-	199,817	-	199,817
Total Expenditures	6,104,293	40,067,038	1,561,135	9,958,922	57,691,388
Excess (deficiency) of revenues over expenditures	(43,576)	-	486,735	(566,741)	(123,582)
<b>OTHER FINANCING SOURCES</b>					
Transfers from (to) other funds	-	-	-	-	-
Installment purchase obligations issued	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-
Net change in fund balances	(43,576)	-	486,735	(566,741)	(123,582)
Fund balances - beginning	141,405	-	4,946,310	1,330,160	6,417,875
Fund balances - ending	\$ 97,829	\$ -	\$ 5,433,045	\$ 763,419	\$ 6,294,293

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

**Columbus County Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Exhibit 4a

Net change in fund balances - total governmental funds: \$ (123,582)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation exceeded capital outlay additions in the current period. (2,016,735)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 3,375,937

Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities 1,944,441

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. 422,672

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) -

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

Pension expense (4,589,257)

Net OPEB expense (3,620,376)

Compensated absences (92,550)

Gain (loss) on disposal of assets -

Total changes in net position of governmental activities \$ (4,699,450)

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

**Columbus County Board of Education**  
**General Fund and Annually Budgeted Major Special Revenue Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual**  
**June 30, 2018**

Exhibit 5

	General Fund				State Public School Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
State of North Carolina	\$ -	\$ -	\$ 6,419	\$ 6,419	\$ 39,748,496	\$ 40,903,124	\$ 40,067,038	\$ (836,086)
U.S. Government	-	-	-	-	-	-	-	-
Columbus County	5,398,226	5,398,226	5,898,369	500,143	-	-	-	-
Other	175,000	176,200	155,929	(20,271)	-	-	-	-
Total revenues	<u>5,573,226</u>	<u>5,574,426</u>	<u>6,060,717</u>	<u>486,291</u>	<u>39,748,496</u>	<u>40,903,124</u>	<u>40,067,038</u>	<u>(836,086)</u>
<b>EXPENDITURES</b>								
Current:								
Instructional								
Regular	676,573	496,920	426,196	70,724	22,372,014	22,691,500	21,678,396	1,013,104
Special	-	-	70,322	(70,322)	4,503,132	4,563,631	4,621,587	(57,956)
Alternative programs	5,000	5,000	6,176	(1,176)	860,428	1,150,496	1,079,663	70,833
School leadership	124,824	124,824	145,029	(20,205)	3,166,918	3,246,460	3,293,006	(46,546)
Co-curricular	349,015	349,015	330,690	18,325	-	-	-	-
School-based support	7,730	8,630	11,174	(2,544)	3,202,145	3,303,972	3,462,940	(158,968)
System-wide support								
Support and development	56,728	50,292	34,331	15,961	321,472	371,946	326,221	45,725
Special population	3,688	3,688	4,110	(422)	134,497	134,587	135,082	(495)
Alternative programs	-	-	-	-	-	-	7,564	(7,564)
Technology support	-	69,623	75,525	(5,902)	141,029	249,310	259,150	(9,840)
Operational support	3,154,616	3,479,411	3,722,441	(243,030)	4,058,454	4,171,115	4,177,650	(6,535)
Financial and human resources	7,500	9,011	86,784	(77,773)	352,933	366,955	372,317	(5,362)
Accountability	-	-	-	-	71,515	71,566	73,249	(1,683)
System-wide pupil support	-	-	-	-	-	-	-	-
Policy, leadership, and public relations	590,434	591,923	664,917	(72,994)	518,959	519,056	519,217	(161)
Ancillary services	2,495	2,495	2,342	153	45,000	62,530	62,459	71
Non-programmed charges	525,000	525,000	524,256	744	-	-	(1,463)	1,463
Total Expenditures	<u>5,503,603</u>	<u>5,715,832</u>	<u>6,104,293</u>	<u>(388,461)</u>	<u>39,748,496</u>	<u>40,903,124</u>	<u>40,067,038</u>	<u>836,086</u>
Revenues over (under) expenditures	<u>69,623</u>	<u>(141,406)</u>	<u>(43,576)</u>	<u>97,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>								
Transfers from (to) other funds	-	-	-	-	-	-	-	-
Fund balance appropriated	-	141,406	-	(141,406)	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>141,406</u>	<u>-</u>	<u>(141,406)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 69,623</u>	<u>\$ -</u>	<u>(43,576)</u>	<u>\$ (43,576)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			141,405				-	
Fund balances - ending			<u>\$ 97,829</u>				<u>\$ -</u>	

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

**Columbus County Board of Education**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

Exhibit 6

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	School Food Service	Child Care Service Fund	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,543,952	\$ -	\$ 1,543,952
Due from other governments	147,714	-	147,714
Receivables (net)	-	-	-
Due from other funds	-	-	-
OPEB asset	4,332	-	4,332
Inventories	75,611	-	75,611
Total current assets	<u>1,771,609</u>	<u>-</u>	<u>1,771,609</u>
Non-current assets:			
Capital Assets:			
Equipment	312,149	-	312,149
Less accumulated depreciation	(275,724)	-	(275,724)
Total non-current assets	<u>36,425</u>	<u>-</u>	<u>36,425</u>
Total assets	<u>\$ 1,808,034</u>	<u>\$ -</u>	<u>\$ 1,808,034</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 517,761</b>	<b>\$ -</b>	<b>\$ 517,761</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,448	\$ -	\$ 1,448
Due to other funds	-	10,754	10,754
Accrued salaries and wages payable	94,370	-	94,370
Prepaid meal balance	5,511	-	5,511
Total current liabilities	<u>101,329</u>	<u>10,754</u>	<u>112,083</u>
Non-current liabilities:			
Net pension liability	691,691	-	691,691
Compensated absences	130,985	-	130,985
Net OPEB liability	2,352,976	-	2,352,976
Total non-current liabilities:	<u>3,175,652</u>	<u>-</u>	<u>3,175,652</u>
Total liabilities	<u>3,276,981</u>	<u>10,754</u>	<u>3,287,735</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>844,625</b>	<b>-</b>	<b>844,625</b>
<b>NET POSITION</b>			
Net investment in capital assets	36,425	-	36,425
DIPNC OPEB plan	4,332	-	4,332
Unrestricted	(1,836,568)	(10,754)	(1,847,322)
Total net position	<u>\$ (1,795,811)</u>	<u>\$ (10,754)</u>	<u>\$ (1,806,565)</u>

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

**Columbus County Board of Education**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

Exhibit 7

	Enterprise Funds		Total
	Major Fund	Non-Major Fund	
	School Food Service	Child Care Service Fund	
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 344,765	\$ 4,608	\$ 349,373
Miscellaneous local revenues	11,511	-	11,511
Total operating revenues	<u>356,276</u>	<u>4,608</u>	<u>360,884</u>
<b>OPERATING EXPENDITURES:</b>			
Business support services:			
Purchase of food	1,517,499	-	1,517,499
Donated commodities	228,544	-	228,544
Salaries and benefits	2,162,858	7,905	2,170,763
Indirect cost	258,897	-	258,897
Materials and supplies	233,665	-	233,665
Repairs and maintenance	15,382	-	15,382
Contracted services	22,872	-	22,872
Depreciation	28,339	-	28,339
Capital Outlay	-	-	-
Other	29,317	-	29,317
Total business support services	<u>4,497,373</u>	<u>7,905</u>	<u>4,505,278</u>
Total operating expenditures	<u>4,497,373</u>	<u>7,905</u>	<u>4,505,278</u>
Operating income (loss)	(4,141,097)	(3,297)	(4,144,394)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Federal reimbursements	4,030,852	-	4,030,852
Federal commodities used	230,529	-	230,529
Interest earned	-	-	-
Indirect cost not paid	258,897	-	258,897
Contributed Capital	28,481	-	28,481
Disposition of School Assets	-	-	-
Total operating revenues (expenses)	<u>4,548,759</u>	<u>-</u>	<u>4,548,759</u>
Change in net position	407,662	(3,297)	404,365
Total net position, beginning	<u>744,446</u>	<u>(7,457)</u>	<u>736,989</u>
Restatement	(2,947,919)	-	(2,947,919)
Total net position, beginning, restated	<u>(2,203,473)</u>	<u>(7,457)</u>	<u>(2,210,930)</u>
Total net position, ending	<u>\$ (1,795,811)</u>	<u>\$ (10,754)</u>	<u>\$ (1,806,565)</u>

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

**Columbus County Board of Education**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

Exhibit 8  
Page 1 of 2

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	School Food Service	Child Care Service Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 345,008	4,608	349,616
Cash paid for goods and services	(1,812,042)	-	(1,812,042)
Cash paid to employees for services	(2,049,033)	(7,905)	(2,056,938)
Other operating revenues	11,511	-	11,511
Net cash used by operating activities	<u>(3,504,556)</u>	<u>(3,297)</u>	<u>(3,507,853)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal reimbursements	4,067,066	-	4,067,066
Contributed capital	28,481	-	28,481
Due to / from other funds	7,284	3,297	10,581
Total cash provided by noncapital financing activities	<u>4,102,831</u>	<u>3,297</u>	<u>4,106,128</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(28,481)	-	(28,481)
Disposition of capital assets	-	-	-
Total cash provided (used) by capital and related financing activities	<u>(28,481)</u>	<u>-</u>	<u>(28,481)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	-	-	-
Net increase/(decrease) in cash and cash equivalents	569,794	-	569,794
Cash and cash equivalents, July 1	974,158	-	974,158
Cash and cash equivalents, June 30	<u>\$ 1,543,952</u>	<u>-</u>	<u>1,543,952</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (4,141,097)	(3,297)	(4,144,394)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	28,339	-	28,339
Donated commodities consumed	228,544	-	228,544
Indirect costs not paid	258,897	-	258,897
Changes in assets, deferred inflows and outflows of resources, and liabilities:			
(Increase)/decrease in accounts receivable	397	-	397
(Increase)/decrease in net OPEB asset	4,626	-	4,626
(Increase)/decrease in inventory	8,549	-	8,549
(Increase)/decrease in deferred outflows	29,706	-	29,706
Increase/(decrease) in accounts payable	(1,856)	-	(1,856)
Increase/(decrease) in accrued liabilities	178	-	178
Increase/(decrease) in prepaid meals	(154)	-	(154)
Increase/(decrease) in deferred inflows	798,150	-	798,150
Increase/(decrease) in net pension liability	(116,845)	-	(116,845)
Increase/(decrease) in net OPEB liability	(603,901)	-	(603,901)
Increase/(decrease) in compensated absences	1,911	-	1,911
Total adjustments	<u>636,541</u>	<u>-</u>	<u>636,541</u>
Net cash used by operating activities	<u>\$ (3,504,556)</u>	<u>(3,297)</u>	<u>(3,507,853)</u>

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

**Columbus County Board of Education  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

Exhibit 8  
Page 2 of 2

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

Indirect costs of \$258,897 that would be due to the General 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 consumed donated commodities with a value of \$230,259 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$228,544 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

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

**Columbus County Board of Education  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2018**

Exhibit 9

	<b>Private Purpose Trust</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,777
Due from other funds	3,000
Total assets	12,777
 <b>LIABILITIES</b>	
Due to other funds	-
Total liabilities	-
 <b>NET POSITION</b>	
Assets held in trust for private purpose	\$ 12,777

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

**Columbus County Board of Education  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2018**

Exhibit 10

	<b>Private Purpose Trust</b>
<b>ADDITIONS:</b>	
Contributions and other revenue	\$ 6
Total	<u>6</u>
<b>DEDUCTIONS:</b>	
Scholarship payments	-
Total Expenditures	<u>-</u>
Change in net position	6
Net position, beginning	<u>12,771</u>
Net position, ending	<u><u>\$ 12,777</u></u>

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

**Columbus County Board of Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

B. Basis of Presentation

*Government-wide 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.

*Fund Financial Statements:* The fund financial statements provide information about the Board's funds, including its fiduciary funds. 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 funds are 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.

The Board reports the following major governmental funds:

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

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

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

The Board reports the following major enterprise fund:

*School Food Service Fund.* The School Food Service Fund is used to account for the food service program within the school system.

The Board reports the following fiduciary fund:

*Scholarship Fund.* The Scholarship Fund is used to account for scholarship money under the control of the board for the benefit of students in the district.

### C. 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 sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

### D. Budgetary Data

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

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

#### 1. Deposits and Investments

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

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

The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. 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 as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

## 2. Cash and Cash Equivalents

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

## 3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventory of the Capital Outlay and Individual Schools Fund consist of the cost associated with building houses that will be sold in the subsequent year. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

## 4. Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Columbus 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	40
Equipment and furniture	10
Vehicles	5
Computer equipment	5

## 5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has 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 three items that meet this criterion - grants receivable in the General Fund, sales tax refunds receivable in the Special Revenue funds, and pension related deferrals.

## 6. Long-term obligations

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

## 7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis.

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

## 8. Net Position/Fund Balances

### Net Position

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

### Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

**Assigned fund balance** - portion of fund balance that Columbus County 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 or committed. The governing body approves the appropriation.

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

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

8. Reconciliation of Government-wide and Fund Financial Statements

1. 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 total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$52,602,451) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 89,875,016
Less Accumulated Depreciation	<u>(49,189,391)</u>
Net Capital Assets	40,685,625
Net OPEB Asset	116,013
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	181,799
Net difference between projected and actual earnings on pension plan	2,310,412
Differences between expected and actual experience	370,088
Changes of assumptions	2,697,108
Contributions made to the pension plan in current fiscal year	3,375,937
OPEB related deferred outflows of resources	4,170,889
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:	
Bonds, leases, and installment financing	(566,338)
Compensated absences	(3,290,340)
Net pension liability	(17,071,936)
Net OPEB liability	(63,017,665)
Deferred inflows of resources related to pensions	
OPEB related deferred inflows of resources	(21,896,680)
Differences between expected and actual experience	(558,512)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(108,851)</u>
Total Adjustment	<u>\$ (52,602,451)</u>

2. 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 (\$4,575,868) as follows:

Description	Amount
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	\$ (2,549,471)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	532,736
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	422,672
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,375,937
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,944,441
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	(4,589,257)
OPEB expense	(3,620,376)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(92,550)
Total Adjustment	<u>\$ (4,575,868)</u>

10. Defined Benefit Pension Plans and OPEB Plans

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

## **II. Stewardship, Compliance, and Accountability**

### Deficits in Fund Balance or Net Position of Individual Funds

The Board presented a deficit fund balance in the After School Care Program Fund in the amount of \$10,754. The Board does not track the After School Care Program fund in a separate fund, so the revenue and expenses are reclassified from the Other Restricted Fund for financial statement presentation. Expenditures exceeded revenues in the current year, so the Other Restricted Fund covered those expenditures, thereby creating a deficit fund balance. The Board will review this program to determine if it should be modified to ensure that adequate revenues are collected to cover expenses.

The Board presented a deficit fund balance in the Other Restricted Fund in the amount of \$253,697. Expenditures exceeded revenues in the current year, so the Capital Outlay Fund covered those expenses as there was not enough money in the Local Fund to cover the excess expenses, thereby creating a deficit fund balance. The Board will review the programs to determine what steps are necessary to correct the negative fund balance.

The Board also presented a deficit fund balance of \$1,795,811 in the School Food Service Fund, however, this deficit was the result of a restatement of net position of (\$2,947,919) related to the implementation of GASB 75. Without this restatement the Board would have presented a fund balance of \$1,152,108.

### Expenditures exceeding appropriations

The Board exceeded appropriations for expenditures in the Non-Programmed Charges of the Federal Grants Fund by \$19,776. Additionally, the General Fund actual expenditures exceeded budgeted expenditures by \$388,461.

### Other Violations

Personnel received reimbursements for additional time worked as though they were contracted for services. A contract did not exist for these payments. The persons who received benefits were employees of the school district. Appropriate documentation could not be obtained to substantiate that approval was received from the superintendent, who would have been the direct supervisor over the disbursements. Furthermore, if the payments were properly approved, the amounts should have been paid out as wages, with applicable payroll taxes and retirement matches made by the Board. A 1099 was not issued for these payments. Additional information is provided in the Schedule of Findings and Questioned Cost as 2018-03.

## **III. Detail Notes on All Funds**

### A. Assets

#### 1. Deposits

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

At June 30, 2018, the Board had deposits with financial institutions with a carrying amount of \$7,460,950 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$6,923,245 and \$461,192, respectively. Of these balances, \$750,000 was covered by federal depository insurance and \$6,607,557 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

#### 2. Investments

At June 30, 2018, the Board's investment balances were as follows:

The Board had \$537,709 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.4 years at June 30, 2018. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable.

Receivables at the government-wide level at June 30, 2018, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other
<b>Governmental activities:</b>			
General Fund	\$ -	\$ 538,577	\$ -
Other governmental activities	7,754	2,076,105	7,441
<b>Total</b>	<u>\$ 7,754</u>	<u>\$ 2,614,682</u>	<u>\$ 7,441</u>
<b>Business-type activities:</b>			
School Food Service	\$ -	\$ 147,714	\$ -
Child Care Service	(10,754)	-	-
<b>Total</b>	<u>\$ (10,754)</u>	<u>\$ 147,714</u>	<u>\$ -</u>
<b>Fiduciary activities:</b>			
Scholarship Fund	\$ 3,000	\$ -	\$ -
<b>Total</b>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>

Due from other governments consists of the following:

<b>Governmental Activities:</b>		
General Fund	\$ -	Fines and Forfeitures from County
General Fund	6,419	Sales tax refund receivable
General Fund	532,158	Various other reimbursements
State Public School Fund	1,542,538	Operating Funds from DPI
State Public School Fund	620	Sales tax refund receivable
Federal Grants Fund	130,007	Federal Grants Fund
Federal Grants Fund	5,374	Sales tax refund receivable
Capital Outlay Fund	18,452	Sales tax refund receivable
Capital Outlay Fund	302,607	Allocations and Sales Tax from County
Individual Schools	12,603	Sales tax refund receivable
Other Restricted Funds	35,579	Other local governments
Other Restricted Funds	<u>28,325</u>	Sales tax refund receivable
<b>Total</b>	<u>\$ 2,614,682</u>	
<b>Business-type activities:</b>		
School Food Service Fund	\$ 1,316	Sales tax refund receivable
School Food Service Fund	105,970	USDA
School Food Service Fund	40,428	Summer Food Program
<b>Total</b>	<u>\$ 147,714</u>	

4. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,614,609	\$ -	\$ -	\$ -	\$ 3,614,609
Construction in Process	<u>401,842</u>	<u>195,378</u>	<u>(507,543)</u>	<u>-</u>	<u>89,677</u>
Total capital assets not being depr.	<u>4,016,451</u>	<u>195,378</u>	<u>(507,543)</u>	<u>-</u>	<u>3,704,286</u>
Capital assets being depreciated:					
Buildings	71,189,082	654,058	-	-	71,843,140
Equipment and furniture	4,751,451	93,727	(39,332)	-	4,805,846
Vehicles	<u>9,424,628</u>	<u>97,116</u>	<u>-</u>	<u>-</u>	<u>9,521,744</u>
Total capital assets being depreciated	<u>85,365,161</u>	<u>844,901</u>	<u>(39,332)</u>	<u>-</u>	<u>86,170,730</u>
Less accumulated depreciation for:					
Capital assets being depreciated	<u>46,679,252</u>	<u>2,549,471</u>	<u>(39,332)</u>	<u>-</u>	<u>49,189,391</u>
Total accumulated depreciation	<u>46,679,252</u>	<u>2,549,471</u>	<u>(39,332)</u>	<u>-</u>	<u>49,189,391</u>
Total capital assets being depreciated, net	<u>38,685,909</u>	<u>\$ (1,704,570)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>36,981,339</u>
Governmental activity capital assets, net	<u>\$ 42,702,360</u>				<u>\$ 40,685,625</u>
Depreciation was charged to governmental functions as follows:					
Instructional programs		\$ 2,107,632			
Supporting services		<u>441,839</u>			
Total		<u>\$ 2,549,471</u>			
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Furniture and office equipment	\$ 283,668	\$ 28,481	\$ -	\$ 312,149	
Total capital assets being depreciated	<u>283,668</u>	<u>28,481</u>	<u>-</u>	<u>312,149</u>	
Less accumulated depreciation for:					
Capital assets being depreciated	<u>247,385</u>	<u>28,339</u>	<u>-</u>	<u>275,724</u>	
Total accumulated depreciation	<u>247,385</u>	<u>\$ 28,339</u>	<u>\$ -</u>	<u>275,724</u>	
Business-type activity capital assets, net	<u>\$ 36,283</u>			<u>\$ 36,425</u>	

Construction Commitments

Columbus County Schools had no outstanding construction commitments as of June 30, 2018.

## B. Liabilities

### 1. Pension Plan And Other Postemployment Obligations

#### a. Teachers' and State Employees' Retirement System

*Plan Description.* The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 12 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 serves as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute six percent of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contributions rate for the year ended June 30, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,512,717 for the year ended June 30, 2018.

*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, 2018, the Board reported a liability of \$17,763,627 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .002239% and .002259%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$4,775,197. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 385,083	\$ 581,141
Changes of assumptions	2,806,385	-
Net difference between projected and actual earnings on pension plan investments	2,404,021	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	189,165	113,261
Board contributions subsequent to the measurement date	3,512,717	-
Total	<u>\$ 9,297,371</u>	<u>\$ 694,402</u>

\$3,512,717 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 987,648
2019	3,441,186
2020	1,623,533
2021	(962,115)
2022	-
Thereafter	-
	<u>\$ 5,090,252</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	\$ 36,564,897	\$ 17,763,627	\$ 2,010,559

*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

1. Healthcare Benefits

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

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

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

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

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

Section 35.21(c) and (d) of Session Law 2018-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

*Contributions.* By General Statute, accumulated contributions from employees to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund asset are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF asset may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state - supported retired employees health benefits. Contribution rates to HBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$1,971,423.

At June 30, 2018, the Board reported a liability of \$65,370,641 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedure incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on the projection of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board proportion was 0.1994%.

\$1,971,423 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	
2019	\$ (4,094,939)
2020	(4,094,939)
2021	(4,094,939)
2022	(4,094,939)
2023	(4,094,939)
Thereafter	-

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

Inflation	2.75%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - Medicare advantage	4.00-5.00%
Healthcare cost trend rate - administrative	3.00%

*Discount Rate.* The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not project to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

*Sensitivity of the Board's Proportionate Share of the net OPEB Liability to Changes in the Discount Rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 77,983,420	\$ 65,370,641	\$ 55,366,917

*Sensitivity of the Board's Proportionate Share of the net OPEB Liability to Changes in the Healthcare Trend Rates.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower and 1-percentage-point higher than the current healthcare trend rates:

	1% decrease	Current Trend Rates (6.5% Medical, 7.25% Rx, 3.0% Admin Expense)	1% Increase (4.58%)
Net OPEB liability	\$ 53,401,793	\$ 65,370,641	\$ 81,278,770

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

## 2. Disability Benefits

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

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

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

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

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2019, employers made a statutory contribution of .3693% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$45,620 for the year ended June 30, 2019.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the numbers of members currently eligible to receive disability benefits as an other postemployment benefit.

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

At June 30, 2018, the Board reported a liability of \$120,345 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projections of the Board's present value of future salary, actuarially determined. At June 30, 2017, the Board's proportion was 0.1969%.

\$45,620 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	19,117
2020		19,117
2021		19,111
2022		6,590
2023		-
Thereafter		-

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

Inflation	3.00%
Salary increases	3.5% - 8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

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

	1% decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB liability	\$ 102,311	\$ 120,345	\$ 138,421

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

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

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

	RHBF	DIPNC	Total
OPEB Expense	\$ 3,690,099	\$ 65,459	\$ 3,755,558
OPEB Liability (Asset)	65,370,641	120,345	65,490,986
Proportionate share of the net OPEB liability (asset)	0.1994%	0.1969%	
<b>Deferred Outflows of Resources</b>			
Difference between expected and actual experience	-	32,997	32,997
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	26,379	26,379
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,245,645	4,559	2,250,204
Board contributions subsequent to the measurement date	1,971,423	45,620	2,017,043
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	4,687,195	-	4,687,195
Changes of assumptions	18,002,776	-	18,002,776
Net difference between projected and actual earnings on plan investments	24,295	-	24,295
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	-	-

2. Accounts Payable

Accounts payable as June 30, 2018, are as follows:

	Vendors	Salaries and Benefits	Accrued Interest
<b>Governmental Activities:</b>			
General	\$ 62,338	\$ 387,229	\$ -
Other Governmental	25,283	1,761,966	-
Total governmental activities	<u>\$ 87,621</u>	<u>\$ 2,149,195</u>	<u>\$ -</u>
<b>Business-type Activities</b>			
School Food Service	\$ 1,448	\$ 94,370	\$ -
Total business-type activities	<u>\$ 1,448</u>	<u>\$ 94,370</u>	<u>\$ -</u>

### 3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Sales tax refunds receivable (special revenue funds)	\$ -	\$ 5,994
Changes of assumptions	2,806,385	18,002,776
Change in proportion and difference between employer contributions and proportionate share of contributions	2,439,369	113,261
Contributions subsequent to the measurement date	5,529,760	0
Difference between project and actual earnings on plan investments	2,430,400	24,295
Difference between expected and actual experience	418,080	5,268,336
Totals	<u>\$ 13,623,994</u>	<u>\$ 23,414,662</u>

### 4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board 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. 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 coverage. 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 of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk-financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake. The Board does not have a separate flood insurance policy, as their properties are not located in areas susceptible to flooding.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. In addition, employees had the option of receiving health care benefits through one of the health maintenance organizations (HMOs) offering coverage to teachers and State employees. Effective October 1, 2001, HMOs were no longer offered to Board employees. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

### 5. Contingent Liabilities

At June 30, 2018, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

### 6. Long-Term Obligations

#### a. Capital Leases

There were no outstanding capital leases due at June 30, 2018.

b. Operating Leases

The Board entered into several individual contracts with Lenovo to lease Chromebooks. Required payments are \$216,064 per year for three years. Two payments have been made as of June 30, 2018, so there is one remaining payment.

c. Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). The State has accepted the bid to purchase buses through a special third party financing arrangement by BANC of America Public Capital Corp. In February 2016, the board entered into an installment purchase contract to finance the purchase of five school buses. The financing contract requires only principal payments of \$104,623 due at the beginning of each contract year.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). The Board has financed the purchase of three activity buses with Daimler Truck Financial in the amount of \$172,296. The financing contract requires payments of \$58,679, with the first payment due at the time of purchase, and subsequent payments due on or before November 6 each year for two years. At June 30, 2018, the remaining balance was \$0.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). The Board has financed the purchase of one activity buses with Daimler Truck Financial in the amount of \$90,115. The financing contract requires payments of \$30,804, with payments due on or before November 6 each year for three years. At June 30, 2018, the remaining balance was \$0.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). The State has accepted the bid to purchase buses through a special third party financing arrangement by BANC of America Public Capital Corp. In February 2018, the board entered into an installment purchase contract to finance the purchase of eleven school buses. The financing contract requires only principal payments of \$230,857 due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2019	\$ 335,480	\$ -
2020	230,858	-
2021	-	-
Total	<u>\$ 566,338</u>	<u>\$ -</u>

d. 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, 2018:

Governmental activities:	Balance	Increases	Decreases	Balance	Current Portion
	July 01, 2017			June 30, 2018	
Installment purchases	\$ 989,010	\$ -	\$ 422,672	\$ 566,338	\$ 335,480
Net pension liability	19,955,846	-	2,883,910	17,071,936	-
Net OPEB liability	81,107,142	-	18,089,477	63,017,665	-
Compensated absences	<u>3,197,790</u>	<u>92,550</u>	<u>-</u>	<u>3,290,340</u>	<u>-</u>
Total	<u>\$ 105,249,788</u>	<u>\$ 92,550</u>	<u>\$ 21,396,059</u>	<u>\$ 83,946,279</u>	<u>\$ 335,480</u>
Business-type activities:					
Net pension liability	\$ 808,536	\$ -	\$ 116,845	\$ 691,691	\$ -
Net OPEB liability	2,956,908	-	603,932	2,352,976	-
Compensated absences	<u>129,074</u>	<u>1,911</u>	<u>-</u>	<u>130,985</u>	<u>-</u>
Total	<u>\$ 3,894,518</u>	<u>\$ 1,911</u>	<u>\$ 720,777</u>	<u>\$ 3,175,652</u>	<u>\$ -</u>

Compensated absences are typically liquidated by the general and other governmental funds and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018, consist of the following:

	<u>Amount</u>
From the Capital Outlay Fund to the Other Restricted Fund to cover negative cash	\$ 235,946
From the Other Restricted Fund to the Scholarship Fund for scholarship funds posted to the wrong account	3,000
From the Individual School Fund (Hallsboro) to the Child Care Service Fund for FY 2016 and FY 2018 receipts not yet transferred to the Child Care Service Fund	10,754
Total interfund balances	<u>\$ 249,700</u>

D. Fund Balance

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

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

Total fund balance - General Fund	\$ 97,829
Less:	
Inventories	-
Stabilization by State Statute	538,577
Appropriated Fund Balance in 2019 Budget	-
Remaining Fund Balance	\$ (440,748)

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>	<u>State Public School Fund</u>	<u>Federal Grants Fund</u>	<u>Capital Outlay</u>	<u>Other Restricted Funds</u>
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

Fines, Forfeitures and Supplemental School Tax

Based on the following data, the Board has estimated its liability for next year to be \$978.08 per student enrolled in a charter day school. For the fiscal year ended June 30, 2018, the average number of students enrolled in charter schools throughout the state was 592.

Total County Appropriation Revenue 2017-2018	\$ 5,898,369
Total Fines and Forfeitures Revenue 2017-2018	<u>155,929</u>
Total Revenue	<u>\$ 6,054,298</u>
Total ADM for 2017-2018	6,190
Total per-pupil revenue	\$ 978.08

For the year ended June 30, 2018, Columbus County Schools remitted \$890 per student to the Charter School. The County provided an additional allocation to the Board close to year end that was not anticipated. Therefore, the Board paid \$88.08 less per pupil than would have been paid if the additional funds were considered in the per-pupil amount. The Board owes an additional \$52,141.72 to various charter schools (average of 592 students at \$88.08 per student). Due to the timing of the audit completion this was not recorded as an A/P for fiscal year ended June 30, 2018.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Proportionate Share of Net OPEB Liability - Retiree Health Benefit Fund

Schedule of Contributions - Retiree Health Benefit Fund

Schedule of Proportionate Share of Net OPEB Asset - Disability Income Plan of North Carolina

Schedule of Contributions - Disability Income Plan of North Carolina

**Columbus County Board of Education**  
**Schedules of Required Supplementary Information**  
**Schedule Of The Board's Proportionate Share of The Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Five Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.224%	0.226%	0.226%	0.220%	0.231%
Board's proportionate share of the net pension liability (asset)	\$ 17,763,627	\$ 20,764,382	\$ 8,330,759	\$ 2,581,788	\$ 2,648,801
Board's covered-employee payroll	\$ 32,998,365	\$ 32,201,029	\$ 32,601,590	\$ 30,481,216	\$ 32,047,567
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.83%	64.48%	25.55%	8.47%	8.27%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

**Columbus County Board of Education  
Schedule of Board Contributions  
Teachers' and State Employees' Retirement System  
Last Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,512,717	\$ 3,293,237	\$ 2,946,418	\$ 2,983,045	\$ 2,648,801
Contributions in relation to the contractually required contribution	<u>3,512,717</u>	<u>3,293,237</u>	<u>2,946,418</u>	<u>2,983,045</u>	<u>2,648,801</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 32,585,498	\$ 32,998,365	\$ 32,201,029	\$ 32,601,590	\$ 30,481,216
Contributions as a percentage of covered-employee payroll	10.78%	9.98%	9.15%	9.15%	8.69%

**Columbus County Board of Education**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Fund**  
**Teachers' and State Employees' Retirement System**  
**Last Fiscal Year\***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.1994%	0.1932%
Board's proportionate share of the net OPEB liability (asset)	<u>\$ 65,370,641</u>	<u>\$ 84,064,050</u>
Board's covered payroll	<u>\$ 32,998,365</u>	<u>\$ 32,201,029</u>
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered	198.10%	261.06%
Plan Fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

**Columbus County Board of Education  
 Schedule of Board Contributions  
 Retiree Health Benefit Fund  
 Teachers' and State Employees' Retirement System  
 Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,971,423	\$ 1,914,885	\$ 1,803,258	\$ 1,789,827	\$ 1,645,986	\$ 1,698,521	\$ 1,647,492	\$ 1,651,073	\$ 1,630,437	\$ 1,529,944
Contributions in relation to the contractually required contribution	<u>1,971,423</u>	<u>1,914,885</u>	<u>1,803,258</u>	<u>1,789,827</u>	<u>1,645,986</u>	<u>1,698,521</u>	<u>1,647,492</u>	<u>1,651,073</u>	<u>1,630,437</u>	<u>1,529,944</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Board's covered-employee payroll	<u>\$ 32,585,498</u>	<u>\$ 32,998,365</u>	<u>\$ 32,201,029</u>	<u>\$ 32,601,590</u>	<u>\$ 30,481,216</u>	<u>\$ 32,047,567</u>	<u>\$ 32,949,838</u>	<u>\$ 33,695,364</u>	<u>\$ 35,415,123</u>	<u>\$ 37,315,544</u>
Contributions as a percentage of covered-employee payroll	6.05%	5.80%	5.60%	5.49%	5.40%	5.30%	5.00%	4.90%	4.60%	4.10%

**Columbus County Board of Education  
 Schedule of Proportionate Share of Net OPEB Asset  
 Disability Income Plan of North Carolina  
 Teachers' and State Employees' Retirement System  
 Last Fiscal Year\***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.1969%	0.2002%
Board's proportionate share of the net OPEB liability (asset)	<u>120,345</u>	<u>124,343</u>
Board's covered payroll	<u>\$ 32,998,365</u>	<u>\$ 32,201,029</u>
Board's proportionate share of the net OPEB liability (asset) as a percentage of its	0.3647%	0.3861%
Plan Fiduciary net position as a percentage of the total OPEB liability	116.20%	116.06%

**Columbus County Board of Education  
 Schedule of Board Contributions  
 Disability Income Plan of North Carolina  
 Teachers' and State Employees' Retirement System  
 Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 45,620	\$ 125,394	\$ 132,024	\$ 133,667	\$ 134,117	\$ 141,009	\$ 171,339	\$ 175,216	\$ 188,406	\$ 194,042
Contributions in relation to the contractually required contribution	<u>45,620</u>	<u>125,394</u>	<u>132,024</u>	<u>133,667</u>	<u>134,117</u>	<u>141,009</u>	<u>171,339</u>	<u>175,216</u>	<u>188,406</u>	<u>194,042</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Board's covered-employee payroll	<u>\$ 32,585,498</u>	<u>\$ 32,998,365</u>	<u>\$ 32,201,029</u>	<u>\$ 32,601,590</u>	<u>\$ 30,481,216</u>	<u>\$ 32,047,567</u>	<u>\$ 32,949,838</u>	<u>\$ 33,695,364</u>	<u>\$ 35,415,123</u>	<u>\$ 37,315,544</u>
Contributions as a percentage of covered-employee payroll	0.14%	0.38%	0.41%	0.41%	0.44%	0.44%	0.52%	0.52%	0.53%	0.52%

**Combining and Individual Fund  
Statements and Schedules**

**Columbus County Board of Education  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit B-1

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
State of North Carolina			
Other	\$ -	\$ 6,419	\$ 6,419
Total	<u>-</u>	<u>6,419</u>	<u>6,419</u>
Columbus County	<u>5,398,226</u>	<u>5,898,369</u>	<u>500,143</u>
Other:			
Fines and forfeitures	176,200	155,929	(20,271)
Total	<u>176,200</u>	<u>155,929</u>	<u>(20,271)</u>
Total revenues	<u>5,574,426</u>	<u>6,060,717</u>	<u>486,291</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular Instructional services:			
Regular curricular services		420,434	
CTE curricular services		5,762	
Total	<u>496,920</u>	<u>426,196</u>	<u>70,724</u>
Special Populations services:			
Children with Disabilities		129	
Speech and Language Pathology		65,304	
Pre-K Children with Disabilities		4,889	
Total	<u>-</u>	<u>70,322</u>	<u>(70,322)</u>
Alternative programs and services:			
Attendance and Social Work services		5,748	
Remedial and Supplemental K-12		34	
Pre-K Readiness		394	
Total	<u>5,000</u>	<u>6,176</u>	<u>(1,176)</u>
School leadership services	<u>124,824</u>	<u>145,029</u>	<u>(20,205)</u>
Co-curricular services	<u>349,015</u>	<u>330,690</u>	<u>18,325</u>
School-based support services:			
Educational Media services		6,074	
Health services		5,078	
Total	<u>8,630</u>	<u>11,174</u>	<u>(2,544)</u>
Total instructional services	<u>984,389</u>	<u>989,587</u>	<u>(5,198)</u>

**Columbus County Board of Education  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit B-1

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
System-wide support services:			
Support and development services:			
Regular curricular support and development services		30,069	
CTE curricular support and development		4,262	
Total	50,292	34,331	15,961
Special population support and development	3,688	4,110	(422)
Technology support	69,623	75,525	(5,902)
Operational support services:			
Communication services		167,201	
Public Utility and Energy services		1,493,159	
Custodial / Housekeeping services		485,565	
Warehouse and delivery		255,213	
Maintenance services		1,321,303	
Total	3,479,411	3,722,441	(243,030)
Financial and human resource services:			
Financial services		23,484	
Human resource services		63,300	
Total	9,011	86,784	(77,773)
Policy, leadership and public relations			
Board of education		554,078	
Legal services		42,567	
Audit services		20,000	
Leadership services		48,272	
Total	591,923	664,917	(72,994)
Total supporting services	4,203,948	4,588,108	(384,160)

**Columbus County Board of Education  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit B-1

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
Ancillary services	2,495	2,342	153
Nonprogram charges			
Payments to charter schools	525,000	524,256	744
Total	525,000	524,256	744
Total expenditures	5,715,832	6,104,293	(388,461)
Excess of revenues over (under) expenditures	(141,406)	(43,576)	97,830
<b>OTHER FINANCING SOURCES (USES)</b>			
Fund balance appropriated	141,406	-	(141,406)
Total other financing sources and (uses)	141,406	-	(141,406)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(43,576)</b>	<b>\$ (43,576)</b>
Fund Balance, beginning		141,405	
Fund Balance, ending		<b>\$ 97,829</b>	

**Columbus County Board of Education  
State Public School Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit B-2

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
State of North Carolina	\$ 40,903,124	\$ 40,067,038	\$ (836,086)
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		19,514,277	
CTE curricular services		2,164,119	
Total	22,691,500	21,678,396	1,013,104
Special Populations			
Children with Disabilities curricular services		3,405,402	
Special populations CTE curricular services		97,169	
Pre-K Children with Disabilities		541,895	
Speech and Language services		116,402	
Audiology services		3,865	
AIG Curricular services		320,051	
Limited English Proficiency services		136,803	
Total	4,563,631	4,621,587	(57,956)
Alternative programs and services:			
Alternative Instructional services K-12		305,552	
Attendance and Social Work		278,551	
Remedial and Supplemental		326,544	
Total	1,150,496	1,079,663	70,833
School leadership services	3,246,460	3,293,006	(46,546)
School-based support services:			
Educational media services		1,003,527	
Student Accounting		268,162	
Guidance Services		989,561	
Health Support services		368,403	
Safety and Security support services		705,315	
Instructional Technology		127,972	
Total	3,303,972	3,462,940	(158,968)
System-wide support services			
Support and development services:			
Regular curricular support and development		231,505	
CTE curricular support and development		94,716	
Total	371,946	326,221	45,725
Special population support and development services	134,587	135,082	(495)
Technology support services	249,310	259,150	(9,840)
Operational support services:			
Custodial / Housekeeping services		1,550,975	
Warehouse and delivery services		2,618,559	
Maintenance		8,116	
Total	4,171,115	4,177,650	(6,535)
Financial and human resource services	366,955	372,317	(5,362)
Accountability services	71,566	73,249	(1,683)
Policy, leadership and public relations services			
Leadership services		519,217	
Total	519,056	519,217	(161)
Ancillary services	62,530	62,459	71
Nonprogram charges	-	(1,463)	1,463
Total Expenditures	40,903,124	40,067,038	836,086
Net Change in Fund Balance	\$ -	-	\$ -
Fund balances - beginning		-	
Fund balances - ending		\$ -	

**Columbus County Board of Education  
Capital Outlay Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit B-3

	<b>2018</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
State appropriations - buses	335,479	335,479	-
Total State of North Carolina	335,479	335,479	-
Columbus County:			
County appropriation	497,931	497,931	-
Local government sales tax	985,882	1,131,427	145,545
Total Columbus County	1,483,813	1,629,358	145,545
Interest earned on investments	10,940	13,135	2,195
Miscellaneous local operating revenues	65,000	65,000	-
Sale of Property	54,898	4,898	(50,000)
Total revenues	<u>1,950,130</u>	<u>2,047,870</u>	<u>97,740</u>
<b>EXPENDITURES</b>			
Capital outlay:			
Buildings and real property	951,706	484,542	467,164
Furnishings and equipment	504,794	451,814	52,980
School buses and other vehicles	199,999	199,817	182
Debt service:			
Principal payments	422,672	422,672	-
Interest and other charges	2,290	2,290	-
Total expenditures	<u>2,081,461</u>	<u>1,561,135</u>	<u>520,326</u>
Excess of revenues over (under) expenditures	(131,331)	486,735	618,066
<b>OTHER FINANCING SOURCES (USES)</b>			
Fund balance appropriated	131,331	-	(131,331)
Total other financing sources and (uses)	<u>131,331</u>	<u>-</u>	<u>(131,331)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>486,735</u>	<u>\$ 486,735</u>
Fund Balance, Beginning		<u>4,946,310</u>	
Fund Balance, Ending		<u>\$ 5,433,045</u>	

**Columbus County Board of Education  
Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Federal Grant Fund	Other Restricted Funds	Individual Schools	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,008,037	\$ 1,008,037
Due from other governments	135,381	63,904	12,603	211,888
Accounts receivable	-	-	6,878	6,878
Due from other funds	-	10,754	-	10,754
Total assets	<u>\$ 135,381</u>	<u>\$ 74,658</u>	<u>\$ 1,027,518</u>	<u>\$ 1,237,557</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 10,402	\$ 10,402
Due to other funds	-	238,946	-	238,946
Accrued salaries and benefits	130,007	89,409	-	219,416
Total liabilities	<u>\$ 130,007</u>	<u>\$ 328,355</u>	<u>\$ 10,402</u>	<u>\$ 468,764</u>
Deferred Inflows of Resources	<u>\$ 5,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,374</u>
Fund balances:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Restricted:				
Individual Schools	-	-	1,017,116	1,017,116
Committed:				
Other Restricted Funds	-	(253,697)	-	(253,697)
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>(253,697)</u>	<u>1,017,116</u>	<u>763,419</u>
Total liabilities and fund balances	<u>\$ 135,381</u>	<u>\$ 74,658</u>	<u>\$ 1,027,518</u>	<u>\$ 1,237,557</u>

**Columbus County Board of Education**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Federal Grant Fund	Other Restricted Fund	Individual Schools	
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 2,607,395	\$ -	\$ 2,607,395
U.S. Government	4,282,997	181,869	-	4,464,866
Other	-	336,266	1,983,654	2,319,920
Total Revenues	<u>4,282,997</u>	<u>3,125,530</u>	<u>1,983,654</u>	<u>9,392,181</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular Instructional	290,391	1,096,369	-	1,386,760
Special Populations	1,109,985	5,236	-	1,115,221
Alternative Programs	1,788,171	2,417,566	-	4,205,737
Co-Curricular	-	-	1,824,221	1,824,221
School-Based Support	429,090	324,854	-	753,944
System-wide support services:				
Support and Development	88,546	1,248	-	89,794
Special Populations Support and Development	107,624	-	-	107,624
Alternative programs and Services Support	370,219	-	-	370,219
Operational Support	-	529	-	529
Policy, Leadership, and Public Relations	-	5,950	-	5,950
Ancillary services	28,475	(48)	-	28,427
Non-Program Charges	70,496	-	-	70,496
Total Expenditures	<u>4,282,997</u>	<u>3,851,704</u>	<u>1,824,221</u>	<u>9,958,922</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(726,174)</u>	<u>159,433</u>	<u>(566,741)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(726,174)	159,433	(566,741)
Fund balances - beginning	-	472,477	857,683	1,330,160
Fund balances - ending	<u>\$ -</u>	<u>\$ (253,697)</u>	<u>\$ 1,017,116</u>	<u>\$ 763,419</u>

**Columbus County Board of Education  
Federal Grant Fund  
Schedule of Revenues, Expenditures and  
Change in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Exhibit C-3

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
U.S. Government	\$ 4,592,090	\$ 4,282,997	\$ (309,093)
<b>EXPENDITURES</b>			
Instructional services			
Regular instructional services:			
Regular curricular services		138,014	
CTE curricular services		152,377	
Total	<u>294,759</u>	<u>290,391</u>	<u>4,368</u>
Special Populations services:			
Children with Disabilities		825,401	
Pre-K Children with Disabilities		75,293	
Speech and Language		202,474	
Audiology		825	
Limited English Proficiency		5,992	
Total	<u>1,092,010</u>	<u>1,109,985</u>	<u>(17,975)</u>
Alternative programs and services:			
Alternative Instructional Services K-12		30,390	
Remedial and Supplemental K-12		1,734,914	
Extended day / year instruction		22,867	
Total	<u>2,032,049</u>	<u>1,788,171</u>	<u>243,878</u>
School-based support services:			
Educational media		33,974	
Health Support Services		233,502	
Instructional Technology		118,774	
Parent Involvement		42,840	
Total	<u>450,163</u>	<u>429,090</u>	<u>21,073</u>
System-wide support services			
Support and development services:			
Regular curricular support and development services		86,752	
CTE curricular support and development services		1,794	
Total	<u>89,145</u>	<u>88,546</u>	<u>599</u>
Special population support and development services	<u>114,479</u>	<u>107,624</u>	<u>6,855</u>
Alternative programs and services support and development services	<u>384,908</u>	<u>370,219</u>	<u>14,689</u>
Operational support services:			
Warehouse and delivery services		-	
Total	<u>21,962</u>	<u>-</u>	<u>21,962</u>
Ancillary services	<u>61,895</u>	<u>28,475</u>	<u>33,420</u>
Non-programmed charges	<u>50,720</u>	<u>70,496</u>	<u>(19,776)</u>
Total Expenditures	<u>4,592,090</u>	<u>4,282,997</u>	<u>309,093</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning		-	
Fund balances - ending		<u>\$ -</u>	

**Columbus County Board of Education**  
**Other Restricted Funds**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2018**

Exhibit C-4

	<b>2018</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
State of North Carolina			
School Nurse Funding	\$ 250,000	\$ 250,000	\$ -
NC Pre-K Program	1,908,243	1,906,863	(1,380)
JCPC	46,800	46,800	-
NIJ Grant	486,973	347,596	(139,377)
Other	100,000	56,136	(43,864)
Total	<u>2,792,016</u>	<u>2,607,395</u>	<u>(184,621)</u>
U.S. Government			
JROTC	231,909	126,777	(105,132)
Indian Education	76,471	55,092	(21,379)
Total	<u>308,380</u>	<u>181,869</u>	<u>(126,511)</u>
Other			
Tuition and fees	53,292	41,077	(12,215)
ABC Funds	24,972	35,899	10,927
Contributions and Donations	21,538	14,136	(7,402)
Arts Grants	31,500	14,187	(17,313)
MAC Reimbursement	5,000	3,003	(1,997)
Youth Violence	25,000	25,000	-
Indirect cost	115,000	70,496	(44,504)
Miscellaneous local operating revenues	114,199	132,468	18,269
Total	<u>390,501</u>	<u>336,266</u>	<u>(54,235)</u>
Total revenues	<u>3,490,897</u>	<u>3,125,530</u>	<u>(365,367)</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional services			
Regular curricular services		1,057,852	
CTE curricular services		38,517	
Total	<u>1,196,123</u>	<u>1,096,369</u>	<u>99,754</u>
Special Populations services:			
Special populations CTE curricular services		3,150	
AIG Curricular services		2,000	
Total	<u>9,300</u>	<u>5,236</u>	<u>4,064</u>
Alternative Programs and services:			
Attendance and Social Work		353,828	
Pre-K Readiness		2,063,738	
Total	<u>2,439,771</u>	<u>2,417,566</u>	<u>22,205</u>

**Columbus County Board of Education**  
**Other Restricted Funds**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2018**

Exhibit C-4

	<b>2018</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
School-based support services:			
Educational Media services		3,782	
Guidance services		47,957	
Health services		273,115	
Total	300,800	324,854	(24,054)
Total instructional programs	3,945,994	3,844,025	101,969
System-wide support services:			
Support and development			
Regular		1,248	
Total	1,250	1,248	2
Operational support services:			
Transportation services		529	
Total	1,400	529	871
Policy, leadership and public relations			
Board of education		5,950	
Total	5,950	5,950	-
Total supporting services	8,600	7,727	873
Ancillary services	-	(48)	48
Total expenditures	3,954,594	3,851,704	102,890
Excess of revenues over (under) expenditures	(463,697)	(726,174)	(262,477)
<b>OTHER FINANCING SOURCES (USES)</b>			
Fund balance appropriated	463,697	-	(463,697)
Total other financing sources and (uses)	463,697	-	(463,697)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(726,174)</b>	<b>\$ (726,174)</b>
Fund Balance, Beginning		472,477	
Fund Balance, Ending		<u>\$ (253,697)</u>	

Combining Balance Sheet and Statement of Revenues,  
Expenditures, and Changes in Fund Balance – Individual  
Schools

**Columbus County Board of Education**  
**Combining Balance Sheet**  
**Individual Schools**  
**June 30, 2018**

Exhibit C-5

	Cash and Investments	Accounts Receivable	Due from Other Funds	Total Assets	Accounts Payable	Due to Other Funds	Fund Balance	Total Liabilities & Fund Balance
Acme-Delco Elementary	\$ 36,007	\$ 261	\$ -	\$ 36,268	\$ -	\$ -	\$ 36,268	\$ 36,268
Acme-Delco Middle	46,792	2,671	-	49,463	3,637	-	45,826	49,463
Cerro Gordo Elementary	22,589	736	-	23,325	-	-	23,325	23,325
Chadborn Elementary	12,732	175	-	12,907	-	-	12,907	12,907
Chadborn Middle	7,554	141	-	7,695	-	-	7,695	7,695
CCCA - Fair Bluff	41,855	31	-	41,886	-	-	41,886	41,886
East Columbus High	55,417	1,409	-	56,826	-	-	56,826	56,826
Evergreen Elementary	8,882	295	-	9,177	-	-	9,177	9,177
Guideway Elementary	15,129	603	-	15,732	-	-	15,732	15,732
Hallsboro/Artesia Elementary	22,652	549	-	23,201	-	-	23,201	23,201
Hallsboro Middle	82,975	3,871	-	86,846	-	-	86,846	86,846
Old Dock Elementary	42,106	482	-	42,588	1,149	-	41,439	42,588
South Columbus High	204,255	3,877	-	208,132	-	-	208,132	208,132
Tabor City Elementary	46,432	496	-	46,928	-	-	46,928	46,928
Tabor City Middle	36,940	113	-	37,053	-	-	37,053	37,053
West Columbus High	194,066	1,480	-	195,546	5,616	-	189,930	195,546
Williams Township	23,250	904	-	24,154	-	-	24,154	24,154
Nakina Middle School	67,909	1,260	-	69,169	-	-	69,169	69,169
SE Early College	40,494	127	-	40,621	-	-	40,621	40,621
<b>Total</b>	<u>\$ 1,008,037</u>	<u>\$ 19,481</u>	<u>\$ -</u>	<u>\$ 1,027,518</u>	<u>\$ 10,402</u>	<u>\$ -</u>	<u>\$ 1,017,116</u>	<u>\$1,027,518</u>

**Columbus County Board of Education**  
**Combining Statement of Revenues, Expenditures And**  
**Changes in Fund Balance -- Individual Schools**  
**For the Fiscal Year Ended June 30, 2018**

Exhibit C-6

	<u>Revenues</u>	<u>Transfers and Expenditures</u>	<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>Fund Balance June 30, 2018</u>
Acme-Delco Elementary	\$ 55,924	\$ 37,721	\$ 18,203	\$ 36,268
Acme-Delco Middle	46,710	49,061	(2,351)	45,826
Cerro Gordo Elementary	102,776	100,701	2,075	23,325
Chadbourn Elementary	22,214	18,731	3,483	12,907
Chadbourn Middle	35,598	38,454	(2,856)	7,695
CCCA - Fair Bluff	33,613	26,553	7,060	41,886
East Columbus High	190,267	184,523	5,744	56,826
Evergreen Elementary	61,387	61,431	(44)	9,177
Guideway Elementary	31,055	27,663	3,392	15,732
Hallsboro/Artesia Elementary	85,776	68,182	17,594	23,201
Hallsboro Middle	85,946	69,571	16,375	86,846
Old Dock Elementary	62,578	78,807	(16,229)	41,439
South Columbus High	504,170	502,712	1,458	208,132
Tabor City Elementary	73,181	66,156	7,025	46,928
Tabor City Middle	46,505	34,296	12,209	37,053
West Columbus High	338,302	278,506	59,796	189,930
Williams Township	103,337	88,801	14,536	24,154
Nakina Middle	78,975	75,103	3,872	69,169
SE Early College	25,340	17,249	8,091	40,621
<b>Total</b>	<b><u>\$ 1,983,654</u></b>	<b><u>\$ 1,824,221</u></b>	<b><u>\$ 159,433</u></b>	<b><u>\$ 1,017,116</u></b>

## ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the government's council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; where the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

**School Food Service Fund** -- This fund is used to account for the food service program within the school system.

**Child Care Service Fund** -- This fund provides after school care to students within the school system.

**Columbus County Board of Education  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
School Food Service Fund  
For the Fiscal Year Ended June 30, 2018**

Exhibit D-1

	<b>2018</b>		<b>Positive (Negative) Variance</b>
	<b>Budget</b>	<b>Actual</b>	
<b>OPERATING REVENUES:</b>			
Food sales	\$ 406,500	\$ 344,765	\$ (61,735)
Miscellaneous local revenues	10,000	11,511	1,511
Total operating revenues	<u>416,500</u>	<u>356,276</u>	<u>(60,224)</u>
<b>OPERATING EXPENDITURES:</b>			
Business support services:			
Purchase of food		1,517,499	
Donated commodities		228,544	
Salaries and benefits		2,060,374	
Indirect cost		258,897	
Materials and supplies		233,665	
Repairs and maintenance		15,382	
Contracted services		22,872	
Other		29,317	
Total business support services	<u>4,879,443</u>	<u>4,366,550</u>	<u>512,893</u>
Capital outlay	10,000	28,481	(18,481)
Total operating expenditures	<u>4,889,443</u>	<u>4,395,031</u>	<u>494,412</u>
Operating income (loss)	(4,472,943)	(4,038,755)	434,188
<b>NON-OPERATING REVENUES:</b>			
Federal reimbursements	3,899,443	4,030,852	131,409
Federal commodities used	263,000	230,529	(32,471)
Investment earnings	500	-	(500)
Indirect cost not paid	310,000	258,897	(51,103)
Contributed Capital	-	28,481	28,481
Total operating revenues (expenditures)	<u>4,472,943</u>	<u>4,548,759</u>	<u>75,816</u>
Excess of revenues over (under) expenditures before other financing sources	-	510,004	510,004
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>510,004</u>	<u>\$ 510,004</u>
Reconciliation from modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures:			
Reconciling items:			
Depreciation		(28,339)	
Net OPEB Asset		4,626	
Deferred Outflows		(29,706)	
Capital Outlay		28,481	
Net Pension Liability		116,845	
Net OPEB Liability		603,901	
Deferred Inflows		(798,150)	
Total Reconciling Items		<u>(102,342)</u>	
Change in net position (full accrual)		<u>\$ 407,662</u>	

**Columbus County Board of Education**  
**Enterprise Fund - Nonmajor**  
**Combining Balance Sheet**  
**For the Year Ended June 30, 2018**

	Nonmajor	
	<u>Child Care</u>	<u>Total</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ -
Due from other funds	-	-
Total Current Assets	<u>-</u>	<u>-</u>
Capital Assets		
Equipment	-	-
Less Accumulated Depreciation	-	-
Net Capital Assets	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ -	\$ -
Due to other funds	10,754	10,754
Total Current Liabilities	<u>10,754</u>	<u>10,754</u>
Non-current liabilities:		
Compensated Absences	-	-
Total Non-current liabilities	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>10,754</u>	<u>10,754</u>
<b>Net Position</b>		
Net investment in capital assets	-	-
Restricted	-	-
Unrestricted	(10,754)	(10,754)
<b>Total Net Position</b>	<u><u>\$ (10,754)</u></u>	<u><u>\$ (10,754)</u></u>

**Columbus County Board of Education**  
**Enterprise Fund - Nonmajor**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<u>Non-Major Fund</u>	
	<u>Child Care</u>	<u>Total</u>
OPERATING REVENUES		
Participant Fees	\$ 4,608	\$ 4,608
Total Operating Revenues	<u>4,608</u>	<u>4,608</u>
OPERATING EXPENSES		
Benefits	7,905	7,905
Services	-	-
Materials	-	-
Food Purchases	-	-
Other Expenses	-	-
Total Operating Expenses	<u>7,905</u>	<u>7,905</u>
OPERATING INCOME (LOSS)	(3,297)	(3,297)
NON-OPERATING REVENUES		
Other Revenue	-	-
Interest Revenue	-	-
Total Non-Operating Revenues	<u>-</u>	<u>-</u>
Change in net position	<u>(3,297)</u>	<u>(3,297)</u>
Total net position, beginning	<u>(7,457)</u>	<u>(7,457)</u>
Total net position, ending	<u>\$ (10,754)</u>	<u>\$ (10,754)</u>

**Columbus County Board of Education**  
**Enterprise Funds - Nonmajor**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Non-major Fund	
	<u>Child Care</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Participants	\$ 4,608	\$ 4,608
Cash Paid to Employees	(7,905)	(7,905)
Cash Paid to Suppliers	-	-
Net Cash Provided (Used) by Operating Activities	<u>(3,297)</u>	<u>(3,297)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING</b>		
Due to / from	3,297	3,297
Other Operating Revenues	-	-
Net Cash Provided by Non-Capital Financing Activities	<u>3,297</u>	<u>3,297</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Income (Loss)	<u>\$ (3,297)</u>	<u>\$ (3,297)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities		
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Salaries Payable	-	-
Increase/(Decrease) in Accounts Payable	-	-
Increase/(Decrease) in Compensated Absences	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Net Cash Provided (Used) in Operating Activities	<u>\$ (3,297)</u>	<u>\$ (3,297)</u>

**Columbus County Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Child Care Fund (Non-GAAP)**  
**For the Year Ended June 30, 2018**

	<u>2018</u>		<b>Positive (Negative) Variance</b>
	<u>Budget</u>	<u>Actual</u>	
<b>OPERATING REVENUES:</b>			
After School Care Fees	\$ 18,309	\$ 4,608	\$ 13,701
Total operating revenues	<u>18,309</u>	<u>4,608</u>	<u>13,701</u>
<b>OPERATING EXPENDITURES:</b>			
Salaries and Benefits	18,309	7,905	10,404
Total operating expenditures	<u>18,309</u>	<u>7,905</u>	<u>10,404</u>
Operating income (loss)	-	(3,297)	3,297
<b>NON-OPERATING REVENUES:</b>			
Interest	-	-	-
Other revenue	-	-	-
Total Non-operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	(3,297)	<u>\$ 3,297</u>
Reconciliation of modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures:			
Reconciling items:			
Net OPEB asset		-	
Net OPEB liability		-	
Depreciation		-	
Capital Outlay		<u>-</u>	
Total Reconciling Items		<u>-</u>	
Change in net position (full accrual)		<u>\$ (3,297)</u>	

# **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 Columbus County Board of Education  
Whiteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbus County Board of Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Columbus County Board of Education's basic financial statements, and have issued our report thereon dated April 30, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 probability that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of finding and questioned costs [2018-01, 2018-03] to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs [2018-02] to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

### Board of Education's Response to Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Thompson, Rice, Scott, Adams & Co., P.A.*

**Whiteville, NC**

**April 30, 2019**



*Thompson, Price, Scott, Adams & Co, P.A.*

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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

**Report on Compliance With Requirements Applicable To Each Major Federal Program  
And Internal Control Over Compliance In Accordance with OMB Uniform Guidance and the  
State Single Audit Implementation Act**

Independent Auditors' Report

To the Columbus County Board of Education  
Whiteville, North Carolina

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

We have audited the Columbus County Board of Education's, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Columbus County Board of Education's major federal programs for the year ended June 30, 2018. The Columbus 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 Columbus 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on argued with governance.m occurred. An audit includes examining, on a test basis, evidence about the Columbus County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

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 Columbus County Board of Education's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Columbus 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, 2018.

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

Management of the Columbus 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 Columbus 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 OMB 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 internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-04 that we consider to be significant deficiencies.

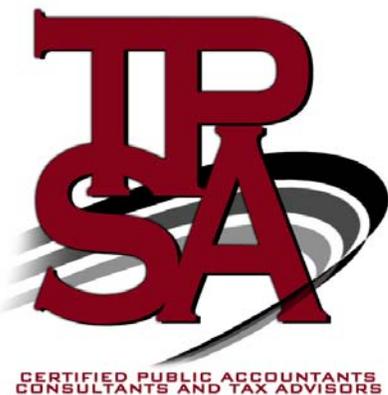
The Board of Education's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board's response was not subjected to the auditing procedures applied in the audit of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

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

*Thompson, Rice, Scott, Adams & Co., P.A.*

**Whiteville, NC**

**April 30, 2019**



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**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 Columbus County Board of Education  
Whiteville, North Carolina

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

We have audited the Columbus 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 the Columbus County Board of Education's major state programs for the year ended June 30, 2018. The Columbus 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 requirement 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 Columbus 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 US *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, 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 with governance. 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 Columbus 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 Columbus County Board of Education's compliance.

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

In our opinion, the Columbus County Board of Education's 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, 2018.

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

Management of the Columbus 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 Columbus 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 Board 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.

*Thompson, Rice, Scott, Adams & Co., P.A.*

*Whiteville, NC*

**April 30, 2019**

**Columbus County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes          no

Significant Deficiency(s) identified that are not considered to be material weaknesses   X   yes          none reported

Noncompliance material to financial statements noted   X   yes          no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?          yes   X   no

Significant Deficiency(s) identified that are not considered to be material weaknesses   X   yes          none reported

Noncompliance material to federal awards noted          yes   X   no

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   X   no

Identification of major federal programs:

CFDA Numbers    Names of Federal Program or Cluster

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	Child Nutrition Cluster	
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.555	Seamless Summer Program	
84.367	Supporting Effective Instruction	

**Columbus County Board of Education  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018**

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**Section I. Summary of Auditor's Results (Continued)**

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

Auditee qualified as low-risk auditee \_\_\_\_\_ yes   X   no

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**State Awards**

Internal control over major State programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant Deficiency(s) identified that are not considered  
 to be material weaknesses \_\_\_\_\_ yes   X   none reported

Noncompliance material to State awards \_\_\_\_\_ yes   X   no

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

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

Identification of major State programs:

Program Name

State Public School Fund

Vocational Education - State Months of Employment

**Columbus County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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**Section II. Financial Statement Findings**

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**Finding 2018-01**

**MATERIAL WEAKNESS**

Deficit Fund Balance

- Criteria: The Board should maintain a positive fund balance in each of its funds.
- Condition: The Board has 3 funds with a negative fund balance: After School Care Program Fund (\$10,754) , Other Restricted Fund (\$253,697), School Food Service Fund (\$1,795,811).
- Effect: When the Board has a fund with a negative fund balance, another fund has to advance the money to cover expenditures.
- Cause: Sufficient revenues were not collected to cover expenses in the After School Care Program Fund and Other Restricted Fund. The negative fund balance was generated in the School Food Service Fund as a result of the implementation of GASB 75 (Other Postemployment Benefits).
- Recommendation: The Board should review the programs with fund balance deficits to determine what steps are necessary to correct the negative fund balances.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding.

**Finding 2018-02\*\***

**SIGNIFICANT DEFICIENCY**

Reconciliation of Records

- Criteria: Records should be reconciled timely.
- Condition: The records (including bank reconciliations and installment accruals) were not timely reconciled. There were several accounts that were not reconciled until several months after the close of the year.
- Effect: Errors and other problems could occur and not be detected by management in a timely manner and could impact management's ability to have accurate information for decisions.
- Cause: There was significant turn over in the finance department (including the finance officer), which resulted in many standard year end procedures not being completed timely.
- Recommendation: Of all of the duties of the finance staff, timely reconciliations of bank statements and general ledger accounts is very important. The Board should implement internal control procedures that will monitor accounts to ensure that accounts are timely reconciled to strengthen internal controls within the Board.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding. Efforts will be made to ensure timely reconciliations in the future.

\*\*This is a repeat finding.

**Columbus County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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**Section II. Financial Statement Findings (continued)**

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**Finding 2018-03**

**MATERIAL WEAKNESS**

Management Override of Controls

Self Dealing (G.S. 14-234)

**Criteria:** Controls should be in place to ensure that appropriate approval is required prior to disbursements to public officials or employees who are involved in making or administering contracts.

**Condition:** Personnel received reimbursements for additional time worked as though they were contracted for services. A contract did not exist for these payments. The persons who received benefits were employees of the school district. Appropriate documentation could not be obtained to substantiate that approval was received from the superintendent, who would have been the direct supervisor over the disbursements. Furthermore, if the payments were properly approved, the amounts should have been paid out as wages, with applicable payroll taxes and retirement matches made by the Board. A 1099 was not issued for these payments.

**Effect:** Payments were made by the board to employees as contract services without proper approval. The Board failed to pay required payroll taxes and retirement matches on these payments. The contracts, had they existed, would not have been legal and binding per G.S. 14-234, as employees who are involved in making or administering a contract (i.e. preaudit) cannot receive a direct benefit from that contract.

**Cause:** Procedures were not in place to ensure that the department heads and project administrators receive proper approval prior to issuance of disbursements directly to them. The superintendent should review ALL payments for personnel who are in a supervisory capacity (i.e. department head, grant or program administrator, etc).

**Recommendation:** The Board should implement internal control procedures that will ensure that payments are not made to employees without proper approval.

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

The Board agrees with this finding and will discuss policies that can be implemented to prevent this from happening in the future.

**Columbus County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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

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U.S. Department of Agriculture and U.S. Department of Education  
Program Names: Child Nutrition Cluster  
CFDA #'s: 10.553, 10.555

**Finding 2018-04**

**SIGNIFICANT DEFICIENCY**

Benefit payment

Criteria: Employees that work in child nutrition and another department should have their employer hospitalization prorated based on percentage of employment.

Condition: Columbus County Schools expensed all of a dual employee's hospitalization benefit to child nutrition. A portion of the expense should have gone to State Bus Transportation. No entry has been made to correct this for FY 2018 because the amount is immaterial and the correction has been made for FY 2019.

Effect: The Board did not prorate the employer portion of hospitalization therefore resulting in 100% of the cost being charged to the Child Nutrition program.

Cause: Improper coding of deductions to job code in the payroll system.

Questioned Costs: \$2,174.48  
This is the percentage of the employee's hospitalization benefit attributable to the portion of their work as a bus driver. The employee is split 62.50/34 (Nutrition/Bus). The Board paid \$5,876.96 , times 34% = \$2,174.48.

Recommendation: The Board should ensure dual employees have their benefits expensed to the appropriate departments.

Views of responsible officials and planned corrective actions:  
The Board agrees with this finding. The payroll specialist will review dual employees to ensure their benefits are being paid from the correct departments.

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

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None reported.



Accredited by the State Board of Education and the Southern Association of Colleges & Schools

**BOARD OF EDUCATION**

Randy Coleman  
Junior Dew  
Worley T. Edwards  
Monte Herring  
Ronnie Strickland

**ADMINISTRATION**

JONATHAN WILLIAMS  
Interim Superintendent

**Corrective Action Plan  
For the Year Ended June 30, 2018**

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**Section II. Financial Statement Findings**

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2018-01 Reconciliation of Records

Name of contact person: Lisa Nowlin, Finance Officer

Corrective Action: The Board recognizes the importance of timely reconciliations and will make all efforts to reconcile all accounts and bank accounts earlier in the future.

Proposed Completion Date: The Board will implement the above procedure immediately.

2018-02 Deficit Fund Balance

Name of contact person: Lisa Nowlin, Finance Officer

Corrective Action: The Board recognizes the importance of maintaining positive fund balances and will make all efforts to get all negative fund balances positive.

Proposed Completion Date: The Board will implement the above procedure immediately.

2018-03 Management Override of Controls and Self-Dealing

Name of contact person: Lisa Nowlin, Finance Officer

Corrective Action: The Board recognizes the importance of implementing controls to monitor disbursements made to department heads and project administrators who would otherwise have nobody reviewing their reimbursements.

Proposed Completion Date: The Board will implement the above procedure immediately.

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

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2018-04 Split Employee Payroll

Name of contact person: Donna Bartley, Child Nutrition Director

Corrective Action: Staff will verify necessary deductions are coded to correct job codes in the payroll system.

Proposed Completion Date: The Board will implement the above procedure immediately.

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

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None reported.

**Columbus County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2018**

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2017-01 Reconciliation of Records

Repeated as 2018-01

2017-02 Adult Meal Pricing

Corrected

**Columbus County Board of Education  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2018 Expenditures</u>
<b>Federal Grants:</b>			
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Food and Nutrition Service</u></b>			
Food Distribution Cluster:			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
Commodity Supplemental Food Program	10.565		\$ 228,544
Non-Cash Assistance			228,544
Child Nutrition Cluster			
Cash Assistance:			
Passed-through the N. C. Department of Public Instruction:			
School Breakfast Program	10.553		1,414,387
National School Lunch Program	10.555		2,546,768
Seamless Summer Program	10.555		69,697
Total Cash Assistance			4,030,852
Total Child Nutrition Cluster			4,030,852
Passed-through the N. C. Department of Public Instruction:			
Child Nutrition Discretionary Grants Limited Liability	10.579	PRC 053	28,475
Total U. S. Department of Agriculture			4,287,871
<b><u>U. S. Department of Education</u></b>			
<b><u>Office of Elementary and Secondary Education</u></b>			
Passed-through the N. C. Department of Public Instruction:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	2,020,535
Total Title I, Part A Cluster			2,020,535
Migrant Education (Title I of IASA)	84.011	PRC 051	261,737
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	1,325,448
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	69,376
IDEA VI-B Special Needs, Targeted Assistance	84.027	PRC 118	13,893
Preschool Targeted Assistance	84.027	PRC 119	7,227
Total Special Education Cluster			1,415,944
Career and Technical Education - Basic Grants to States	84.048	PRC 017	106,134
Career and Technical Education - Capacity Building Grants	84.048A	PRC 058	49,852

**Columbus County Board of Education  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2018 Expenditures</u>
English Language Acquisition Grants	84.365	PRC 104, 111	14,440
Rural Education	84.358	PRC 109	99,079
Supporting Effective Instruction State Grant	84.367	PRC 103	228,677
Student Support and Academic Enrichment Grant	84.424	PRC 108	58,125
Indian Ed - Formula Grants to Local Educational Agencies	84.060A	PRC 310	55,092
Total U.S. Department of Education			<u>4,309,615</u>
 <b><u>U. S. Department of Defense</u></b>			
Direct Program:			
ROTC	None	PRC 301	<u>126,777</u>
 <b><u>U. S. Department of Justice</u></b>			
National Institute of Justice Research, Evaluation, and Development	16.560	PRC 341	<u>347,596</u>
Total federal assistance			<u>\$ 9,071,859</u>
 <b>State Grants:</b>			
 <b><u>N. C. Department of Public Instruction</u></b>			
State Public School Fund			\$ 37,655,699
Driver Training - SPSF		PRC 012	116,921
School Technology Fund - SPSF		PRC 015	102,334
Vocational Education			
-- State Months of Employment		PRC 013	2,096,270
-- Program Support Funds		PRC 014	95,814
Total N. C. Department of Public Instruction			<u>40,067,038</u>
 <b><u>Office of the Governor</u></b>			
Passed through N.C. Department of Public Instruction			
NC Pre-Kindergarten Program		PRC 413	1,906,863
 <b><u>N.C. Department of Health and Human Services</u></b>			
Division of Public Health			
School Nurse Funding Initiative			250,000
 <b><u>N.C. Department of Public Safety</u></b>			
Community Based Alternatives			46,800

**Columbus County Board of Education  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2018 Expenditures</u>
 <b><u>N. C. Department of Public Instruction</u></b>			
School Bus Appropriation			335,479
Total State Assistance			42,606,180
Total Federal and State Assistance			\$ 51,678,039

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Columbus County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. 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 SEFSA presents only a select portion of the operations of the Columbus County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Columbus County Board of Education.

2 Summary of Significant Accounting Policies

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

3 Cluster of Programs

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