

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS,
NORTH CAROLINA**

Financial Statements
June 30, 2018



Rives & Associates, LLP
Certified Public Accountants and Consultants

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
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June 30, 2018**

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Independent Auditor's Report

Board of Education of
Thomasville City Schools, 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 Board of Education of Thomasville City Schools, North Carolina, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education of Thomasville City Schools' 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Thomasville City Schools, 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, State Public School Fund and Federal Grants Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standards

As discussed in Note VII to the financial statements, for the year ended June 30, 2018 the Board adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, Schedules of the Board's Proportionate Share of the Net Pension Liability and OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 59 through 64, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 10, 2018, on our consideration of the Board of Education of Thomasville City Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Thomasville City Schools' internal control over financial reporting and compliance.

Rives & Associates LLP

Lexington, North Carolina
October 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the Thomasville City Schools' 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 recognizes the importance of hiring and retaining qualified teachers. The Board provided a local supplement increase of \$750 to teachers in 2017-2018 and a \$250 increase for 2018-2019.
- The school district saw an average enrollment decrease of 88 students (2.75%) for 2017-2018 compared to 2016-2017 average enrollment.
- The Board approved replacement of equipment for all restrooms at Thomasville High School.
- Transfer restrictions between State allotment categories continues to be restrictive in allowing the school district to maneuver funds that best suits the needs of the school district. Additional restrictions were placed on certain state funds in 2017-2018 and 2018-2019.
- The School Nutrition program successfully implemented a supper program in 2017-2018 where all students receive a meal at the end of the school day.
- Capital Outlay funds were used for a replacement HVAC unit at the central office, a purchase of an activity bus, replacement vehicle for the Maintenance Department, and purchase of a Bobcat skid steer to assist in snow removal.

Overview of the Financial Statements

The audited financial statements of the Thomasville City Schools' 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 outflows of resources, deferred inflows of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary 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 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, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

The 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 childcare services are included here.

The government-wide statements are Exhibits A and B of this report.

Fund Financial Statements

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

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

The Board of Education of Thomasville City Schools, North Carolina, has two types of funds:

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

The governmental fund statements are Exhibits C, D, and E 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. Thomasville City Schools' Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are Exhibits F, G, and H 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 \$(22,660,551) as of June 30, 2018, a decrease of 239.70% as compared to the difference of \$16,292,337 at June 30, 2017. The largest component of net position is net investment in capital assets, of \$19,435,658 as compared to \$19,492,549 as of June 30, 2017.

Following is a summary of the Statement of Net Position:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 1,236,564	\$ 2,066,284	\$ 1,106,102	\$ 761,010	\$ 2,342,666	\$ 2,827,294
Capital assets	19,220,245	19,214,608	215,413	277,941	19,435,658	19,492,549
Total assets	20,456,809	21,280,892	1,321,515	1,038,951	21,778,324	22,319,843
Deferred outflows of resources	7,017,537	5,981,408	345,273	250,217	7,362,810	6,231,625
Current and other liabilities	649,827	587,624	25,506	43,878	675,333	631,502
Long-term liabilities	38,298,643	10,514,140	1,862,493	429,790	40,161,136	10,943,930
Total liabilities	38,948,470	11,101,764	1,887,999	473,668	40,836,469	11,575,432
Deferred inflows of resources	10,426,830	656,246	538,386	27,453	10,965,216	683,699
Net investment in capital assets	19,220,245	19,214,608	215,413	277,941	19,435,658	19,492,549
Restricted net position	414,850	244,791	-	-	414,850	244,791
Unrestricted net position	(41,536,049)	(3,955,109)	(975,010)	510,106	(42,511,059)	(3,445,003)
Total net position	\$(21,900,954)	\$ 15,504,290	\$ (759,597)	\$ 788,047	\$(22,660,551)	\$ 16,292,337

Note that net position decreased during the year. The 239.70% decrease in net position was largely due to the large increase in the long-term liabilities in the governmental and business-type activities. This large increase was due mainly to the net OPEB liabilities being recorded for the first time due to the implementation of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This calculation increased liabilities by \$30,270,973 in fiscal year ending June 30, 2018.

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

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 333,432	\$ 337,647	\$ 92,759	\$ 146,732	\$ 426,191	\$ 484,379
Operating grants and contributions	18,508,377	17,904,763	3,295,493	2,265,693	21,803,870	20,170,456
Capital grants and contributions	836	1,888			836	1,888
General revenues:						
Other revenues	5,532,412	4,694,175	3,393	1,098	5,535,805	4,695,273
Total revenues	24,375,057	22,938,473	3,391,645	2,413,523	27,766,702	25,351,996
Expenses:						
Governmental activities:						
Instructional services	20,075,776	19,142,966	-	-	20,075,776	19,142,966
System-wide support services	5,795,125	4,478,450	-	-	5,795,125	4,478,450
Ancillary services	98,446	103,139	-	-	98,446	103,139
Non-programmed charges	301,265	99,361	-	-	301,265	99,361
Depreciation	740,946	737,439	-	-	740,946	737,439
Business-type activities:						
Food service	-	-	3,283,286	2,511,261	3,283,286	2,511,261
Child care	-	-	(7,452)	51,472	(7,452)	51,472
Total expenses	27,011,558	24,561,355	3,275,834	2,562,733	30,287,392	27,124,088
Extraordinary item - Asset impairment loss					-	-
Transfers in (out)	(45,000)	(45,000)	45,000	45,000	-	-
Increase in net position	(2,681,501)	(1,667,882)	160,811	(104,210)	(2,520,690)	(1,772,092)
Net position, beginning	15,504,290	17,172,172	788,047	892,257	16,292,337	18,064,429
Net position, restatement	(34,723,743)	-	(1,708,455)	-	(36,432,198)	-
Net position, ending	\$ (21,900,954)	\$ 15,504,290	\$ (759,597)	\$ 788,047	\$ (22,660,551)	\$ 16,292,337

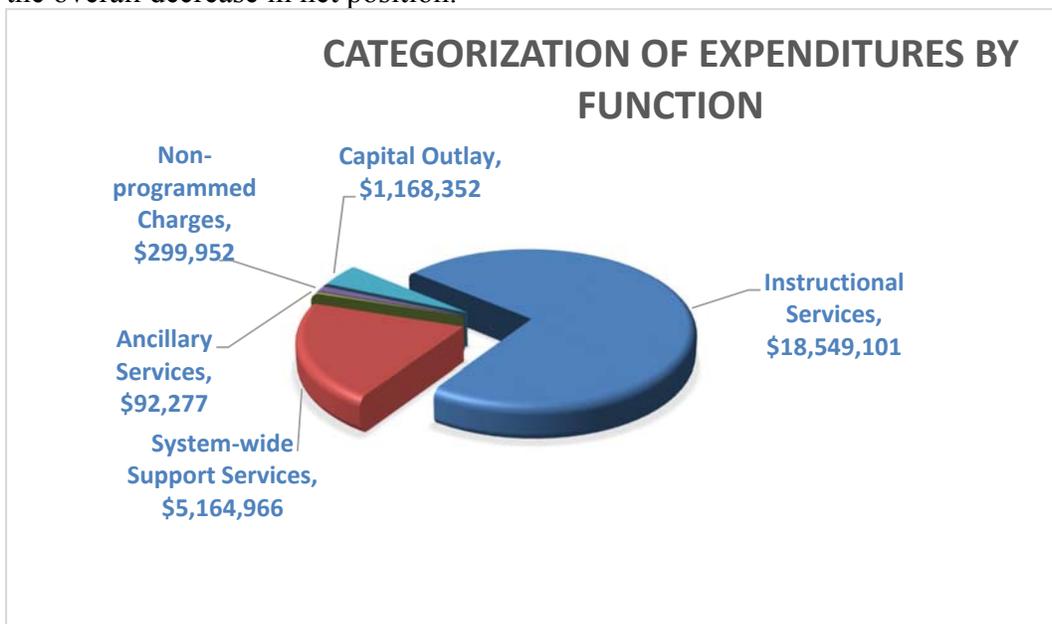
Total governmental activities generated revenues of \$24.4 million while expenses in this category totaled \$27.0 million for the year ended June 30, 2018. Comparatively, revenues were \$22.9 million and expenses totaled \$24.6 million for the year ended June 30, 2017. After transfers to the business-type activities, the decrease in net position stands at \$2.68 million at June 30, 2018, compared to almost \$1.67 million in 2017. Instructional services expenses comprised 74.32% of total governmental-type expenses while system-wide support services made up 21.45% of those expenses for 2018. County and City funding comprised 17.75% of total governmental revenue for 2018. In 2017, County and City funding was 19.94%. Much of the remaining 82.25% of total governmental revenue for 2018 consists of restricted State and federal money. This revenue represented 80.06% of total revenue in 2017. Business-type activities generated revenue of \$3.39 million and expenses of \$3.28 million. Net position increased in the business-type activities by \$160,811, after transfers from the governmental activities of \$45,000.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of the Board of Education of Thomasville City Schools, North Carolina'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 \$534,069, a \$944,591 decrease from last year. Expenditures increased by \$1.55 million.

Proprietary Funds: The Board's business-type funds, School Food Service Fund and Child Care Fund, reflected decreases in net position over last year. Operating revenues decreased and expenses increased overall; however, non-operating revenue increased during the year lessening the overall decrease in net position.



Expenditures presented on the modified accrual basis of accounting

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and for new appropriations. There were no other significant changes in the budget during the course of the year.

Capital Assets

Capital assets decreased by \$56,891 (or 0.03%) from the previous year. This was largely due to depreciation expense exceeding capital asset acquisitions during the year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 552,595	\$ 552,595	\$ -	\$ -	\$ 552,595	\$ 552,595
Buildings	18,313,219	18,356,217	-	-	18,313,219	18,356,217
Furniture and equipment	138,973	170,348	215,413	277,941	354,386	448,289
Vehicles and motorized equipment	215,458	135,448	-	-	215,458	135,448
Total	\$ 19,220,245	\$ 19,214,608	\$ 215,413	\$ 277,941	\$ 19,435,658	\$ 19,492,549

Economic Factors

The Board anticipates a steady enrollment over the next several years and will need continued increases in classroom space and teachers due to new class size limits placed on school districts by the State. 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 factors have positively affected the economic outlook of Thomasville City Schools'.

- The County is enjoying a low unemployment rate of 3.8%, lower than the state average of 4.1%.
- Retail vacancy rates are low, having stayed in the 5-10% range all year.
- EGGER Wood Products will invest \$700 million and bring 770 at their new U.S. Headquarters and manufacturing campus.

Requests for Information

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

Scott E. Powell, Chief Financial Officer
Thomasville City Schools Board of Education
400 Turner Street
Thomasville, NC 27360

BASIC FINANCIAL STATEMENTS
(Government-wide)

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**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Statement of Net Position
June 30, 2018

Exhibit A

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 201,424	\$ 818,007	\$ 1,019,431
Accounts receivable	220,592	3,119	223,711
Net OPEB asset	52,668	2,591	55,259
Internal balances	32,197	(32,197)	-
Due from other governments	634,273	179,707	813,980
Inventories	-	134,875	134,875
Prepaid Items	95,410	-	95,410
	<u>1,236,564</u>	<u>1,106,102</u>	<u>2,342,666</u>
Capital assets:			
Land and construction in progress	552,595	-	552,595
Other capital assets, net of depreciation	18,667,650	215,413	18,883,063
Total capital assets	<u>19,220,245</u>	<u>215,413</u>	<u>19,435,658</u>
Total assets	<u>20,456,809</u>	<u>1,321,515</u>	<u>21,778,324</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,017,537</u>	<u>345,273</u>	<u>7,362,810</u>
LIABILITIES			
Accounts payable and accrued expenses	54,417	25,506	79,923
Accrued salaries and benefits	565,410	-	565,410
Due to other government	30,000	-	30,000
Long-term liabilities:			
Due within one year	1,597,665	58,940	1,656,605
Due in more than one year	36,700,978	1,803,553	38,504,531
Total liabilities	<u>38,948,470</u>	<u>1,887,999</u>	<u>40,836,469</u>
DEFERRED INFLOWS OF RESOURCES	<u>10,426,830</u>	<u>538,386</u>	<u>10,965,216</u>
NET POSITION			
Net investment in capital assets	19,220,245	215,413	19,435,658
Restricted:			
Individual schools	74,947	-	74,947
Stabilization by State statute	339,903	-	339,903.00
School capital outlay	-	-	-
Unrestricted	<u>(41,536,049)</u>	<u>(975,010)</u>	<u>(42,511,059)</u>
Total net position	<u>\$ (21,900,954)</u>	<u>\$ (759,597)</u>	<u>\$ (22,660,551)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instructional services:				
Regular instructional	\$ 10,688,787	\$ 1,466	\$ 9,295,663	\$ -
Special populations	2,747,104	-	2,434,167	-
Alternative programs	2,779,991	-	2,335,016	-
School leadership	1,579,118	-	886,080	-
Co-curricular	492,820	-	316,578	-
School-based support	1,787,956	3,761	1,216,365	-
System-wide support services:				
Support and development	183,545	-	6,471	-
Special population support and development	418,865	-	300,005	-
Alternative programs and services support and development	278,941	-	195,415	-
Technology support	389,146	-	209,081	-
Operational support	2,360,000	328,205	890,033	836
Financial and human resource	788,857	-	335,419	-
Accountability	92,912	-	-	-
System-wide pupil support	132,624	-	-	-
Policy, leadership and public relations	1,150,235	-	1,066	-
Ancillary services	98,446	-	3,392	-
Non-programmed charges	301,265	-	83,626	-
Unallocated depreciation expense	740,946	-	-	-
Total governmental activities	<u>27,011,558</u>	<u>333,432</u>	<u>18,508,377</u>	<u>836</u>
Business-type activities:				
School food service	3,283,286	92,759	3,295,493	-
Child care	(7,452)	-	-	-
Total business-type activities	<u>3,275,834</u>	<u>92,759</u>	<u>3,295,493</u>	<u>-</u>
Total primary government	<u>\$ 30,287,392</u>	<u>\$ 426,191</u>	<u>\$ 21,803,870</u>	<u>\$ 836</u>

General revenues:
 Unrestricted County appropriations - operating
 Unrestricted County appropriations - capital
 Investment earnings, unrestricted
 Miscellaneous, unrestricted
 Transfers
 Total general revenues

Change in net position

Net position - beginning
 Net position - restatement

Net position - ending

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,391,658)	\$ -	\$ (1,391,658)
(312,937)	-	(312,937)
(444,975)	-	(444,975)
(693,038)	-	(693,038)
(176,242)	-	(176,242)
(567,830)	-	(567,830)
(177,074)	-	(177,074)
(118,860)	-	(118,860)
(83,526)	-	(83,526)
(180,065)	-	(180,065)
(1,140,926)	-	(1,140,926)
(453,438)	-	(453,438)
(92,912)	-	(92,912)
(132,624)	-	(132,624)
(1,149,169)	-	(1,149,169)
(95,054)	-	(95,054)
(217,639)	-	(217,639)
(740,946)	-	(740,946)
<u>(8,168,913)</u>	<u>-</u>	<u>(8,168,913)</u>
-	104,966	104,966
-	7,452	7,452
<u>-</u>	<u>112,418</u>	<u>112,418</u>
<u>(8,168,913)</u>	<u>112,418</u>	<u>(8,056,495)</u>
2,801,325	-	2,801,325
1,128,739	-	1,128,739
5,134	3,393	8,527
1,597,214	-	1,597,214
(45,000)	45,000	-
<u>5,487,412</u>	<u>48,393</u>	<u>5,535,805</u>
(2,681,501)	160,811	(2,520,690)
15,504,290	788,047	16,292,337
<u>(34,723,743)</u>	<u>(1,708,455)</u>	<u>(36,432,198)</u>
<u>\$ (21,900,954)</u>	<u>\$ (759,597)</u>	<u>\$ (22,660,551)</u>

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

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FUND FINANCIAL STATEMENTS

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**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2018**

Exhibit C

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
ASSETS						
Cash and cash equivalents	\$ 49,059	\$ -	\$ -	\$ 196,916	74,947	\$ 320,922
Accounts receivable	138,659	-	-	81,933	-	220,592
Due from other funds	33,477	-	-	-	-	33,477
Due from other governments	85,834	483,082	65,357	-	-	634,273
Prepaid Items	95,410	-	-	-	-	95,410
Total assets	<u>\$ 402,439</u>	<u>\$ 483,082</u>	<u>\$ 65,357</u>	<u>\$ 278,849</u>	<u>\$ 74,947</u>	<u>\$ 1,304,674</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Cash Overdraft	\$ -	\$ 104,685	\$ 14,813	\$ -	\$ -	\$ 119,498
Accounts payable and accrued expenses	46,774	2	-	7,641	-	54,417
Accrued salaries and benefits	136,471	378,395	50,544	-	-	565,410
Due to other funds	1,280	-	-	-	-	1,280
Due to other governments	-	-	-	30,000	-	30,000
Total liabilities	<u>184,525</u>	<u>483,082</u>	<u>65,357</u>	<u>37,641</u>	<u>-</u>	<u>770,605</u>
Fund balances:						
Nonspendable:						
Prepaid Items	95,410	-	-	-	-	95,410
Restricted:						
Stabilization by State statute	257,970	-	-	81,933	-	339,903
Individual schools	-	-	-	-	74,947	74,947
Assigned:						
Subsequent years expenditures	-	-	-	212,825	-	212,825
Unassigned	(135,466)	-	-	(53,550)	-	(189,016)
Total fund balances	<u>217,914</u>	<u>-</u>	<u>-</u>	<u>241,208</u>	<u>74,947</u>	<u>534,069</u>
Total liabilities and fund balances	<u>\$ 402,439</u>	<u>\$ 483,082</u>	<u>\$ 65,357</u>	<u>\$ 278,849</u>	<u>\$ 74,947</u>	<u>\$ 1,304,674</u>

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

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

Total fund balance - governmental funds	\$ 534,069
Net OPEB Asset	52,668
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	\$ 39,942,866
Accumulated depreciation	<u>(20,722,621)</u>
Deferred outflows of resources related to pensions	3,949,175
Deferred outflows of resources related to OPEB	3,068,362
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds:	
Compensated absences payable	(1,775,184)
Net pension liability	(7,672,016)
Net OPEB liability	(28,851,443)
Deferred inflows of resources related to pensions	(400,284)
Deferred inflows of resources related to OPEB	<u>(10,026,546)</u>
Total net position - governmental activities	<u>\$ (21,900,954)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

Exhibit D

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
REVENUES						
State of North Carolina	\$ 217,525	\$ 14,945,007	\$ -	\$ -	\$ -	\$ 15,162,532
Davidson County	2,861,761	-	-	1,128,739	-	3,990,500
U.S. Government	167,970	-	2,552,563	-	-	2,720,533
City of Thomasville	1,464,481	-	-	-	-	1,464,481
Other	663,541	-	-	56,892	316,578	1,037,011
Total revenues	<u>5,375,278</u>	<u>14,945,007</u>	<u>2,552,563</u>	<u>1,185,631</u>	<u>316,578</u>	<u>24,375,057</u>
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	1,047,124	8,673,452	145,507	-	-	9,866,083
Special populations	111,376	1,975,711	458,456	-	-	2,545,543
Alternative programs	498,552	631,109	1,486,382	-	-	2,616,043
School leadership	488,883	879,330	6,750	-	-	1,374,963
Co-curricular	171,332	-	-	-	296,979	468,311
School-based support	461,793	1,197,435	18,930	-	-	1,678,158
System-wide support services:						
Support and development	165,122	2,732	3,739	-	-	171,593
Special population support and development	87,086	98,594	201,410	-	-	387,090
Alternative programs and services support and development	59,972	55,593	139,822	-	-	255,387
Technology support	102,578	209,081	-	-	-	311,659
Operational support	1,104,620	888,247	1,786	-	-	1,994,653
Financial and human resource	573,931	150,829	11,622	-	-	736,382
Accountability	85,181	-	-	-	-	85,181
System-wide pupil support	120,173	-	-	-	-	120,173
Policy, leadership, and public relations	928,813	174,035	-	-	-	1,102,848
Ancillary services	88,885	-	3,392	-	-	92,277
Non-programmed charges	225,185	-	74,767	-	-	299,952
Capital outlay:						
Real property and buildings	-	-	-	885,584	-	885,584
Furniture and equipment	-	-	-	138,797	-	138,797
Buses and motor vehicles	-	-	-	143,971	-	143,971
Total expenditures	<u>6,320,606</u>	<u>14,936,148</u>	<u>2,552,563</u>	<u>1,168,352</u>	<u>296,979</u>	<u>25,274,648</u>
Excess (deficiency) of revenues over expenditures	<u>(945,328)</u>	<u>8,859</u>	<u>-</u>	<u>17,279</u>	<u>19,599</u>	<u>(899,591)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

**Exhibit D
(Continued)**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
OTHER FINANCING SOURCES (USES)						
Transfer to other funds	\$ (36,141)	\$ (8,859)	\$ -	\$ -	\$ -	\$ (45,000)
Total other financing sources	(36,141)	(8,859)	-	-	-	(45,000)
Net change in fund balance	(981,469)	-	-	17,279	19,599	(944,591)
FUND BALANCES						
Beginning of year	1,199,383	-	-	223,929	55,348	1,478,660
End of year	<u>\$ 217,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,208</u>	<u>\$ 74,947</u>	<u>\$ 534,069</u>

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

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

Total net changes in fund balances - governmental funds	\$ (944,591)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,637
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(553,078)
OPEB expense	(1,033,215)
Compensated absences	<u>(156,254)</u>
Total changes in net position of governmental activities	<u>\$ (2,681,501)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual**
General and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
REVENUES				
State of North Carolina	\$ 225,000	\$ 225,000	217,525	\$ (7,475)
Davidson County	2,862,430	2,910,017	2,861,761	(48,256)
U.S. Government	120,000	267,462	167,970	(99,492)
City of Thomasville, net	1,373,600	1,373,600	1,464,481	90,881
Other	452,927	541,168	663,541	122,373
Total revenues	<u>5,033,957</u>	<u>5,317,247</u>	<u>5,375,278</u>	<u>58,031</u>
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	870,937	1,128,660	1,047,124	81,536
Special populations	103,739	159,381	111,376	48,005
Alternative programs	492,477	525,760	498,552	27,208
School leadership	488,893	488,893	488,883	10
Co-curricular	-	171,453	171,332	121
School-based support	266,796	461,793	461,793	-
System-wide support services:				
Support and development	167,029	167,029	165,122	1,907
Special populations support and development	87,086	87,086	87,086	-
Alternative programs and services support and development	59,972	59,972	59,972	-
Technology support	142,578	142,578	102,578	40,000
Operational support	741,268	1,104,620	1,104,620	-
Financial and human resource	644,524	648,642	573,931	74,711
Accountability	86,690	86,690	85,181	1,509
System-wide pupil support	120,173	120,173	120,173	-
Policy, leadership, and public relations	704,986	932,716	928,813	3,903
Ancillary services	5,278	143,995	88,885	55,110
Non-programmed charges	227,781	229,303	225,185	4,118
Total expenditures	<u>5,210,207</u>	<u>6,658,744</u>	<u>6,320,606</u>	<u>338,138</u>
Revenues over (under) expenditures	<u>(176,250)</u>	<u>(1,341,497)</u>	<u>(945,328)</u>	<u>396,169</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	(36,141)	(36,141)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(36,141)</u>	<u>(36,141)</u>
Revenues and other financing sources under expenditures	<u>(176,250)</u>	<u>(1,341,497)</u>	<u>(981,469)</u>	<u>360,028</u>
APPROPRIATED FUND BALANCE				
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(981,469)</u>	<u>\$ (981,469)</u>
FUND BALANCES				
Beginning of year			<u>1,199,383</u>	
End of year			<u>\$ 217,914</u>	

Exhibit E

State Public School Fund				Federal Grants Fund			
Budget		Actual	Variance with Final Budget Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 14,680,049	\$ 15,312,886	14,945,007	\$ (367,879)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	2,994,032	3,146,151	2,552,563	(593,588)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>14,680,049</u>	<u>15,312,886</u>	<u>14,945,007</u>	<u>(367,879)</u>	<u>2,994,032</u>	<u>3,146,151</u>	<u>2,552,563</u>	<u>(593,588)</u>
9,013,055	8,898,744	8,673,452	225,292	200,316	191,041	145,507	45,534
2,004,158	1,975,746	1,975,711	35	447,312	599,413	458,456	140,957
544,267	736,086	631,109	104,977	1,811,355	1,761,283	1,486,382	274,901
861,160	879,670	879,330	340	8,000.00	6,871	6,750	121.00
-	-	-	-	-	-	-	-
769,357	1,209,524	1,197,435	12,089	83,692	58,480	18,930	39,550
6,605	6,605	2,732	3,873	2,500	4,000	3,739	261
101,213	98,597	98,594	3	178,096	236,753	201,410	35,343
54,536	55,593	55,593	-	113,008	140,008	139,822	186
238,107	224,437	209,081	15,356	-	-	-	-
818,089	894,073	888,247	5,826	22,256	23,377	1,786	21,591
119,356	150,829	150,829	-	18,000	11,700	11,622	78
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
150,146	174,123	174,035	88	-	-	-	-
-	-	-	-	10,000	10,000	3,392	6,608.00
-	-	-	-	99,497	103,225	74,767	28,458
<u>14,680,049</u>	<u>15,304,027</u>	<u>14,936,148</u>	<u>367,879</u>	<u>2,994,032</u>	<u>3,146,151</u>	<u>2,552,563</u>	<u>593,588</u>
-	8,859	8,859	-	-	-	-	-
-	(8,859)	(8,859)	-	-	-	-	-
-	(8,859)	(8,859)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>-</u>				<u>-</u>	
		<u>\$ -</u>				<u>\$ -</u>	

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

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**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit F

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 830,852	\$ -	\$ 830,852
Accounts receivable	1,556	1,563	3,119
Due from other governments	179,707	-	179,707
OPEB asset	2,591	-	2,591
Inventories	134,875	-	134,875
Total current assets	<u>1,149,581</u>	<u>1,563</u>	<u>1,151,144</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	215,413	-	215,413
Total assets	<u>1,364,994</u>	<u>1,563</u>	<u>1,366,557</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>345,273</u>	<u>-</u>	<u>345,273</u>
LIABILITIES			
Current liabilities:			
Cash Overdraft	-	12,845	12,845
Accounts payable and accrued expenses	84,244	202	84,446
Due to other funds	3,096	29,101	32,197
Total current liabilities	<u>87,340</u>	<u>42,148</u>	<u>129,488</u>
Noncurrent liabilities:			
Net pension liability	377,474	-	377,474
Net OPEB liability	1,419,530	-	1,419,530
Compensated absences payable	6,549	-	6,549
Total noncurrent liabilities	<u>1,803,553</u>	<u>-</u>	<u>1,803,553</u>
Total liabilities	<u>1,890,893</u>	<u>42,148</u>	<u>1,933,041</u>
DEFERRED INFLOWS OF RESOURCES	<u>538,386</u>	<u>-</u>	<u>538,386</u>
NET POSITION			
Net investment in capital assets	215,413	-	215,413
Unrestricted	(934,425)	(40,585)	(975,010)
Total net position	<u>\$ (719,012)</u>	<u>\$ (40,585)</u>	<u>\$ (759,597)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit G

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
OPERATING REVENUES			
Food sales	\$ 92,461	\$ -	\$ 92,461
OPERATING EXPENSES			
Food cost:			
Purchase of food	1,318,216	-	1,318,216
Donated commodities	144,324	-	144,324
Salaries and benefits	1,436,033	(7,452)	1,428,581
Indirect costs	219,006	-	219,006
Advertising	33,394	-	33,394
Materials and supplies	27,864	-	27,864
Repairs and maintenance	15,856	-	15,856
Contracted services	13,910	-	13,910
Depreciation	70,214	-	70,214
Other	4,469	-	4,469
Total operating expenses	3,283,286	(7,452)	3,275,834
Operating loss	(3,190,825)	7,452	(3,183,373)
NONOPERATING REVENUES			
Federal reimbursements	3,087,962	-	3,087,962
Federal commodities	144,324	-	144,324
USDA fruit and vegetable grants	63,207	-	63,207
Interest earned on investments	3,393	-	3,393
Other	298	-	298
Total nonoperating revenues	3,299,184	-	3,299,184
Income before transfers	108,359	7,452	115,811
TRANSFERS FROM OTHER FUNDS	45,000	-	45,000
Change in net position	153,359	7,452	160,811
NET POSITION			
Beginning of year	836,084	(48,037)	788,047
Restatement	(1,708,455)	-	(1,708,455)
End of year	<u>\$ (719,012)</u>	<u>\$ (40,585)</u>	<u>\$ (759,597)</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

Exhibit H

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 57,756	\$ 157	\$ 57,913
Cash paid for goods and services	(1,664,877)	-	(1,664,877)
Cash paid to employees for services	(1,280,956)	-	(1,280,956)
Due from other funds	-	-	-
Net cash used by operating activities	<u>(2,888,077)</u>	<u>157</u>	<u>(2,887,920)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	3,087,962	-	3,087,962
Other nonoperating revenues	<u>63,505</u>	<u>-</u>	<u>63,505</u>
Net cash provided by noncapital financing activities	<u>3,151,467</u>	<u>-</u>	<u>3,151,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	<u>(7,686)</u>	<u>-</u>	<u>(7,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>3,393</u>	<u>-</u>	<u>3,393</u>
Net increase (decrease) in cash	259,097	157	259,254
CASH - BEGINNING OF YEAR	<u>571,755</u>	<u>(13,002)</u>	<u>558,753</u>
CASH - END OF YEAR	<u>\$ 830,852</u>	<u>\$ (12,845)</u>	<u>\$ 818,007</u>

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

**Exhibit H
(Continued)**

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (3,190,825)	\$ 7,452	\$ (3,183,373)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	70,214	-	70,214
Donated commodities consumed	144,324	-	144,324
Salaries paid by special revenue fund	45,000	-	45,000
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Decrease in accounts receivable	4,762	157	4,919
Increase in due from other governments	(39,467)	-	(39,467)
Decrease in net OPEB asset	2,553	-	2,553
Increase in inventories	(48,699)	-	(48,699)
Increase in deferred outflows	(107,541)	12,485	(95,056)
Increase in accounts payable	13,984	-	13,984
Increase in net pension liability	23,933	(18,567)	5,366
Decrease in net OPEB liability	(294,069)	-	(294,069)
Increase in deferred inflows of resources	486,973	(1,370)	485,603
Increase in compensated absences payable	781	-	781
Total adjustments	302,748	(7,295)	295,453
Net cash used by operating activities	\$ (2,888,077)	\$ 157	\$ (2,887,920)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$45,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit G.

The School Food Service Fund received donated commodities with a value of \$144,324 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue and the consumption of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit G.

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

NOTES TO THE FINANCIAL STATEMENTS

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BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

The Board of Education of Thomasville City Schools, North Carolina (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 within the City of Thomasville, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

The members of the Board are appointed by the City of Thomasville, North Carolina. In addition, the City sets the rate of and levies the school supplement tax rendered to the Board. Therefore, the Board is included in the reporting entity of the City of Thomasville under Governmental Accounting Standards Board (GASB) Statement Number 14.

B) Basis of Presentation

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

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

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

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

The Board reports the following major governmental funds:

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

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

Federal Grants Fund. The Federal Grants Fund is used to account for funds provided by the federal government under various federal programs.

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

C) Measurement Focus and Basis of Accounting

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting (Continued)

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 at the functional level 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 North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at 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 Superintendent is authorized by the governing Board to transfer monies from one appropriation to another within the same fund under the following conditions:

- 1) The Superintendent may transfer amounts between subfunctions and objects of expenditure within a function without limitations and without a report being required.
- 2) The Superintendent may transfer amounts between functions of the same fund with a report on such transfers being required at the next meeting of the Board of Education.
- 3) The Superintendent may not transfer amounts between funds or from any contingency appropriation within a fund.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Budgetary Data (Continued)

Amendments which alter the County appropriations or transfer monies to or from the Capital Outlay Fund also require the approval of the Davidson County Board of Commissioners. During the year, several amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1) Deposits and Investments

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

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

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

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

2) Cash and Cash Equivalents

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. 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.

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

Buildings	20 to 45 years
Building improvements	15 to 20 years
Equipment and furniture	3 to 15 years
Vehicles	6 to 14 years

Davidson 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 bond 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 provide 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.

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. 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 several item that meet this criterion – unearned grant revenue in the School Food Service Fund and pension and OPEB 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 salary-related payments as of June 30, 2017 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records, of the current portion of compensated absences.

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

8) Net Position/Fund Balances

Net Position

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

Fund Balance

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8) Net Position/Fund Balances (Continued)

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 a spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, 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 are collected.

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

Assigned Fund Balance - portion of fund balance that the Board 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; however, the budget ordinance authorizes the finance officer to recommend modifications of the appropriations within funds for approval by the governing body.

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8) Net Position/Fund Balances (Continued)

The Board of Education of Thomasville City Schools, North Carolina 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.

9) Reconciliation of Government-wide and Fund Financial Statements

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

The governmental funds balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(22,435,023) consists of several elements as follows:

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

a) (Continued)

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)	\$ 39,942,866
Less accumulated depreciation	<u>(20,722,621)</u>
Net capital assets	19,220,245
Net OPEB asset	52,668
Pension related deferred outflows of resources	3,949,175
OPEB related deferred outflows of resources	3,068,362
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(1,775,184)
Net pension liability	(7,672,016)
Net OPEB liability	(28,851,443)
Deferred inflows of resources related to pensions	(400,284)
Deferred inflows of resources related to OPEB	(10,026,546)
Total adjustments	<u><u>\$ (22,435,023)</u></u>

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

The governmental funds 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 \$(1,736,908) as follows:

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

b) (Continued)

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 798,988
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	(793,351)
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	(553,078)
OPEB expense	(1,033,213)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(156,254)
Total adjustments	\$ (1,736,908)

10) Defined Benefit Pension Plan 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 to 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

A) Significant Violations of Finance-Related Legal and Contractual Provisions

None

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B) Excess of Expenditures over Appropriations

During the year ending June 30, 2018, the Board of Education of Thomasville City Schools appropriated fund balance in excess of that available at June 30, 2017. This is in direct violation of General Statute §115C-425(a), which states in part, “Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year.” The general fund had budgeted, in excess of availability, fund balance in the amount of \$222,588.

C) Deficits in Fund Balance or Net Position of Individual Funds

The Child Care Fund reported a negative net position of \$(40,585) for the year ended June 30, 2018. Management will develop a plan for repayment of these costs to reduce the liability.

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 agent 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 carrying amount of the Board's deposits with banks and savings and loans was \$984,349. The bank balances with the financial institutions and the State Treasurer were \$1,503,283 and \$338,654, respectively. Of these balances, \$768,175 was covered by federal depository insurance and \$1,073,762 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board had \$2,807 in petty cash at June 30, 2018.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2) Investments

At June 30, 2018, the Board of Education had \$27,930 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

There was \$4,345 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	Total
Governmental activities:				
General Fund	\$ 32,197	\$ 85,834	\$ 138,659	\$ 256,690
Other governmental activities	-	548,439	81,933	630,372
Total	<u>32,197</u>	<u>634,273</u>	<u>220,592</u>	<u>887,062</u>
Business-type activities:				
School food service fund	\$ (3,096)	\$ 179,707	\$ 1,556	\$ 178,167
Child care fund	(29,101)	-	1,563	(27,538)
Total	<u>(32,197)</u>	<u>179,707</u>	<u>3,119</u>	<u>150,629</u>

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable (Continued)

Due from other governments consists of the following:

Governmental activities:

General Fund	\$ 27,209	Fines and forfeitures from County
General Fund	58,625	City of Thomasville - Ad valorem
State Public School Fund	483,082	Operating funds
Federal Fund	<u>65,357</u>	Federal grants appropriations
Total	<u><u>\$ 634,273</u></u>	

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases (Decreases)</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 552,595	\$ -	\$ -	\$ 552,595
Capital assets being depreciated:				
Building and improvements	36,075,455	643,346	-	36,718,801
Furniture and equipment	1,950,291	17,100	37,313	2,004,704
Vehicles	609,217	94,862	(37,313)	666,766
Total capital assets being depreciated	<u>38,634,963</u>	<u>755,308</u>	<u>-</u>	<u>39,390,271</u>
Less accumulated depreciation for:				
Building and improvements	17,719,238	686,922	(578)	18,405,582
Furniture and equipment	1,779,943	54,024	31,764	1,865,731
Vehicles	473,769	8,725	(31,186)	451,308
Total accumulated depreciation	<u>19,972,950</u>	<u>749,671</u>	<u>-</u>	<u>20,722,621</u>
Total capital assets being depreciated, net	<u>18,662,013</u>			<u>18,667,650</u>
Governmental activity capital assets, net	<u>\$ 19,214,608</u>			<u>\$ 19,220,245</u>

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 740,946
Operational support services	52,405
	\$ 793,351
Total	\$ 793,351

	Beginning Balances	Increases (Decreases)	Transfers	Ending Balances
Business-type activities:				
School Food Service Fund				
Capital assets being depreciated:				
Furniture and equipment	974,077	7,686	-	981,763
Computer equipment	25,000	-	-	25,000
Total capital assets being depreciated	999,077	7,686	-	1,006,763
Less accumulated depreciation for:				
Furniture and equipment	696,136	70,214	-	766,350
Computer equipment	25,000	-	-	25,000
Total accumulated depreciation	721,136	70,214	-	791,350
School Food Service Fund capital assets, net	\$ 277,941			\$ 215,413

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities

1) Pension Plan and Other Postemployment Obligations

a) Teachers' and State Employees' Retirement System

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

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 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 \$1,590,656, \$1,414,890, and \$1,251,033 for the years ended June 30, 2018, 2017 and 2016, respectively.

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 \$8,049,490 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 as 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. The Board's proportion was .101%, .101%, and .103% as of June 30, 2018, 2017, and 2016, respectively.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

For the year ended June 30, 2018, the Board recognized pension expense of \$1,981,880. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 174,498	\$ 263,341
Changes of assumptions	1,271,698	-
Net difference between projected and actual earnings on pension plan investments	1,089,368	-
Board contributions and proportionate share of contributions	34,805	156,637
Board contributions subsequent to the measurement date	<u>1,573,110</u>	<u>-</u>
Total	<u>\$ 4,143,479</u>	<u>\$ 419,978</u>

\$1,573,110 was reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 368,593
2020	1,504,017
2021	713,760
2022	(435,979)
2023	-
Thereafter	-

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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	3.50 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 (Cost of Living Allowance) 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

II) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	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%
Total	<u>100.0%</u>	

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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 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)	\$ 16,569,183	\$ 8,049,490	\$ 911,074

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

b) Other Postemployment Benefits

1) Healthcare Benefits

Plan description. The 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 local 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 contribution 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

The 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 the TSERS, the Consolidated 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 retiree 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 2017-57 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

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 employers 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 assets 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 assets 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 RHBF, 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 \$882,868.

At June 30, 2018, Board reported a liability of \$30,270,973 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 projection of the Board's present value of future salary, actuarially determined. At December 31, 2016, the Board's proportion was 0.0923%.

For the year ended June 30, 2018, the Board recognized RHBP expense of \$1,958,539. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to RHBP from the following sources:

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,170,484
Changes of assumptions	-	8,336,488
Net difference between projected and actual earnings on pension plan investments	-	11,250
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,288,770	-
Board contributions subsequent to the measurement date	882,868	-
Total	\$ 3,171,638	\$ 10,518,222

\$882,868 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	\$ (1,646,453)
2020	(1,646,453)
2021	(1,646,453)
2022	(1,646,453)
2023	(1,643,640)
Thereafter	-

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

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

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 projected 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	\$ 36,111,532	\$ 30,270,973	\$ 25,638,581

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1) Healthcare Benefits (Continued)

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 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 (Medical - 4.00- 5.50%, Pharmacy - 4.00-6.25%, Medicar Advantage - 3.00- 4.00%, Administrative - 2.00%	Healthcare Trend Rates (Medical - 5.00- 6.50%, Pharmacy - 5.00-7.25%, Medicar Advantage - 4.00- 5.00%, Administrative - 3.00%	1% Increase (Medical - 6.00- 7.50%, Pharmacy - 6.00-8.25%, Medicar Advantage - 5.00- 6.00%, Administrative - 4.00%
Net OPEB liability	\$ 24,728,597	\$ 30,270,973	\$ 37,637,499

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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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 provide 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 the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from 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, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$20,430 for the year ended June 30, 2018.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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

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

At June 30, 2018, Board reported an asset of \$55,259 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 projection of the Board's present value of future salary, actuarially determined. At December 31, 2016, the Board's proportion was 0.0904%.

For the year ended June 30, 2018, the Board recognized DIPNC expense of \$28,811. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to RHBP from the following sources:

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,151	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	12,112	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	1,644
Board contributions subsequent to the measurement date	20,430	-
Total	\$ 47,693	\$ 1,644

\$20,430 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	\$ 7,532
2020	7,532
2021	7,529
2022	3,026
2023	-
Thereafter	-

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including 3.50 percent inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB 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 (2.75percent) 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	\$ 46,978	\$ 55,259	\$ 63,558

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, employee group (i.e. teacher, 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 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Total	<u>100.0%</u>	

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

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2) Disability Benefits (Continued)

	RHBF	DIPNC	Total
OPEB expense	\$ 1,958,539	\$ 28,811	\$ 1,987,350
OPEB liability (asset)	30,270,973	(55,259)	30,215,714
Proportionate share of the net OPEB liability (asset)	0.09233%	0.09041%	
Deferred Outflows of Resources			
Difference between expected and actual experience	-	15,151	15,151
Change in assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	12,112	12,112
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,288,770	-	2,288,770
Board contributions subsequent to the measurement date	882,868	20,430	903,298
Deferred Inflows of Resources			
Difference between expected and actual experience	2,170,484	-	2,170,484
Change in assumptions	8,336,489	-	8,336,489
Net difference between projected and actual earnings on plan investments	11,250	-	11,250
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	1,644	1,644

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2) Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 46,774	\$ 136,471	\$ 183,245
Other Governmental Funds	7,643	428,939	436,582
Total governmental activities	<u>\$ 54,417</u>	<u>\$ 565,410</u>	<u>\$ 619,827</u>
Business-type activities			
School Food Service Fund	\$ 84,244	\$ -	\$ 84,244
Child Care Fund	202	-	202
Total business-type activities	<u>\$ 84,446</u>	<u>\$ -</u>	<u>\$ 84,446</u>

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

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
Differences between expected and actual experience	\$ 189,649	\$ 2,433,825
Changes of assumptions	1,271,698	8,336,489
Net difference between projected and actual earnings on pension plan investments	1,101,480	11,250
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,323,575	158,281
Board contributions subsequent to the measurement date	2,476,408	
Grants not yet earned (School Food Service Fund)	-	25,371
Total	\$ 7,362,810	\$ 10,965,216

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 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 claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers or self-insured by the local board. 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4) Risk Management (Continued)

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. Coverage is provided on an “all risk” perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million.

Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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

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

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 outcome of these legal matters will not have a material adverse effect on the Board’s financial position.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations

a) 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:

	Beginning balance, restated	Additions	Reductions	Ending balance	Current portion
Governmental activities					
Net pension liability	\$ 8,895,210	\$ -	\$ 1,223,194	\$ 7,672,016	
Net OPEB liability	34,828,287	-	5,976,844	28,851,443	
Compensated absences	1,618,930	1,330,531	1,174,277	1,775,184	\$1,597,665
Total	<u>\$ 45,342,427</u>	<u>\$1,330,531</u>	<u>\$ 8,374,315</u>	<u>\$38,298,643</u>	<u>\$1,597,665</u>
Business-type activities					
Net pension liability	\$ 372,108	\$ 5,366	\$ -	\$ 377,474	
Net OPEB liability	1,713,599	-	294,069	1,419,530	
Compensated absences	57,682	47,625	39,818	65,489	\$ 58,940
Total	<u>\$ 2,143,389</u>	<u>\$ 52,991</u>	<u>\$ 333,887</u>	<u>\$ 1,862,493</u>	<u>\$ 58,940</u>

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

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

b) Interfund Balances and Activity

Transfers to/from other funds and interfund balances at June 30, 2018, consist of the following:

	Amount
Due to the General Fund from Child Care Fund for operational cost	\$ 29,101
Due to the General Fund from School Food Service Fund for indirect costs	\$ 3,096
From the State Public School Fund to the School Food Service Fund for administrative cost	\$ 45,000

(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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

(V) 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.

BOARD OF EDUCATION OF THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2018

(V) FUND BALANCE (Continued)

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

<u>Total fund balance - General Fund</u>	\$ 217,914
Less:	
Prepaid items	95,410
Stabilization by State Statute	257,971
Appropriated fund balance in 2019 budget	-
Remaining fund balance	\$ (135,467)

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board had no encumbrances as of June 30, 2018.

(VI) SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events were through October 10, 2018, which is the date the financial statements were available to be issued. There were no recognized subsequent events meriting disclosure.

(VII) CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$34,723,743 and \$1,708,455, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

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**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Four Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability (asset)	0.101%	0.101%	0.103%	0.101%
Board's proportionate share of the net pension liability (asset)	\$ 8,049,490	\$ 9,267,319	\$ 3,811,232	\$ 1,182,856
Board's covered-employee payroll	\$ 14,082,994	\$ 14,194,199	\$ 14,414,329	\$ 15,148,065
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.16%	65.29%	26.44%	7.81%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Four Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,590,656	\$ 1,503,475	\$ 1,251,033	\$ 1,315,999
Contributions in relation to the contractually required contribution	<u>1,590,656</u>	<u>1,503,475</u>	<u>1,251,033</u>	<u>1,315,999</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 14,851,479	\$ 14,082,994	\$ 14,194,199	\$ 14,414,329
Contributions as a percentage of covered-employee payroll	10.71%	10.68%	8.81%	9.13%

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Plan
Last Fiscal Year*

	2018
Board's proportion of the net OPEB liability (asset)	0.092%
Board's proportionate share of the net OPEB liability (asset)	\$ 30,270,973
Board's covered-employee payroll	\$ 14,082,994
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	214.95%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%

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

**BOARD OF EDUCATION OF
 THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
 Schedule of Board Contributions
 Retiree Health Benefit Fund
 Last Fiscal Years***

	2018
Contractually required contribution	\$ 882,868
Contributions in relation to the contractually required contribution	882,868
Contribution deficiency (excess)	\$ -
Board's covered-employee payroll	\$14,851,479
Contributions as a percentage of covered-employee payroll	5.94%

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
Last Fiscal Year***

	2018
Board's proportion of the net OPEB liability (asset)	0.090%
Board's proportionate share of the net OPEB liability (asset)	\$ 55,259
Board's covered-employee payroll	\$ 14,082,994
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	116.23%

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

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Fiscal Years***

	2018
Contractually required contribution	\$ 20,430
Contributions in relation to the contractually required contribution	20,430
Contribution deficiency (excess)	\$ -
Board's covered-employee payroll	\$14,851,479
Contributions as a percentage of covered-employee payroll	0.14%

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

INDIVIDUAL FUND SCHEDULES

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**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2018**

Schedule 1

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State of North Carolina:			
N.C. Pre-Kindergarten Program	\$ 225,000	\$ 217,525	\$ (7,475)
Total State of North Carolina	<u>225,000</u>	<u>217,525</u>	<u>(7,475)</u>
Davidson County:			
County appropriation	2,821,359	2,801,325	(20,034)
Fines and forfeitures	88,658	60,436	(28,222)
Total Davidson County	<u>2,910,017</u>	<u>2,861,761</u>	<u>(48,256)</u>
U.S. Government:			
ROTC	106,085	51,064	(55,021)
Teenage Pregnancy Prevention	161,377	116,906	(44,471)
Total U.S. Government	<u>267,462</u>	<u>167,970</u>	<u>(99,492)</u>
City of Thomasville:			
Operating transfer, net	1,373,600	1,464,481	90,881
Total City of Thomasville	<u>1,373,600</u>	<u>1,464,481</u>	<u>90,881</u>
Other:			
Rental of school property		24,550	
Contributions and donations		140,392	
Indirect cost allocated		303,655	
Interest earned		5,103	
Tuition		1,466	
Local miscellaneous		188,375	
Total other	<u>541,168</u>	<u>663,541</u>	<u>122,373</u>
Total revenues	<u>5,317,247</u>	<u>5,375,278</u>	<u>58,031</u>
Instructional services:			
Regular instructional	1,128,660	1,047,124	81,536
Special populations	159,381	111,376	48,005
Alternative programs	525,760	498,552	27,208
School leadership	488,893	488,883	10
Co-curricular	171,453	171,332	121
School-based support	461,793	461,793	-
Total instructional services	<u>2,935,940</u>	<u>2,779,060</u>	<u>156,880</u>
System-wide support services:			
Support and development	167,029	165,122	1,907
Special population support and development	87,086	87,086	-
Alternative programs and services support and development	59,972	59,972	-
Technology support	142,578	102,578	40,000
Operational support	1,104,620	1,104,620	-
Financial and human resource	648,642	573,931	74,711
Accountability	86,690	85,181	1,509
System-wide pupil support	120,173	120,173	-
Policy, leadership, and public relations	932,716	928,813	3,903
Total system-wide support services	<u>3,349,506</u>	<u>3,227,476</u>	<u>122,030</u>

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund**
For the Year Ended June 30, 2018

**Schedule 1
(Continued)**

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Ancillary services	\$ 143,995	88,885	\$ 55,110
Non-programmed charges	229,303	225,185	4,118
Total expenditures	6,658,744	6,320,606	338,138
Revenues under expenditures	(1,341,497)	(945,328)	396,169
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	(36,141)	(36,141)
	-	(36,141)	(36,141)
Revenues and other financing sources under expenditures	(1,341,497)	(981,469)	360,028
APPROPRIATED FUND BALANCE	1,341,497	-	(1,341,497)
Net change in fund balance	\$ -	(981,469)	\$ (981,469)
FUND BALANCE			
Beginning of year		1,199,383	
End of year		\$ 217,914	

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2018**

Schedule 2

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Davidson County	\$ 2,177,841	\$ 1,128,739	\$ (1,049,102)
Other	66,114	56,892	(9,222)
Total revenues	2,243,955	1,185,631	(1,058,324)
EXPENDITURES			
Property:			
Real property and buildings:			
Contracted Repairs		48,353	
Undesignated Projects		13,236	
Roofing		621,474	
Improve buildings and grounds		56,297	
Central office renovations		12,543	
Technology infrastructure		30,920	
Weatherization		5,700	
Paving and sidewalks		6,651	
Flooring and carpet		18,194	
Heating and air		72,216	
Total real property and buildings		885,584	
Furniture and equipment		138,797	
Vehicles		143,971	
Total expenditures	2,486,390	1,168,352	1,318,038
Revenues under expenditures	(242,435)	17,279	259,714
APPROPRIATED FUND BALANCE	242,435	-	(242,435)
Net change in fund balance	\$ -	17,279	\$ 17,279
FUND BALANCE			
Beginning of year		223,929	
End of year		\$ 241,208	

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2018**

Schedule 3

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Food sales	\$ 109,459	\$ 92,461	\$ (16,998)
OPERATING EXPENDITURES			
Food cost:			
Purchase of food		1,366,915	
Donated commodities		144,324	
Salaries and benefits		1,055,820	
Indirect costs		219,006	
Advertising		33,394	
Materials and supplies		27,864	
Repairs and maintenance		15,856	
Contracted services		13,910	
Other		4,469	
Total operating expenditures	<u>3,876,710</u>	<u>2,881,558</u>	<u>995,152</u>
Operating loss	<u>(3,767,251)</u>	<u>(2,789,097)</u>	<u>978,154</u>
NONOPERATING REVENUES			
Federal reimbursements		3,087,962	
Federal commodities		144,324	
USDA fruit and vegetable grants		63,207	
Interest earned		3,393	
Other		298	
Total nonoperating revenues	<u>3,767,251</u>	<u>3,299,184</u>	<u>(468,067)</u>
Revenues under expenditures before other financing sources	-	510,087	510,087
OTHER FINANCING SOURCES			
Transfers from other funds	-	45,000	45,000
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>555,087</u>	<u>\$ 555,087</u>
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(70,214)	
Deferred outflows - pension		107,541	
Deferred inflows - pension		(486,973)	
Increase in compensated absences payable		(781)	
Increase in inventories		48,699	
Change in net position (full accrual basis)		<u>\$ 153,359</u>	

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
Child Care Fund
For the Year Ended June 30, 2018**

Schedule 4

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Child care fees	\$ 2,500	\$ -	\$ (2,500)
OPERATING EXPENDITURES			
Salaries and benefits	2,500	(7,452)	9,952
Other	-	-	-
Total operating expenditures	2,500	(7,452)	9,952
Change in net position (full accrual basis)	\$ -	\$ 7,452	\$ 7,452

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COMPLIANCE SECTION



Member:
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Rives & Associates, LLP
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Member:
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**Independent Auditor's 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***

Board of Education of
Thomasville City Schools, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Thomasville City Schools, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Board of Education of Thomasville City Schools' basic financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weakness: 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of Thomasville City Schools' 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 of Thomasville City Schools' Response to Findings

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

Purpose of this Report

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

Rives & Associates LLP

Lexington, North Carolina
October 10, 2018



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**Independent Auditor's 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**

Board of Education of
Thomasville City Schools, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of Thomasville City Schools, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board of Education of Thomasville City Schools' major federal programs for the year ended June 30, 2018. The Board of Education of Thomasville City Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of Thomasville City Schools' 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.

Auditor's Responsibility (Continued)

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of Thomasville City Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Board of Education of Thomasville City Schools complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Continued)

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.

Rives & Associates LLP

Lexington, North Carolina
October 10, 2018



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**Independent Auditor's 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**

Board of Education of
Thomasville City Schools, North Carolina

Report on Compliance for Each Major State Program

We have audited the Board of Education of Thomasville City Schools, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board of Education of Thomasville City Schools' major state programs for the year ended June 30, 2018. The Board of Education of Thomasville City Schools' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of Thomasville City Schools' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act.

Auditor's Responsibility (Continued)

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of Thomasville City Schools' 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 Board of Education of Thomasville City Schools' compliance.

Opinion on Each Major State Program

In our opinion, the Board of Education of Thomasville City Schools complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (Continued)

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.

Rives & Associates LLP

Lexington, North Carolina
October 10, 2018

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes X No

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
10.558	Child and Adult Care Food Program

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

Auditee qualified as low-risk auditee? Yes X No

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2018-001 General Ledger

Criteria:

The Board's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures. This is a repeat finding from year ended June 30, 2017.

Condition:

The Board is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Board's internal controls over GAAP financial reporting should include all closing journal entries necessary to summarize accounting transactions and reflect transactions accurately.

Effect:

Numerous audit adjustments were necessary to properly reflect accounting transactions accurately.

Cause:

This was due to a shortage of key personnel with the experience and knowledge to perform the posting of journal entries needed during the year as well as at year end.

Recommendation:

The Board should continue to review their internal control procedure in place to ensure the required general ledger postings are made on a monthly basis and at year end.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 83 of this audit report.

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2018-002 Excess of Appropriated Fund Balance

Criteria:

Appropriated fund balance should not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts at the close of the fiscal year next preceding the budget year.

Condition:

The Board's final budget for the General Fund included an appropriated fund balance line which exceeded the allowable amount by \$222,588.

Effect:

The Board approved and operated under a final budget that was in direct violation of General Statute 115C-425(a).

Cause:

The budget was amended and approved with an appropriated fund balance in excess of that allowed by General Statute 115C-425(a)

Recommendation:

The Board should implement procedures to ensure that all budgets and amendments are reviewed, approved, and are not in violation of General Statute 115C-425.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 84 of this audit report.

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Corrective Action Plan
Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2018-001 General ledger

Name of contract person:

Scott E. Powell, Chief Financial Officer

Corrective action:

Provide monthly reviews of more accounts to ensure financial information is being reported correctly within two weeks of each month end. Checklists will be created and signed off on by finance department staff to ensure account reconciliations and tasks are preformed timely. Calendars have been created and are currently being used to ensure deadlines for payables and payroll are met each month from outside departments and schools. Year-end closeout procedures provided by the North Carolina Department of Public Instruction and Education Management Systems will be converted into checklists to ensure accurate and timely reporting.

Professional development and training for staff is ongoing with four of the five staff soon being graduates of the North Carolina Association of School Business Officials Academy. The Finance Department continues to implement new processes since December 2016 to assist in strengthening internal controls and requiring proper documentation of any journal entries. 2017-2018 was the first full year of all Finance staff being in place and staff are developing processes for their specific areas in order to prevent this weakness in the future.

Proposed completion date: Immediately

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Corrective Action Plan
Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2018-001 General ledger

Name of contract person:

Scott E. Powell, Chief Financial Officer

Corrective action:

Additional monitoring procedures will be implemented to ensure an adequate fund balance is available prior to any appropriation of fund balance. The Senior Staff is currently discussing plans to reduce costs to ensure an adequate fund balance is maintained going forward since no assigned or unassigned fund balance is currently available. Thomasville City Schools has employed four Superintendents and three Finance Officers since May 2016. Stability has been restored to the administrative leadership and should assist in preventing this deficiency in the future.

Proposed completion date: Immediately

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number	Description	Status
2017-001	Excess of Expenditures over Appropriations	Resolved
2017-002	General Ledger	Unresolved - See Corrective Action Plan on page 83

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
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>Expenditures</u>
FEDERAL GRANTS			
Cash Assistance:			
<u>U.S. Department of Education:</u>			
Passed through the North Carolina Department of Public Instruction:			
Title I, Part A Cluster:			
Title I, Grants to Local Educational Agencies Educationally Deprived Children	84.010	PRC 050	<u>1,631,652</u>
School Improvement Cluster:			
Title IV, Part A, Safe and Drug Free Schools and Communities	84.184	PRC 108	<u>8,469</u>
Special Education Cluster:			
Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	586,715
Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	31,523
Special Needs Targeted Assistance	84.173	PRC 118	8,272
Preschool Targeted Assistance	84.173	PRC 119	<u>1,796</u>
Total Special Education Cluster			<u>628,306</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>5,189</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	<u>29,379</u>
Title III, Language Instruction for Limited English Proficient and Immigrant Students	84.365	PRC 104	<u>37,237</u>
21st Century Community Learning Center Grant	84.287	PRC 110	<u>55,556</u>
Mathematics and Science Partnerships	84.366	PRC 112	<u>68,473</u>
Improving Teacher Quality State Grant	84.367	PRC 103	<u>77,445</u>
Special Education-State Personnel Development Grant	84.323	PRC 082	<u>10,857</u>
Total U.S. Department of Education			<u>\$ 2,552,563</u>

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
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>Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through the North Carolina Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	-	<u>967,367</u>
Passed-through the North Carolina Department of Public Instruction:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch	10.555	-	<u>\$ 144,324</u>
Cash Assistance:			
National School Lunch Program	10.555	-	1,175,072
School Breakfast Program	10.553	-	662,423
Summer Food Service Program for Children	10.559	-	<u>283,100</u>
Cash Assistance Subtotal			<u>2,120,595</u>
Total Child Nutrition Cluster:			<u>2,264,919</u>
Passed through the NC Department of Public Instruction:			
USDA Fresh Fruit and Vegetable Grant	10.582	-	<u>63,207</u>
Total U.S. Department of Agriculture			<u>3,295,493</u>
<u>U. S. Department of Health and Human Services</u>			
<u>Health Resources and Services Administration:</u>			
Passed through the NC Department of Public Instruction:			
Teenage Pregnancy Prevention	93.297	PRC 515	<u>116,906</u>
<u>U.S. Department of Defense:</u>			
Direct program:			
ROTC	NONE	PRC 301	<u>51,064</u>
Total Federal Assistance			<u>\$ 6,016,026</u>

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
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>Expenditures</u>
STATE GRANTS			
Cash Assistance:			
<u>NC Department of Public Instruction</u>			
State Public School Fund	N/A	-	\$13,885,873
Drivers Training	N/A	PRC 012	33,256
School Technology	N/A	PRC 015	109,651
Vocational Education:			
State Months of Employment	N/A	PRC 013	835,068
Program Support Funds	N/A	PRC 014	<u>81,159</u>
Total North Carolina Department of Public Instruction			<u>14,945,007</u>
<u>N.C. Department of Health and Human Services</u>			
N.C. Pre-Kindergarten Program	N/A	-	<u>217,525</u>
Total State Assistance			<u>15,162,532</u>
Total Federal and State Assistance			<u>\$21,178,558</u>

**BOARD OF EDUCATION OF
THOMASVILLE CITY SCHOOLS, NORTH CAROLINA**
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

NOTE 1 -BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Board of Education of Thomasville City Schools, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Board of Education of Thomasville City Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported in the schedule of expenditures of federal and State awards 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.

The Board of Education of Thomasville City Schools has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CLUSTER OF PROGRAMS

The School Nutrition Program is clustered by the NC Department of Public Instruction and is treated separately for state audit purposes.