

**JACKSON COUNTY
BOARD OF EDUCATION**

Sylva, North Carolina

Financial Statements

June 30, 2015

(with Independent Auditors' Report thereon)

JACKSON COUNTY BOARD OF EDUCATION
Sylva, North Carolina

Members of the Board of Education

Ken Henke, Chairperson

Ali Laird-Large, Vice Chairperson

Elizabeth Cooper

Matt Wike

Margaret McRae

Administrative and Financial Staff

Dr. Michael Murray, Superintendent

Dr. Kimberly Elliott, Assistant Superintendent

Gwen Edwards, Finance Officer

JACKSON COUNTY BOARD OF EDUCATION

Table of Contents

June 30, 2015

<u>Exhibits</u>	<u>Page(s)</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
"1" Statement of Net Position.....	12
"2" Statement of Activities.....	13-14
Fund Financial Statements:	
"3" Balance Sheet–Governmental Funds.....	15-16
"4" Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
"5" Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds	18-19
"6" Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
"7" Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund and Annually Budgeted Major Special Revenue Funds.....	21-23
"8" Statement of Net Position–Proprietary Fund	24
"9" Statement of Revenues, Expenses, and Changes in Net Position–Proprietary Fund.....	25
"10" Statement of Cash Flows–Proprietary Fund.....	26-27
Notes to the Financial Statements	28-48

Schedules

Page(s)

Required Supplementary Information:

“RSI-1” Schedule of the Board’s Proportionate Share of the Net Pension Liability – Teachers’ and State Employees’ Retirement System.....49

“RSI-2” Schedule of the Board’s Contributions – Teachers’ and State Employees’ Retirement System50

Supplemental Schedules:

“1” Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–General Fund.....51-53

“2” Combining Balance Sheet–Non-major Governmental Funds 54

“3” Combining Statement of Revenues, Expenditures, and Changes in Fund Balances–Non-major Governmental Funds55-56

“4” Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–Federal Grants Fund.....57

“5” Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–Capital Outlay Fund.....58-59

“6” Schedule of Revenues and Expenditures–Budget and Actual (Non-GAAP)–School Nutrition Fund60-61

“7” Combining Balance Sheet–Individual Schools Fund 62

“8” Combining Schedule of Revenues, Expenditures, and Changes In Fund Balance–Individual Schools Fund.....63

Compliance Section:

“9” Schedule of Expenditures of Federal and State Awards.....64-67

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.....68-69

Independent Auditors’ Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act.....70-71

Independent Auditors’ Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; In Accordance with Applicable Sections of OMB Circular A-133; and the State Single Audit Implementation Act72-73

“10” Schedule of Findings and Questioned Costs.....74-75

“11” Corrective Action Plan.....76

“12” Summary Schedule of Prior Audit Findings77



- Independent Auditors' Report -

Jackson County Board of Education
Sylva, 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 Jackson County Board of Education (the "Board"), as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund and the Other Specific Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB Statement No. 27)*, in 2015. Our opinion is not modified with respect to these changes.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Teachers' and State Employees' Retirement System Schedules of the Board's Proportionate Share of the Net Pension Liability and the Board's Contributions on pages 4-11 and pages 49-50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation



Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Asheville, North Carolina
February 24, 2016

JACKSON COUNTY BOARD OF EDUCATION

Management's Discussion and Analysis

June 30, 2015

This section of the Jackson County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Historical Perspective

The Board was formed circa 1889. Today, the Board is one out of 115 public school systems in North Carolina. At one time, Jackson County had more than 40 public schools. Through consolidation over the years, the Board now has nine schools: two early college high schools, a high school, an alternative school, a K-6 school and four K-8 schools.

Financial Highlights

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$42,680,816 (*net position*). Of this amount, \$44,629,089 represents the Board's investment in schools and other capital assets, net of depreciation.
- The Jackson County Board of Commissioners continued funding a special allotment to finance technology upgrades in the schools in the amount of \$397,500. In addition, the County funded a special allotment of \$283,500 to begin the Board of Education's one to one initiative.
- As of the close of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5,693,083, a decrease of \$1,309,340 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,343,065, or approximately 16% of total General Fund expenditures.

Overview of the Financial Statements

The audited financial statements of the Board consist of five components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplementary information that presents the Board's share of the net pension liability and retirement system contributions*
- *Supplemental information that presents combining non-major governmental fund statements and schedules, and budgetary schedules for the General Fund, Federal Grants Fund, Capital Outlay Fund, and the enterprise fund.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide 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 fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government wide statements, 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 of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how they have changed. Net position - the difference between the total of the Board's assets and deferred outflows of resources and the total of the Board's 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, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

The government-wide statements are shown on Pages 12 through 14 of this report.

Fund Financial Statements

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

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

The Board 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 the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental* funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Board has six governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Specific Revenue Fund and the Federal Grants Fund.

The governmental fund statements are shown on Pages 15 through 23 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board has one proprietary fund, which is an enterprise fund, the School Nutrition Fund.

The proprietary fund statements are shown on Pages 24 through 27 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on Pages 28 through 48.

Financial Analysis of the Board as a Whole

Statement of Net Position: Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a government's financial position. The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows of resources by \$42 million as of June 30, 2015. The largest component of net position is net investment in capital assets of \$44 million, comprising 105% of the total net position.

Following is a summary of the Statement of Net Position:

Table 1

**Condensed Statement of Net Position
As of June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014 as adjusted	2015	2014 as adjusted	2015	2014 as adjusted
Current assets	\$ 6,991,274	\$ 8,267,564	\$ 330,595	\$ 355,271	\$ 7,321,869	\$ 8,622,835
Capital assets, net	44,619,882	45,615,946	171,597	177,850	44,791,479	45,793,796
Total assets	<u>51,611,156</u>	<u>53,883,510</u>	<u>502,192</u>	<u>533,121</u>	<u>52,113,348</u>	<u>54,416,631</u>
Deferred outflows of resources	<u>1,759,533</u>	<u>1,546,778</u>	<u>53,460</u>	<u>46,995</u>	<u>1,812,993</u>	<u>1,593,773</u>
Current liabilities	1,298,191	1,265,141	19,307	18,473	1,317,498	1,283,614
Long-term liabilities	3,744,734	10,505,237	92,859	307,459	3,837,593	10,812,696
Total liabilities	<u>5,042,925</u>	<u>11,770,378</u>	<u>112,166</u>	<u>325,932</u>	<u>5,155,091</u>	<u>12,096,310</u>
Deferred outflows of resources	<u>5,910,847</u>	<u>-</u>	<u>179,587</u>	<u>-</u>	<u>6,090,434</u>	<u>-</u>
Net investment in capital assets	44,457,492	45,615,946	171,597	177,850	44,629,089	45,793,796
Restricted net position	1,319,801	1,608,969	-	-	1,319,801	1,608,969
Unrestricted net Position (deficit)	<u>(3,360,376)</u>	<u>(3,565,005)</u>	<u>92,302</u>	<u>76,334</u>	<u>(3,268,074)</u>	<u>(3,488,671)</u>
	<u>\$42,416,917</u>	<u>\$43,659,910</u>	<u>\$ 263,899</u>	<u>\$ 254,184</u>	<u>\$42,680,816</u>	<u>\$43,914,094</u>

The Board's capital assets, which consist of land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 105% of total net position. Another 3% of net position is restricted to be spent by the individual schools, for capital projects, and for other restricted grants.

Net position decreased by \$1,233,278 over the 2014 fiscal year. The net investment in capital assets decreased by \$1.2 million, primarily because there were few additions to capital assets and they did not offset depreciation expense. In addition, the Board of Education paid for a one-time bonus for all personnel, regardless of the funding source of their position.

Net position increased in the business-type activities by approximately \$10,000. The decrease was due to several factors. While food sales continued to decline and federal meal reimbursements increased slightly, the increase in federal reimbursements was not large enough to offset the 3% increase in all categories of operating expenses over the previous year.

Statement of Activities: The following table shows the revenues and expenses for the Board for the current and most recent prior fiscal years.

Table 2

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014 as adjusted	2015	2014 as adjusted	2015	2014 as adjusted
Revenues:						
Program revenues:						
Charges for services	\$ 289,043	\$ 203,021	\$ 584,903	\$ 592,435	\$ 873,946	\$ 795,456
Operating grants	25,289,558	23,734,803	1,533,977	1,482,155	26,823,535	25,216,958
General revenues	9,553,215	16,405,195	3,870	1,035	9,557,085	16,406,230
Total revenues	<u>35,131,816</u>	<u>40,343,019</u>	<u>2,122,750</u>	<u>2,075,625</u>	<u>37,254,566</u>	<u>42,418,644</u>
Expenses:						
Governmental activities:						
Instructional programs	26,894,393	25,722,023	-	-	26,894,393	25,722,023
Supporting services	8,488,469	7,715,915	-	-	8,488,469	7,715,915
Ancillary services	380,616	217,409	-	-	380,616	217,409
Non-programmed charges	524,343	511,551	-	-	524,343	511,551
Business-type activities:						
School nutrition	-	-	2,200,023	2,139,975	2,200,023	2,139,975
Total expenses	<u>36,287,821</u>	<u>34,166,898</u>	<u>2,200,023</u>	<u>2,139,975</u>	<u>38,487,844</u>	<u>36,306,873</u>
Net revenues (expense)	(1,156,005)	6,176,121	(77,273)	(64,350)	(1,233,278)	6,111,771
Transfers	(86,988)	(75,234)	86,988	75,234	-	-
Changes in net position	(1,242,993)	6,100,887	9,715	10,884	(1,233,278)	6,111,771
Net position, July 1	43,659,910	44,402,459	254,184	451,222	43,914,094	44,853,681
Adjustment	-	(6,843,436)	-	(207,922)	-	(7,051,358)
Net position, June 30	<u>\$42,416,917</u>	<u>\$43,659,910</u>	<u>\$ 263,899</u>	<u>\$ 254,184</u>	<u>\$42,680,816</u>	<u>\$43,914,094</u>

Total governmental activities generated revenues of \$35.1 million, while expenses in this category totaled \$36.2 million. After transfers to the business-type activities, the decrease in net position was \$1.2 million. The County completed construction of a Fine Arts Center and Gym at Smoky Mountain High School and a weight room and locker room at Blue Ridge School, current year expenditures for which were \$49,000, a decrease in county expenditures on school construction of approximately \$13.5 million over 2014. Expenditures in all categories increased over 2014. The primary increase in cost was the result of a significant salary increase for teachers, coupled with an increase in the retirement rate and cost of employer provided health care coverage. In addition, the Board of Education funded a one-time bonus of 3% of annual gross salaries for teachers and other certified personnel and 2% for all other employees. In addition, the Board began implementation of its one to one initiative during the year with the financial assistance of Jackson County. Instructional expenses in 2015 and 2014 comprised 74% and 75%, respectively, of total governmental-type expenses while support services made up 23.4% and 22.6% of those expenses, respectively, for that same time period. County funding comprised 22% and 36% of total governmental revenue in 2015 and 2014, respectively. Much of the remaining governmental revenue consists of restricted State and federal funding. Total revenues in the business-type activities increased by almost 3% in comparison to 2014. The decrease in charges for services was offset by an increase in federal and State funding.

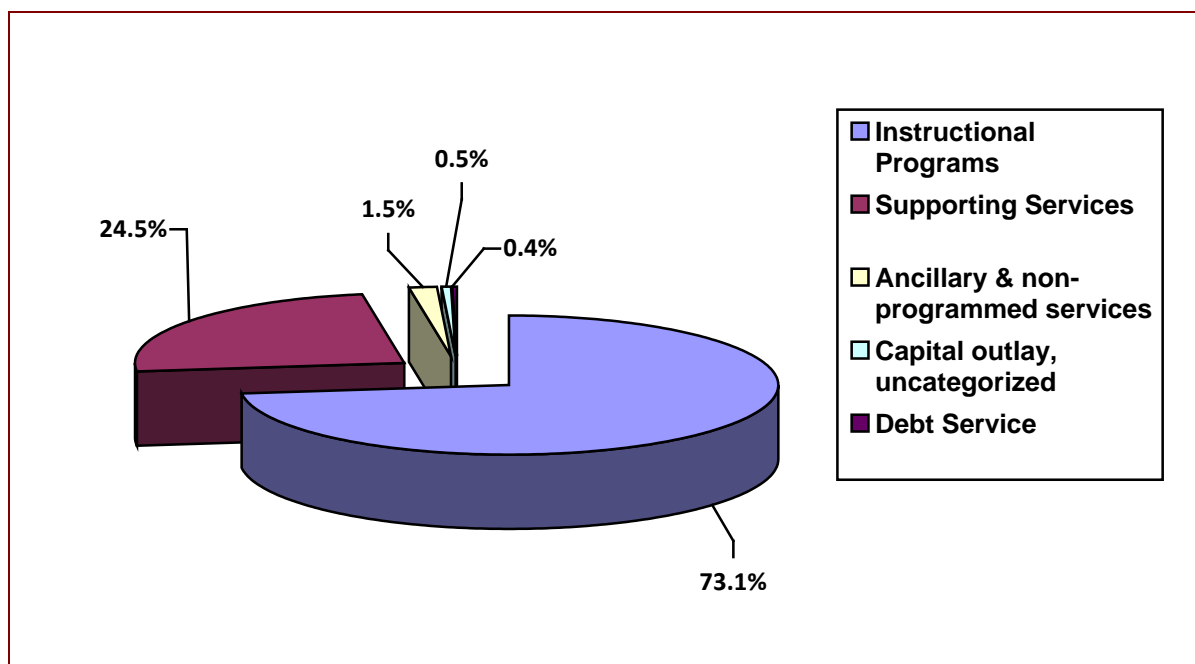
Operating expenses increased by 3%, resulting in a decrease in net position of \$77,273 before transfers in from the governmental activities of \$86,988.

Financial Analysis of the Board’s Funds

Governmental Funds: The focus of the Board’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 \$5,693,083, a \$1,309,340 decrease from the 2014 fiscal year. County funding decreased by \$6.6 million over the previous year, which was due to the previously mentioned county funded construction projects. Federal revenues decreased by \$111,000. This reduction was shared among virtually all of the federal grants received by the Board. The 2015 State budget had not been passed when the Board adopted its local budget. The Board budgeted for a one-time bonus for all employees in lieu of salary increases because it had been five years since there had been any significant salary increases. This bonus was paid from the General Fund for all employees, regardless of the funding source for their regular salary. In addition, the State budget, when passed, included a significant increase in the salaries of most certified employees, most of whom are paid from State funds.

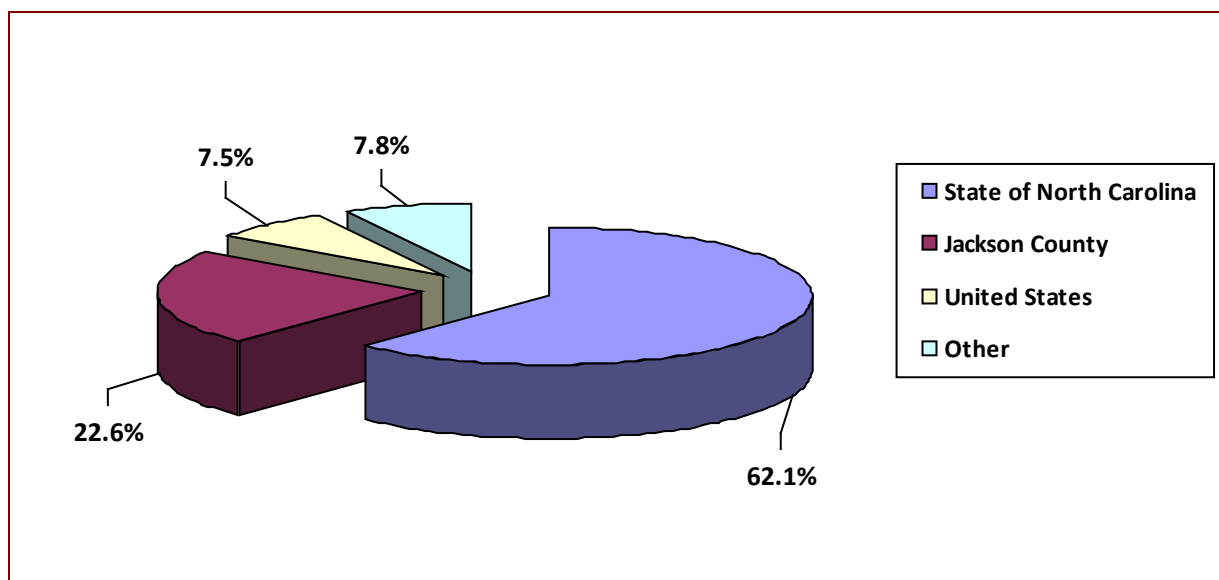
Proprietary Fund: The School Nutrition Fund’s performance declined slightly from the previous year. Lunch prices increased during the 2015 year, but participation fell, continuing the trend that has developed over the past several years. Food costs increased by 12% partially as a result of the extra cost of the fresh fruit and vegetables required by changes to the Healthy, Hunger-free Kids Act. Salaries and related benefits remained fairly constant, while operating expenses as a whole increased by 3% in 2015 compared to 2014. There was an effort to increase efficiency in the department as a whole, and work hours were reduced when possible.

Governmental Fund Expenditures



Expenditures presented on modified accrual basis of accounting.

Governmental Fund Revenues



Revenues presented on 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 program needs. The Board was able to reduce spending and end the year with a much smaller net reduction in fund balance than was anticipated. Actual expenditures in the General Fund during 2015 were less than budgeted expenditures by \$1.3 million on the modified accrual basis of accounting. This difference is due to the cost cutting measures instituted by the Board referred to earlier. While the Board anticipated expected General Fund expenditures to exceed revenues by \$2.8 million (*appropriated fund balance*), actual results reported excess expenditures of \$1.5 million.

Capital Assets

During the 2015 fiscal year, capital assets before depreciation in the governmental activities increased by \$664,000. Of this amount, \$48,000 was paid directly by Jackson County for completion of school construction projects that had been in progress at the beginning of the fiscal year. The School Nutrition Fund added \$18,843 of new equipment, of which \$11,376 was funded by the Capital Outlay Fund.

Projects funded by Jackson County at Smoky Mountain High School and Blue Ridge School were completed during the year. A roof repair project at Smoky Mountain High School was started, and \$67,000 of expenditures on this project are included in construction in progress at June 30, 2015. The total cost of the project is expected to be approximately \$100,000.

A summary of capital assets, net of depreciation is presented in Table 3.

Table 3

Summary of Capital Assets, Net of Accumulated Depreciation
As of June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Government	
	2014		2014		2014	
	2015	as adjusted	2015	as adjusted	2015	as adjusted
Land	\$ 1,809,021	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021	\$ 1,809,021
Construction in progress	67,407	12,784,099	-	-	67,407	12,784,099
Buildings and improvements	40,427,606	28,936,815	-	-	40,427,606	28,936,815
Equipment and furniture	982,790	939,561	171,597	177,850	1,154,387	1,117,411
Vehicles	1,333,058	1,146,450	-	-	1,333,058	1,146,450
Total	<u>\$44,619,882</u>	<u>\$45,615,946</u>	<u>\$ 171,597</u>	<u>\$ 177,850</u>	<u>\$44,791,479</u>	<u>\$45,793,796</u>

Debt Outstanding

During the year the Board incurred debt in the form of installment financing to pay for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

County funding is a major source of revenue for the Board; therefore, Jackson County’s economic outlook directly affects that of the schools. As of October 2015, the County’s unemployment rate was 5.4%. This is less than that of the State of North Carolina, which was 5.7% as of October 2015. The County’s tax collection rate increased to 96.33% for 2014 from 95.89% for 2013, the last years that this information was available, indicating the County is in sound financial condition.

The Board intends to budget conservatively during the 2015-2016 fiscal year. As the State reduces funding for teacher assistants, more of the cost has been taken on by the Board of Education. In response, the County Board of Commissioners has indicated they would make available the funds to cover the shortfall of State teacher assistant funding.

Requests for Information

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

Gwen L. Edwards, CPA, CGMA
Finance Officer
Jackson County Board of Education
398 Hospital Road
Sylva, NC 28779

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,916,183	\$ 248,408	\$ 6,164,591
Due from other governments	1,043,066	57,975	1,101,041
Receivables	31,714	1,935	33,649
Inventories	311	22,277	22,588
Capital assets:			
Land and construction in progress	1,876,428	-	1,876,428
Other capital assets, net of depreciation	42,743,454	171,597	42,915,051
Total capital assets	<u>44,619,882</u>	<u>171,597</u>	<u>44,791,479</u>
Total assets	<u>51,611,156</u>	<u>502,192</u>	<u>52,113,348</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,759,533</u>	<u>53,460</u>	<u>1,812,993</u>
LIABILITIES			
Accounts payable	226,118	446	226,564
Accrued salaries and wages payable	1,072,073	-	1,072,073
Unearned revenue	-	18,861	18,861
Long-term liabilities:			
Due within one year	1,053,170	43,136	1,096,306
Due in more than one year	2,691,564	49,723	2,741,287
Total liabilities	<u>5,042,925</u>	<u>112,166</u>	<u>5,155,091</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,910,847</u>	<u>179,587</u>	<u>6,090,434</u>
NET POSITION			
Net investment in capital assets	44,457,492	171,597	44,629,089
Restricted:			
Individual schools	989,694	-	989,694
Stabilization by State Statute	118,658	-	118,658
Capital outlay	211,449	-	211,449
Unrestricted (deficit)	<u>(3,360,376)</u>	<u>92,302</u>	<u>(3,268,074)</u>
Total net position	<u>\$ 42,416,917</u>	<u>\$ 263,899</u>	<u>\$ 42,680,816</u>

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

JACKSON COUNTY BOARD OF EDUCATION

Exhibit 2

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional services:				
Regular instructional	\$ 13,986,326	\$ -	\$ 12,542,652	\$ -
Special populations	3,831,914	-	3,672,744	-
Alternative programs and services	2,279,157	-	2,149,309	-
School leadership	2,572,592	-	1,328,240	-
Co-curricular	2,161,895	-	-	-
School-based support	2,062,509	-	1,532,269	-
System-wide support services:				
Support and development	455,286	-	323,825	-
Special populations support and development	210,237	-	190,245	-
Alternative programs and services support and development	159,074	-	109,438	-
Technology support	1,514,445	-	174,266	-
Operational support	4,579,030	13,220	2,155,449	-
Financial and human resource	807,994	-	194,974	-
Accountability services	82,620	-	-	-
System-wide pupil support	104,795	-	35,114	-
Policy, leadership and public relations	574,988	-	281,078	-
Ancillary services	380,616	275,823	75,612	-
Non-programmed charges	524,343	-	524,343	-
Total governmental activities	<u>36,287,821</u>	<u>289,043</u>	<u>25,289,558</u>	<u>-</u>
Business-type activities:				
School nutrition	2,200,023	584,903	1,533,977	-
Total government	<u>\$ 38,487,844</u>	<u>\$ 873,946</u>	<u>\$ 26,823,535</u>	<u>\$ -</u>
General revenues:				
Unrestricted county appropriations - operating				
Unrestricted county appropriations - capital				
Unrestricted State appropriation - capital				
Unrestricted Federal grants - operating				
Investment earnings, unrestricted				
Loss on disposal of capital assets				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position—beginning, as adjusted				
Net position—ending				

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,443,674)	\$ -	\$ (1,443,674)
(159,170)	-	(159,170)
(129,848)	-	(129,848)
(1,244,352)	-	(1,244,352)
(2,161,895)	-	(2,161,895)
(530,240)	-	(530,240)
(131,461)	-	(131,461)
(19,992)	-	(19,992)
(49,636)	-	(49,636)
(1,340,179)	-	(1,340,179)
(2,410,361)	-	(2,410,361)
(613,020)	-	(613,020)
(82,620)	-	(82,620)
(69,681)	-	(69,681)
(293,910)	-	(293,910)
(29,181)	-	(29,181)
-	-	-
<u>(10,709,220)</u>	<u>-</u>	<u>(10,709,220)</u>
-	(81,143)	(81,143)
<u>(10,709,220)</u>	<u>(81,143)</u>	<u>(10,790,363)</u>
6,199,721	-	6,199,721
1,123,116	-	1,123,116
22,500	-	22,500
174,946	-	174,946
25,964	1,063	27,027
-	(18)	(18)
2,006,968	2,825	2,009,793
<u>(86,988)</u>	<u>86,988</u>	<u>-</u>
<u>9,466,227</u>	<u>90,858</u>	<u>9,557,085</u>
(1,242,993)	9,715	(1,233,278)
<u>43,659,910</u>	<u>254,184</u>	<u>43,914,094</u>
<u>\$ 42,416,917</u>	<u>\$ 263,899</u>	<u>\$ 42,680,816</u>

JACKSON COUNTY BOARD OF EDUCATION

Balance Sheet Governmental Funds

June 30, 2015

	Major Funds		
	General	State Public School	Individual Schools
ASSETS			
Cash and cash equivalents	\$ 3,111,500	\$ -	\$ 992,409
Due from other governments	16,624	892,368	-
Due from other funds	227	-	-
Accounts receivable	2,382	-	-
Inventories	311	-	-
Total assets	\$ 3,131,044	\$ 892,368	\$ 992,409
LIABILITIES			
Accounts payable and accrued liabilities	\$ 224,824	\$ -	\$ -
Accrued salaries and wages payable	83,643	892,368	-
Due to other funds	16,796	-	2,715
Total liabilities	325,263	892,368	2,715
FUND BALANCES			
Non-spendable:			
Inventories	311	-	-
Restricted:			
Stabilization by State Statute	19,233	-	-
Individual schools	-	-	989,694
Capital outlay	-	-	-
Committed:			
Special programs	-	-	-
Assigned:			
Subsequent years expenditures	1,443,172	-	-
Unassigned	1,343,065	-	-
Total fund balances	2,805,781	-	989,694
Total liabilities and fund balances	\$ 3,131,044	\$ 892,368	\$ 992,409

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

<u>Other Specific Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,600,825	\$ 211,449	\$ 5,916,183
17,453	116,621	1,043,066
19,284	-	19,511
29,332	-	31,714
-	-	311
<u>\$ 1,666,894</u>	<u>\$ 328,070</u>	<u>\$ 7,010,785</u>
\$ 1,294	\$ -	\$ 226,118
12,797	83,265	1,072,073
-	-	19,511
<u>14,091</u>	<u>83,265</u>	<u>1,317,702</u>
-	-	311
66,069	33,356	118,658
-	-	989,694
-	211,449	211,449
1,586,734	-	1,586,734
-	-	-
-	-	1,443,172
-	-	1,343,065
<u>1,652,803</u>	<u>244,805</u>	<u>5,693,083</u>
<u>\$ 1,666,894</u>	<u>\$ 328,070</u>	<u>\$ 7,010,785</u>

JACKSON COUNTY BOARD OF EDUCATION

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

For the Year Ended June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$	5,693,083
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,619,882
Deferred outflows of resources are not available to satisfy current obligations in the fund statements. However, they are considered a consumption of net position that applies to a future period and are included in the Statement of Net Position:		
Contributions to the pension plan in the current fiscal year		1,756,809
Pension related deferrals		2,724
Deferred inflows of resources are not available to satisfy current obligations in the fund statements. However, they are considered economic resources and are included in the Statement of Net Position.		(5,910,847)
Liabilities for long-term debt are not payable with current financial resources and therefore are not reported in the funds:		
Net pension liability		(1,636,570)
Compensated absences		(1,945,774)
Installment purchase contracts		(162,390)
		(3,744,734)
Net position of governmental activities	\$	42,416,917

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

JACKSON COUNTY BOARD OF EDUCATION

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2015

	Major Funds		
	General	State Public School	Individual Schools
REVENUES			
State of North Carolina	\$ -	\$ 21,638,540	\$ -
Jackson County	6,779,482	-	-
U.S. Government	-	-	-
Other	214,633	-	1,695,927
Total revenues	6,994,115	21,638,540	1,695,927
EXPENDITURES			
Current operating:			
Instructional programs:			
Regular instructional	1,507,027	12,160,547	-
Special populations	166,884	2,915,467	-
Alternative programs and services	224,420	1,067,117	-
School leadership	636,276	1,328,240	-
Co-curricular	403,754	-	2,026,907
School-based support	529,176	1,380,970	-
System-wide support services:			
Support and development	126,996	321,274	-
Special populations support and development	18,240	123	-
Alternative programs and services support and development	3,655	17,267	-
Technology support	610,773	123,764	-
Operational support	2,609,849	1,898,707	-
Financial and human resource	608,679	33,260	-
Accountability services	82,846	-	-
System-wide pupil support	62,530	35,114	-
Policy, leadership and public relations	287,634	281,078	-
Ancillary services	24,562	-	-
Non-programmed charges	443,344	-	-
Capital outlay, uncatagorized:			
Real property and buildings	-	-	-
Furniture and equipment	-	-	-
Debt service:			
Principal	-	-	-
Total expenditures	8,346,645	21,562,928	2,026,907
Revenues over (under) expenditures	(1,352,530)	75,612	(330,980)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	105,000
Transfers out	(105,257)	(75,612)	(61,907)
Proceeds from installment contract	-	-	-
Proceeds from the sale of assets	-	-	-
Total other financing sources (uses)	(105,257)	(75,612)	43,093
Net change in fund balances	(1,457,787)	-	(287,887)
Fund balances--beginning	4,263,568	-	1,277,581
Fund balances--ending	\$ 2,805,781	\$ -	\$ 989,694

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

<u>Other Specific Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 32,815	\$ 184,890	\$ 21,856,245
46,620	1,123,116	7,949,218
236,512	2,422,098	2,658,610
805,508	31,046	2,747,114
<u>1,121,455</u>	<u>3,761,150</u>	<u>35,211,187</u>
213,044	252,670	14,133,288
9,235	749,386	3,840,972
84,071	945,708	2,321,316
-	-	1,964,516
41,979	51,112	2,523,752
144,182	24,473	2,078,801
-	2,551	450,821
-	190,122	208,485
52,950	92,171	166,043
9,850	721,369	1,465,756
30,202	621,847	5,160,605
165,304	-	807,243
-	-	82,846
1,470	15,868	114,982
-	-	568,712
491	-	25,053
-	80,999	524,343
-	116,374	116,374
-	51,052	51,052
-	162,390	162,390
<u>752,778</u>	<u>4,078,092</u>	<u>36,767,350</u>
<u>368,677</u>	<u>(316,942)</u>	<u>(1,556,163)</u>
62,164	-	167,164
-	(11,376)	(254,152)
-	324,780	324,780
-	9,031	9,031
<u>62,164</u>	<u>322,435</u>	<u>246,823</u>
430,841	5,493	(1,309,340)
<u>1,221,962</u>	<u>239,312</u>	<u>7,002,423</u>
<u>\$ 1,652,803</u>	<u>\$ 244,805</u>	<u>\$ 5,693,083</u>

JACKSON COUNTY BOARD OF EDUCATION

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2015

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

Net change in fund balances—total governmental funds	\$ (1,309,340)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	925,175
Depreciation	(1,915,142)
<p>Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.</p>	
	1,756,809
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:</p>	
Issuance of long-term debt	(324,780)
Repayment on long-term debt	162,390
<p>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:</p>	
Pension expense	(701,257)
Net change in compensated absences	169,249
Loss on disposal of assets	<u>(6,097)</u>
Total changes in net position of governmental activities	<u>\$ (1,242,993)</u>

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

JACKSON COUNTY BOARD OF EDUCATION

Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and
Actual—General Fund and Annually Budgeted Major Special Revenue Funds

For the Year Ended June 30, 2015

	General Fund			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Jackson County	6,779,482	6,779,482	6,779,482	-
U.S. Government	-	-	-	-
Other	190,000	202,263	214,633	12,370
Total revenues	<u>6,969,482</u>	<u>6,981,745</u>	<u>6,994,115</u>	<u>12,370</u>
EXPENDITURES				
Current operating:				
Instructional services:				
Regular instructional	1,996,978	1,760,194	1,507,027	253,167
Special populations	182,067	214,396	166,884	47,512
Alternative programs and services	305,793	257,040	224,420	32,620
School leadership	700,069	705,847	636,276	69,571
Co-curricular	454,369	467,476	403,754	63,722
School-based support	520,312	555,129	529,176	25,953
System-wide support services:				
Support and development	147,045	134,331	126,996	7,335
Special populations support and development	19,599	18,845	18,240	605
Alternative programs and services support and development	4,624	4,019	3,655	364
Technology support	215,083	623,803	610,773	13,030
Operational support	3,416,566	3,229,445	2,609,849	619,596
Financial and human resource	661,427	662,781	608,679	54,102
Accountability services	87,730	86,594	82,846	3,748
System-wide pupil support	112,334	112,189	62,530	49,659
Policy, leadership and public relations	336,606	336,435	287,634	48,801
Ancillary services	21,471	25,812	24,562	1,250
Non-programmed charges	475,000	475,000	443,344	31,656
Total expenditures	<u>9,657,073</u>	<u>9,669,336</u>	<u>8,346,645</u>	<u>1,322,691</u>
Revenues over (under) expenditures	<u>(2,687,591)</u>	<u>(2,687,591)</u>	<u>(1,352,530)</u>	<u>1,335,061</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(105,257)	(105,257)	(105,257)	-
Appropriated fund balance	2,792,848	2,792,848	-	(2,792,848)
Total other financing sources (uses)	<u>2,687,591</u>	<u>2,687,591</u>	<u>(105,257)</u>	<u>(2,792,848)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,457,787)</u>	<u>\$ (1,457,787)</u>
Fund balances—beginning			4,263,568	
Fund balances—ending			<u>\$ 2,805,781</u>	

State Public School Fund			
Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ 21,307,926	\$ 22,144,397	\$ 21,638,540	\$ (505,857)
-	-	-	-
-	-	-	-
-	-	-	-
<u>21,307,926</u>	<u>22,144,397</u>	<u>21,638,540</u>	<u>(505,857)</u>
12,436,759	12,384,727	12,160,547	224,180
2,613,882	2,913,130	2,915,467	(2,337)
1,109,542	1,172,563	1,067,117	105,446
1,362,677	1,360,301	1,328,240	32,061
-	-	-	-
1,375,290	1,416,302	1,380,970	35,332
311,263	322,877	321,274	1,603
-	473	123	350
-	64,115	17,267	46,848
88,379	126,680	123,764	2,916
1,609,167	1,956,869	1,898,707	58,162
6,443	33,905	33,260	645
-	-	-	-
32,243	35,137	35,114	23
286,258	281,706	281,078	628
-	-	-	-
-	-	-	-
<u>21,231,903</u>	<u>22,068,785</u>	<u>21,562,928</u>	<u>505,857</u>
<u>76,023</u>	<u>75,612</u>	<u>75,612</u>	<u>-</u>
-	-	-	-
(76,023)	(75,612)	(75,612)	-
-	-	-	-
<u>(76,023)</u>	<u>(75,612)</u>	<u>(75,612)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>-</u>	
		<u>\$ -</u>	

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and
Actual—General Fund and Annually Budgeted Major Special Revenue Funds

For the Year Ended June 30, 2015

	Other Specific Revenue			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State of North Carolina	\$ 50,000	\$ 50,000	\$ 32,815	\$ (17,185)
Jackson County	46,725	46,725	46,620	(105)
U.S. Government	292,920	269,246	236,512	(32,734)
Other	175,851	583,437	805,508	222,071
Total revenues	<u>565,496</u>	<u>949,408</u>	<u>1,121,455</u>	<u>172,047</u>
EXPENDITURES				
Current operating:				
Instructional services:				
Regular instructional	249,591	371,351	213,044	158,307
Special populations	1,344	9,044	9,235	(191)
Alternative programs and services	104,447	97,620	84,071	13,549
School leadership	-	-	-	-
Co-curricular	37,839	44,989	41,979	3,010
School-based support	173,331	177,394	144,182	33,212
System-wide support services:				
Support and development	-	-	-	-
Special populations support and development	-	-	-	-
Alternative programs and services support and development	71,694	55,683	52,950	2,733
Technology support	28,800	25,150	9,850	15,300
Operational support	24,572	48,082	30,202	17,880
Financial and human resource	15,000	179,650	165,304	14,346
Accountability services	-	-	-	-
System-wide pupil support	-	1,500	1,470	30
Policy, leadership and public relations	-	150	-	150
Ancillary services	97,530	283,891	491	283,400
Non-programmed charges	10,565	1,095	-	1,095
Total expenditures	<u>814,713</u>	<u>1,295,599</u>	<u>752,778</u>	<u>542,821</u>
Revenues over (under) expenditures	<u>(249,217)</u>	<u>(346,191)</u>	<u>368,677</u>	<u>714,868</u>
OTHER FINANCING SOURCES				
Transfers in	29,500	126,474	62,164	(64,310)
Transfers out	-	-	-	-
Appropriated fund balance	219,717	219,717	-	(219,717)
Total other financing sources	<u>249,217</u>	<u>346,191</u>	<u>62,164</u>	<u>(284,027)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	430,841	<u>\$ 430,841</u>
Fund balances—beginning			<u>1,221,962</u>	
Fund balances—ending			<u>\$ 1,652,803</u>	

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

JACKSON COUNTY BOARD OF EDUCATION

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Major Fund</u> <u>School</u> <u>Nutrition</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 248,408
Due from other governments	57,975
Accounts receivable	1,935
Inventories	22,277
Total current assets	330,595
Non-current assets:	
Capital assets:	
Furniture and equipment, net	171,597
Total assets	502,192
DEFERRED OUTFLOWS OF RESOURCES	53,460
LIABILITIES	
Current liabilities:	
Accounts payable	446
Unearned revenue	18,861
Compensated absences, current portion	43,136
Total current liabilities	62,443
Non-current liabilities:	
Net pension liability	49,723
Total liabilities	112,166
DEFERRED INFLOWS OF RESOURCES	179,587
NET POSITION	
Net investment in capital assets	171,597
Unrestricted	92,302
Total net position	\$ 263,899

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

JACKSON COUNTY BOARD OF EDUCATION

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

For the Year Ended June 30, 2015

	<u>Major Fund</u> <u>School</u> <u>Nutrition</u>
OPERATING REVENUES	
Food sales	\$ 583,222
Other	1,681
Total operating revenues	<u>584,903</u>
OPERATING EXPENSES	
Food costs	862,869
Salaries and benefits	1,017,951
Indirect cost	177,050
Materials and supplies	92,466
Repairs and maintenance	14,922
Depreciation	28,336
Other	6,429
Total operating expenses	<u>2,200,023</u>
Operating loss	<u>(1,615,120)</u>
NON-OPERATING REVENUES	
Federal reimbursements	1,242,601
Federal commodities	108,358
State reimbursements	5,968
Interest on investments	1,063
Indirect costs not paid	177,050
Other revenues	2,825
Loss on disposal of assets	(18)
Total non-operating revenues	<u>1,537,847</u>
Loss before transfers	<u>(77,273)</u>
TRANSFERS IN	
Capital Outlay Fund	11,376
State Public School Fund	75,612
Total transfers in	<u>86,988</u>
Change in net position	9,715
Net position—beginning, as adjusted	<u>254,184</u>
Net position—ending	<u><u>\$ 263,899</u></u>

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

JACKSON COUNTY BOARD OF EDUCATION

Statement of Cash Flows
Proprietary Fund

For the Year Ended June 30, 2015

	<u>Major Fund</u> <u>School</u> <u>Nutrition</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 584,052
Cash paid for goods and services	(851,293)
Cash paid to employees for services	(983,817)
Net cash used by operating activities	<u>(1,251,058)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,218,310
State reimbursements	5,968
Other revenues	3,425
Net cash provided by non-capital financing activities	<u>1,227,703</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(11,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,063</u>
Net change in cash and cash equivalents	(33,617)
Cash and cash equivalents, beginning of year	<u>282,025</u>
Cash and cash equivalents, end of year	<u>\$ 248,408</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Statement of Cash Flows
Proprietary Fund

For the Year Ended June 30, 2015

	<u>Major Fund</u> <u>School</u> <u>Nutrition</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,615,120)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	28,336
Pension expense	21,305
Donated commodities consumed	108,358
Indirect costs not paid	177,050
Expenses paid by other funds	75,612
Change in assets and liabilities:	
Decrease in accounts receivable	(1,857)
Increase in inventories	17,207
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(53,377)
Decrease in accounts payable	(172)
Increase in compensated absences	(9,406)
Increase in unearned revenue	1,006
Total adjustments	<u>364,062</u>
Net cash used by operating activities	<u>\$ (1,251,058)</u>

NON-CASH OPERATING AND NON-CAPITAL FINANCING ACTIVITIES

The State Public School Fund paid salaries and benefits of \$75,612 to administrative personnel of the School Nutrition Fund. The payments are reflected as transfers in and expenses.

The Capital Outlay Fund paid for the purchase of equipment for the School Nutrition Fund. The purchases are reflected as a transfer in and an addition to capital assets.

Indirect costs of \$177,050 were not paid. These unpaid costs are reflected as a non-operating revenue.

The School Nutrition Fund received donated commodities with a value of \$108,358, which is reflected as non-operating revenues.

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

JACKSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

For the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

The accounting policies of Jackson County Board of Education (the “Board”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental 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.

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 also referred to as 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 ("NCDPI") for the current operating expenditures of the public school system.
- ✓ *Individual Schools Fund.* The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, receipts from after school child care programs, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, after school child care programs, activity buses, and instructional needs. The Individual Schools Fund is reported as a special revenue fund.
- ✓ *Other Specific Revenue Fund.* The Other Specific Revenue Fund accounts for proceeds from reimbursements including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made directly to local school administrative units, funds received for pre-kindergarten programs, and special programs that are not accounted for in the General Fund or other special revenue funds pursuant to G.S. 115C-426(c).

The Board reports the following major enterprise fund:

- ✓ *School Nutrition Fund.* The School Nutrition Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools Fund, as required by the North Carolina General Statutes. No budget is required by State law for the Individual Schools Fund. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$10,000) from one purpose to another within a fund with a report of such transfers to be made to the Board at its next regular meeting. Line item amounts from objects within a purpose may be transferred without a report to the Board. Proposed expenditures from State, federal or other sources of revenues may be amended upon receipt of information altering the anticipated revenues. Budget amendments shall be reported to the Board at its next regular meeting. Transfers between funds shall not be made without prior approval of the Board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

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

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.

Inventories: Inventories are maintained in the Enterprise Fund and General Fund and consist of food and supplies. Inventories are stated at average cost, which approximates the first-in, first-out method and are recognized as expenses when consumed. The other governmental funds recognize materials and supplies as expenditures when purchased.

Capital Assets: The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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.

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

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

Buildings	40 years
Land improvements; mobile classrooms; heaters	20 years
Athletic/health equipment; buses	15 years
School nutrition equipment	12 years
Vehicles/trailers; general equipment; furniture and fixtures	7 years

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

The Statement of Net Position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meets this criterion – pension related deferrals.

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

Compensated Absences: The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

Net Position/Fund Balances:

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

- ✓ *Fund Balance.* In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

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

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

- ✓ Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].
- ✓ Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, after school care programs, and various fund raising activities for which they were collected.
- ✓ Restricted for Capital Outlay – portion of fund balance that can only be used for Capital Outlay (G.S. 159-18 through 22).

Committed Fund Balance: This classification includes amounts that can only be used for specific purpose imposed by majority vote by quorum of the Board'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.

- ✓ Special Programs - portion of fund balance that is committed for special programs that are not accounted for in the General Fund or other special revenue funds.

Assigned Fund Balance: This classification includes amounts 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.

Unassigned Fund Balance: This classification includes amounts that have not been restricted, committed, or assigned to specific purposes or other funds.

The Board does not have a formal revenue spending policy; however, it is the Board's practice to 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.

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

2. Detail Notes on All Funds

A. Assets

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

At June 30, 2015, the Board had deposits in financial institutions with a carrying amount of \$612,690 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$1,149,114 and \$367,497, respectively. Of these balances, \$801,979 was covered by federal depository insurance, \$347,135 was covered by collateral held under the pooling method, and \$367,497 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments: At June 30, 2015, the Board had \$5,551,901 invested with the State Treasurer in the STIF. The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board has no policy for managing interest rate risk or credit risk.

Receivables: Receivables at the government-wide level at June 30, 2015, were as follows:

	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 16,624	\$ 2,382	\$ 19,006
State Public School Fund	892,368	-	892,368
Other Specific Revenue Fund	17,453	29,332	46,785
Other Governmental Funds	116,621	-	116,621
	<u>\$ 1,043,066</u>	<u>\$ 31,714</u>	<u>\$ 1,074,780</u>
Business-type activities:			
School Nutrition Fund	<u>\$ 57,975</u>	<u>\$ 1,935</u>	<u>\$ 59,910</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 892,368	Operating funds from NCDPI
General Fund	16,624	Fines and forfeitures
Other Specific Revenue Fund	17,453	Federal and state grant funds
Capital Outlay Fund	33,356	Sales tax revenue from County
Federal Grants Fund	83,265	Federal grant funds
	<u>\$ 1,043,066</u>	
Business-type activities:		
School Nutrition Fund	<u>\$ 57,975</u>	Federal funds

Capital Assets: Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021
Construction in progress	12,784,099	116,374	12,833,066	67,407
Total capital assets not being depreciated	<u>14,593,120</u>	<u>116,374</u>	<u>12,833,066</u>	<u>1,876,428</u>
Capital assets being depreciated:				
Buildings	48,963,845	12,910,882	10,000	61,864,727
Land improvements	720,754	77,149	-	797,903
Mobile classrooms	230,534	-	13,807	216,727
Heaters	271,427	94,275	-	365,702
Athletic/health equipment	277,745	79,614	-	357,359
Buses	2,985,667	324,780	143,801	3,166,646
Vehicles/trailers	636,517	54,101	-	690,618
General equipment	2,632,211	92,585	93,725	2,631,071
Furniture and fixtures	953,333	8,481	-	961,814
Total capital assets being depreciated	<u>57,672,033</u>	<u>13,641,867</u>	<u>261,333</u>	<u>71,052,567</u>
Less accumulated depreciation for:				
Buildings	20,434,953	1,457,464	4,520	21,887,897
Land improvements	342,611	31,766	-	374,377
Mobile classrooms	200,754	2,530	13,807	189,477
Heaters	32,763	13,963	-	46,726
Athletic/health equipment	141,614	18,605	-	160,219
Buses	1,967,262	146,124	143,801	1,969,585
Vehicles/trailers	508,472	46,149	-	554,621
General equipment	2,285,851	132,539	93,108	2,325,282
Furniture and fixtures	734,927	66,002	-	800,929
Total accumulated depreciation	<u>26,649,207</u>	<u>1,915,142</u>	<u>255,236</u>	<u>28,309,113</u>
Total capital assets being depreciated, net	<u>31,022,826</u>			<u>42,743,454</u>
Governmental activity capital assets, net	<u>\$45,615,946</u>			<u>\$44,619,882</u>
Business-type activities:				
School Nutrition Fund:				
Capital assets:				
Equipment	\$ 339,610	\$ 22,701	\$ 5,571	\$ 356,740
Less accumulated depreciation for:				
Equipment	<u>161,760</u>	<u>28,336</u>	<u>4,953</u>	<u>185,143</u>
Business-type activities Capital assets, net	<u>\$ 177,850</u>			<u>\$ 171,597</u>

Depreciation was charged to governmental functions as follows:

Regular instructional	\$ 509,544
Special populations	139,946
Alternative programs and services	83,167
School leadership	696,937
Co-curricular	83,483
School-based support	76,007
Support and development	16,231
Special populations support and development	7,989
Alternative programs and services support and development	5,674
Technology support	56,079
Operational support	169,194
Financial and human resource	28,642
Accountability services	2,923
System-wide pupil support	3,926
Policy, leadership and public relations	21,298
Ancillary services	14,102
	<u>\$ 1,915,142</u>

Financing Commitments: Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Subsequent to year-end, the Board entered into an agreement to purchase four buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the Board out of funds allocated to the Board. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2015, has been recorded.

The payments due in the fiscal year ended June 30, 2015 are as follows:

Total purchase price, four buses	\$ 327,846
Total payments due in fiscal year 2015-2016	\$ 92,004
Remaining payments due in subsequent years	\$ 276,012

B. Deferred Outflows of Resources

The Board reported deferred outflows of resources related to pensions in the amount of \$1,812,993 as of June 30, 2015. Of this amount, \$1,759,533 was related to governmental activities and \$53,460 was related to business-type activities.

C. Liabilities

Accounts Payable: Accounts payables as of June 30, 2015 are as follows:

	<u>Vendors</u>	<u>Charter Schools</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 189,722	\$ 35,102	\$ 224,824
Other Specific Revenue Fund	1,294	-	1,294
	<u>\$ 191,016</u>	<u>\$ 35,102</u>	<u>\$ 226,118</u>
Business-type activities:			
School Nutrition Fund	\$ 446	-	\$ 446

Unearned Revenues: The balance in unearned revenues as of June 30, 2015 is composed of the following element:

	<u>Unearned Revenue</u>
Prepaid sales not yet earned (School Nutrition Fund)	<u>\$ 18,861</u>

Pension Plan and Other Post-Employment Obligations:

✓ *Teachers' and State Employees' Retirement System:*

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

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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in 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, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,810,186 for the year ended June 30, 2015.

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, 2015, the Board reported a liability of \$1,686,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was 0.14383% and 0.14240%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$722,560. At June 30, 2015, 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	\$ -	\$ 393,066
Net difference between projected and actual earnings on pension plan investments	-	5,697,368
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,807	-
Board contributions subsequent to the measurement date	1,810,186	-
	<u>\$ 1,812,993</u>	<u>\$ 6,090,434</u>

\$1,810,186 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (1,527,313)
2017	(1,527,313)
2018	(1,527,313)
2019	(1,505,688)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity

5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Board’s proportionate share of the net pension liability (asset) \$	12,105,379	\$ 1,686,293	\$ (7,111,108)

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.

✓ *Other Post-Employment Benefits:*

Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the Plan for post-employment healthcare benefits of \$1,099,027, \$997,762, and \$1,001,213, respectively. These contributions represented 5.49%, 5.40%, and 5.30%, of covered payroll, respectively.

Long-Term Disability Benefits

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

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

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

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other post-employment 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 another post-employment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$82,077, \$80,701, and \$83,120, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

Other Employment Benefits: The Board provides group term life insurance to permanent, full-time employees in the amount of \$15,000 through a commercial carrier at no cost to employees. In addition, the Board contributes toward the cost of dental insurance for those employees that choose to purchase dental insurance. For the year ended June 30, 2015, the total cost to the Board for group term life insurance and dental insurance was \$13,454 and \$59,161, respectively.

Contingent Liabilities: At June 30, 2015, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

Long-Term Obligations:

- ✓ *Installment Purchases:* The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Bank of America Public Capital Corp at total payments less than the purchase price. In June 2014, the Board entered into an installment purchase contract to finance the purchase of four school buses. The financing contract requires only principal payments of \$81,195 due at the beginning of each contract year, with the exception of the first year in which two principal payments were due.

The future minimum lease payments of the installment purchase contract as of June 30, 2015, are as follows:

	<u>Principal</u>
Year ending June 30, 2016	\$ 81,195
2017	<u>81,195</u>
Total	<u>\$ 162,390</u>

✓ *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, 2015:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ -	\$ 324,780	\$ 162,390	\$ 162,390	\$ 81,195
Compensated absences	2,115,023	2,029,299	2,198,548	1,945,774	971,975
Net pension liability	8,390,214	-	6,753,644	1,636,570	-
Total	<u>\$ 10,505,237</u>	<u>\$ 2,354,079</u>	<u>\$ 9,114,582</u>	<u>\$ 3,744,734</u>	<u>\$ 1,053,170</u>
Business-type activities:					
Net pension liability	\$ 254,917	\$ -	\$ 205,194	\$ 49,723	\$ -
Compensated absences	52,542	59,550	68,956	43,136	43,136
Total	<u>\$ 307,459</u>	<u>\$ 59,550</u>	<u>\$ 274,150</u>	<u>\$ 92,859</u>	<u>\$ 43,136</u>

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

D. Deferred Inflows of Resources

The Board reported deferred inflows of resources related to pensions in the amount of \$6,090,434 as of June 30, 2015. Of this amount, \$5,910,847 was related to governmental activities and \$179,587 was related to business-type activities.

E. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2015 consist of the following:

From the General Fund to the Individual Schools Fund for instructional supplies, athletics, and other operating expenditures	<u>\$ 105,000</u>
From the State Public School Fund to the School Nutrition Fund for administrative costs	<u>\$ 75,612</u>
From the Capital Outlay Fund to the School Nutrition Fund for equipment	<u>\$ 11,376</u>
From the General Fund to the Other Specific Revenue Fund for middle school sports	<u>\$ 257</u>
From the Individual Schools Fund to the Other Specific Revenue Fund for use of activity buses and after school program expenditures	<u>\$ 61,907</u>

Due to/from other funds at June 30, 2015 consist of the following:

From the Individual Schools Fund for salaries and benefits of summer camp employees to the:	
Other Specific Revenue Fund	\$ 2,488
General Fund	227
	<u>\$ 2,715</u>
 From the General Fund to the Other Specific Revenue Fund for dental insurance	
	<u>\$ 16,796</u>

F. Fund Balance

The Board does not have a formal fund balance policy. In addition, all encumbrances lapse at the end of the year. Therefore, the entire amount of unassigned fund balance in the General Fund is available for appropriation.

G. 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. Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds 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.

3. **Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

4. **Change in Accounting Principles/Restatement**

The Board implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, beginning net position for the governmental and business-type activities decreased by \$6,843,436 and \$207,922, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

The following section contains additional information required by generally accepted accounting principles:

- Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System
 - Schedule of the Board's Contributions – Teachers' and State Employees' Retirement System
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JACKSON COUNTY BOARD OF EDUCATION

Required Supplementary Information
 Schedule of the Board's Proportionate Share of the Net Pension Liability
 Teachers' and State Employees' Retirement System
 Last Two Fiscal Years*

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (%)	0.14383%	0.14240%
Board's proportionate share of the net pension liability (\$)	\$ 1,686,293	\$ 8,645,131
Board's covered-employee payroll	\$ 18,550,024	\$ 18,890,817
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.09%	45.76%
Plan fiduciary net position as a percentage of total pension liability	98.24%	90.60%

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

JACKSON COUNTY BOARD OF EDUCATION

Required Supplementary Information
 Schedule of the Board's Contributions
 Teachers' and State Employees' Retirement System
 Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,810,186	\$ 1,593,773
Contributions in relation to the contractually required contributions	<u>1,810,186</u>	<u>1,593,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 20,018,706	\$ 18,550,024
Contributions as a percentage of covered-employee payroll	9.04%	8.59%

GENERAL FUND

The General Fund is the general operating fund of the Jackson County Board of Education mandated by State law as the Local Current Expense Fund. This fund accounts for all activities of the Jackson County Board of Education not included in other specified funds. These activities are funded principally by an appropriation to the Jackson County Board of Education by the Jackson County Commissioners. The majority of the expenditures are for current operating needs, primarily instructional programs and supporting services. The General Fund is accounted for on the modified accrual basis of accounting.

JACKSON COUNTY BOARD OF EDUCATION

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

With Comparative Actual Totals for the Year Ended June 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
REVENUES				
Jackson County:				
County appropriation		\$ 6,680,043		\$ 6,674,814
Timber receipts		99,439		104,668
Total	\$ 6,779,482	6,779,482	\$ -	6,779,482
Other:				
Fines and forfeitures		195,813		190,922
Interest on investments		18,734		21,681
Other		86		427
Total	202,263	214,633	12,370	213,030
Total revenues	6,981,745	6,994,115	12,370	6,992,512
EXPENDITURES				
Current operating:				
Instructional programs:				
Regular instructional:				
Regular curricular		1,391,030		1,208,276
CTE curricular		115,997		40,034
	1,760,194	1,507,027	253,167	1,248,310
Special populations:				
Children with disabilities curricular		91,246		68,254
CTE special population services		23,977		-
Speech and language pathology		10,488		1,513
Academically/intellectually gifted		38,078		17,227
Limited english proficiency		3,095		51
	214,396	166,884	47,512	87,045
Alternative programs and services:				
Alternative K-12		12,237		7,725
Attendance and social work		49,338		49,704
Remedial and supplemental K-12		146,018		78,639
Extended day/year		16,827		9,976
	257,040	224,420	32,620	146,044
School leadership	705,847	636,276	69,571	580,046

(continued)

JACKSON COUNTY BOARD OF EDUCATION

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

With Comparative Actual Totals for the Year Ended June 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
EXPENDITURES				
Current operating, continued:				
Instructional programs, continued:				
Co-curricular	\$ 467,476	\$ 403,754	\$ 63,722	\$ 354,543
School-based support:				
Educational media		177,868		112,709
Student accounting		161,323		169,802
Guidance		154,044		56,607
Health support		5,838		37,420
Safety and security		1,694		-
Instructional technology services		28,409		-
	<u>555,129</u>	<u>529,176</u>	<u>25,953</u>	<u>376,538</u>
System-wide support services:				
Support and development:				
Regular curricular	134,331	126,996	7,335	212,786
Special populations support and development	18,845	18,240	605	12,007
Alternative programs and services	4,019	3,655	364	600
Technology support	623,803	610,773	13,030	175,241
Operational support:				
Communication services		66,403		39,475
Printing and copying services		3,259		2,225
Public utility and energy services		1,033,481		1,042,433
Custodial/housekeeping services		206,520		194,274
Transportation services		413,364		329,760
Maintenance services		886,822		809,256
	<u>3,229,445</u>	<u>2,609,849</u>	<u>619,596</u>	<u>2,417,423</u>
Financial and human resource:				
Financial services		519,822		482,024
Human resource services		88,857		78,848
	<u>662,781</u>	<u>608,679</u>	<u>54,102</u>	<u>560,872</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

With Comparative Actual Totals for the Year Ended June 30, 2014

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
EXPENDITURES				
Current operating, continued:				
System-wide support services, continued:				
Accountability services	\$ 86,594	\$ 82,846	\$ 3,748	\$ 62,343
System-wide pupil support services	112,189	62,530	49,659	32,253
Policy, leadership and public relations:				
Board of education		78,131		82,834
Legal services		33,897		37,769
Audit services		34,300		35,300
Leadership services		135,464		127,863
Public relations		5,842		7,873
	<u>336,435</u>	<u>287,634</u>	<u>48,801</u>	<u>291,639</u>
Ancillary services:				
Community services		1,513		6,804
Nutrition services		23,049		3,474
	<u>25,812</u>	<u>24,562</u>	<u>1,250</u>	<u>10,278</u>
Non-programmed charges:				
Payments to charter schools	475,000	443,344	31,656	453,158
Total expenditures	<u>9,669,336</u>	<u>8,346,645</u>	<u>1,322,691</u>	<u>7,021,126</u>
Revenues over (under) expenditures	<u>(2,687,591)</u>	<u>(1,352,530)</u>	<u>1,335,061</u>	<u>(28,614)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(105,257)	(105,257)	-	(104,885)
Appropriated fund balance	2,792,848	-	(2,792,848)	-
Total other financing sources (uses)	<u>2,687,591</u>	<u>(105,257)</u>	<u>(2,792,848)</u>	<u>(104,885)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,457,787)</u>	<u>\$ (1,457,787)</u>	<u>(133,499)</u>
Fund balance—beginning		<u>4,263,568</u>		<u>4,397,067</u>
Fund balance—ending		<u>\$ 2,805,781</u>		<u>\$ 4,263,568</u>

JACKSON COUNTY BOARD OF EDUCATIONCombining Balance Sheet
Non-major Governmental Funds

June 30, 2015

	<u>Federal Grants</u>	<u>Capital Outlay</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ 211,449	\$ 211,449
Due from other governments	83,265	33,356	116,621
	<u>83,265</u>	<u>33,356</u>	<u>116,621</u>
Total assets	<u>\$ 83,265</u>	<u>\$ 244,805</u>	<u>\$ 328,070</u>
LIABILITIES			
Accrued salaries and wages payable	\$ 83,265	\$ -	\$ 83,265
	<u>83,265</u>	<u>-</u>	<u>83,265</u>
FUND BALANCES			
Restricted for:			
Stabilization by State Statute	-	33,356	33,356
Capital outlay	-	211,449	211,449
	<u>-</u>	<u>211,449</u>	<u>211,449</u>
Total fund balances	<u>-</u>	<u>244,805</u>	<u>244,805</u>
Total liabilities and fund balances	<u>\$ 83,265</u>	<u>\$ 244,805</u>	<u>\$ 328,070</u>

JACKSON COUNTY BOARD OF EDUCATIONCombining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds

For the Year Ended June 30, 2015

	<u>Federal Grants</u>	<u>Capital Outlay</u>	<u>Total</u>
REVENUES			
State of North Carolina	\$ -	\$ 184,890	\$ 184,890
Jackson County	-	1,123,116	1,123,116
U.S. Government	2,422,098	-	2,422,098
Other	-	31,046	31,046
Total revenues	<u>2,422,098</u>	<u>1,339,052</u>	<u>3,761,150</u>
EXPENDITURES			
Current operating:			
Instructional services:			
Regular instructional	227,670	25,000	252,670
Special populations	749,386	-	749,386
Alternative programs and services	945,708	-	945,708
Co-curricular	-	51,112	51,112
School-based support	14,171	10,302	24,473
System-wide support services:			
Support and development	2,551	-	2,551
Special populations support and development	190,122	-	190,122
Alternative programs and services support and development	92,171	-	92,171
Technology support	50,502	670,867	721,369
Operational support	68,818	553,029	621,847
System-wide pupil support	-	15,868	15,868
Non-programmed charges	80,999	-	80,999
Capital outlay, uncategorized:			
Real property and buildings	-	116,374	116,374
Furniture and equipment	-	51,052	51,052
Debt service:			
Principal	-	162,390	162,390
Total expenditures	<u>2,422,098</u>	<u>1,655,994</u>	<u>4,078,092</u>
Revenues under expenditures	<u>-</u>	<u>(316,942)</u>	<u>(316,942)</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds

For the Year Ended June 30, 2015

	<u>Federal Grants</u>	<u>Capital Outlay</u>	<u>Total</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ -	\$ (11,376)	\$ (11,376)
Proceeds from installment contract	-	324,780	324,780
Proceeds from sale of capital assets	-	9,031	9,031
Total other financing sources (uses)	<u>-</u>	<u>322,435</u>	<u>322,435</u>
Net change in fund balances	-	5,493	5,493
Fund balances - beginning of year	<u>-</u>	<u>239,312</u>	<u>239,312</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 244,805</u>	<u>\$ 244,805</u>

FEDERAL GRANTS FUND

The Federal Grants Fund accounts for various programs and grants passed through the NCDPI from the U.S. Government. The Federal Grants Fund is accounted for on the modified accrual basis of accounting.

JACKSON COUNTY BOARD OF EDUCATION

Federal Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
U.S. Government	\$ 3,273,035	\$ 2,422,098	\$ (850,937)
EXPENDITURES			
Current operating:			
Instructional programs:			
Regular instructional	239,370	227,670	11,700
Special populations	801,942	749,386	52,556
Alternative programs and services	1,048,733	945,708	103,025
School-based support	18,605	14,171	4,434
Total	<u>2,108,650</u>	<u>1,936,935</u>	<u>171,715</u>
System-wide support services:			
Support and development	2,569	2,551	18
Special populations support and development	190,192	190,122	70
Alternative programs and services support and development	94,659	92,171	2,488
Technology support	50,502	50,502	-
Operational support	74,530	68,818	5,712
Total	<u>412,452</u>	<u>404,164</u>	<u>8,288</u>
Ancillary services	46,990	-	46,990
Non-programmed charges	704,943	80,999	623,944
Total expenditures	<u>3,273,035</u>	<u>2,422,098</u>	<u>850,937</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance-beginning		-	
Fund balance-ending		<u>\$ -</u>	

CAPITAL OUTLAY FUND

The Capital Outlay Fund accounts for resources used in the construction, acquisition, repair, and replacement of Jackson County Board of Education's capital assets. Major revenue sources include appropriations from Jackson County. The Capital Outlay Fund is accounted for using the modified accrual basis of accounting.

JACKSON COUNTY BOARD OF EDUCATION

Capital Outlay Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
State of North Carolina:			
State appropriations-vehicles	\$ 22,500	\$ 22,500	\$ -
State appropriations-buses	40,981	162,390	121,409
Total State of North Carolina	<u>63,481</u>	<u>184,890</u>	<u>121,409</u>
Jackson County appropriation	1,504,499	1,123,116	(381,383)
Other:			
Investment earnings	-	1,211	1,211
Other	7,234	29,835	22,601
Total other	<u>7,234</u>	<u>31,046</u>	<u>23,812</u>
Total revenues	<u>1,575,214</u>	<u>1,339,052</u>	<u>(236,162)</u>
EXPENDITURES			
Current operating:			
Instructional services:			
Regular instructional	34,947	25,000	9,947
Co-curricular	67,112	51,112	16,000
School-based support	10,302	10,302	-
Total	<u>112,361</u>	<u>86,414</u>	<u>25,947</u>
System-wide support services:			
Technology support	684,372	670,867	13,505
Operational support	714,571	553,029	161,542
System-wide pupil support	16,030	15,868	162
Total	<u>1,414,973</u>	<u>1,239,764</u>	<u>175,209</u>
Uncategorized:			
SME Bleachers	50,264	50,264	-
Maintenance Projects	12,858	788	12,070
School construction in progress:			
SMHS gym, fine arts, BRS lockers	396,180	48,967	347,213
SMHS roof repairs	98,759	67,407	31,352
Total	<u>558,061</u>	<u>167,426</u>	<u>390,635</u>
Debt service:			
Principal	40,981	162,390	(121,409)
Total expenditures	<u>2,126,376</u>	<u>1,655,994</u>	<u>470,382</u>
Revenues under expenditures	<u>(551,162)</u>	<u>(316,942)</u>	<u>234,220</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Capital Outlay Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual

For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (20,155)	\$ (11,376)	\$ 8,779
Proceeds from installment contract	324,780	324,780	-
Fund balance appropriated	239,152	-	(239,152)
Proceeds from sale of capital assets	7,385	9,031	1,646
Total other financing sources (uses)	<u>551,162</u>	<u>322,435</u>	<u>(228,727)</u>
Net change in fund balance	<u>\$ -</u>	5,493	<u>\$ 5,493</u>
Fund balance—beginning		<u>239,312</u>	
Fund balance—ending		<u>\$ 244,805</u>	

SCHOOL NUTRITION FUND

The School Nutrition Fund uses the full accrual basis of accounting. The School Nutrition Program provides breakfast and lunch to students of the Jackson County Board of Education. Primary revenue sources are meal charges, federal commodity subsidies, and USDA reimbursements.

JACKSON COUNTY BOARD OF EDUCATION

School Nutrition Fund
Schedule of Revenues and Expenditures—Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2015
With Comparative Actual Totals for the Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)	2014 Actual
OPERATING REVENUES				
Food sales	\$ 511,500	\$ 583,222	\$ 71,722	\$ 589,570
Other	1,400	1,681	281	2,865
Total operating revenues	<u>512,900</u>	<u>584,903</u>	<u>72,003</u>	<u>592,435</u>
OPERATING EXPENDITURES				
Nutrition services:				
Food costs		845,662		790,346
Salaries and benefits		1,059,429		1,030,215
Indirect costs		177,050		175,116
Materials and supplies		92,466		63,599
Repairs and maintenance		14,922		62,495
Capital outlay		22,701		3,430
Other		6,429		6,850
Total operating expenditures	<u>2,280,026</u>	<u>2,218,659</u>	<u>61,367</u>	<u>2,132,051</u>
Operating loss	<u>(1,767,126)</u>	<u>(1,633,756)</u>	<u>133,370</u>	<u>(1,539,616)</u>
NON-OPERATING REVENUES				
Federal reimbursements	1,204,000	1,242,601	38,601	1,189,409
Federal commodities	106,806	108,358	1,552	112,343
State reimbursements	5,500	5,968	468	5,287
Interest on investments	1,100	1,063	(37)	1,035
Indirect costs not paid	175,000	177,050	2,050	175,116
Other revenues	1,000	3,425	2,425	-
Total non-operating revenues	<u>1,493,406</u>	<u>1,538,465</u>	<u>45,059</u>	<u>1,483,190</u>
Revenues under expenditures before other financing sources	<u>(273,720)</u>	<u>(95,291)</u>	<u>178,429</u>	<u>(56,426)</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

School Nutrition Fund
Schedule of Revenues and Expenditures–Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2015
With Comparative Actual Totals for the Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)	2014 Actual
OTHER FINANCING SOURCES				
Fund balance appropriated	\$ 149,045	\$ -	\$ (149,045)	\$ -
Transfers in:				
Federal Grants Fund	46,990	-	(46,990)	-
Capital Outlay Fund	20,685	11,376	(9,309)	-
State Public School Fund	57,000	75,612	18,612	75,020
General Fund	-	-	-	214
Total transfers in	<u>273,720</u>	<u>86,988</u>	<u>(186,732)</u>	<u>75,234</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>(8,303)</u>	<u>\$ (8,303)</u>	<u>18,808</u>
Reconciliation of modified accrual to full accrual basis:				
Depreciation		(28,336)		(32,520)
Capital outlay		22,701		3,430
Book value of capital assets disposed		(618)		-
Contributions to the pension plan in current fiscal year		53,377		-
Pension expense		(21,305)		-
Increase (decrease) in inventories		(17,207)		21,873
Increase in compensated absences		9,406		(707)
Change in net position		<u>\$ 9,715</u>		<u>\$ 10,884</u>

INDIVIDUAL SCHOOLS FUND

The Individual Schools Fund accounts for the activities of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, receipts from after school child care programs, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The Individual Schools Fund is accounted for on the modified accrual basis of accounting.

JACKSON COUNTY BOARD OF EDUCATIONCombining Balance Sheet
Individual Schools Fund

June 30, 2015

	<u>Elementary Schools</u>	<u>High Schools</u>	<u>Total</u>
ASSETS			
Cash and investments	<u>\$ 730,463</u>	<u>\$ 261,946</u>	<u>\$ 992,409</u>
LIABILITIES			
Due to other funds	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ 2,715</u>
FUND BALANCE	<u>727,748</u>	<u>261,946</u>	<u>989,694</u>
Total liabilities and fund balance	<u>\$ 730,463</u>	<u>\$ 261,946</u>	<u>\$ 992,409</u>

JACKSON COUNTY BOARD OF EDUCATIONCombining Schedule of Revenues, Expenditures and Changes in Fund Balance
Individual Schools Fund

For the Year Ended June 30, 2015

	<u>Elementary Schools</u>	<u>High Schools</u>	<u>Total</u>
REVENUES			
Other:			
Contributions & instructional receipts	\$ 102,302	\$ 86,865	\$ 189,167
Fund raising	224,368	265,217	489,585
After school program	275,823	-	275,823
Athletics	30,836	324,825	355,661
Clubs and organizations	103,300	48,714	152,014
General	152,805	80,872	233,677
Total revenues	<u>889,434</u>	<u>806,493</u>	<u>1,695,927</u>
EXPENDITURES			
Co-curricular instructional programs:			
Contributions & instructional receipts	236,043	135,451	371,494
Fundraising costs	219,593	252,674	472,267
After school program	384,217	-	384,217
Athletics	34,061	388,202	422,263
Clubs and organizations	88,347	42,851	131,198
General	161,782	83,686	245,468
Total expenditures	<u>1,124,043</u>	<u>902,864</u>	<u>2,026,907</u>
Revenues under expenditures	<u>(234,609)</u>	<u>(96,371)</u>	<u>(330,980)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	41,807	63,193	105,000
Transfers out	<u>(31,824)</u>	<u>(30,083)</u>	<u>(61,907)</u>
Total other financing sources (uses)	<u>9,983</u>	<u>33,110</u>	<u>43,093</u>
Net change in fund balance	(224,626)	(63,261)	(287,887)
Fund balance - beginning of year	<u>952,374</u>	<u>325,207</u>	<u>1,277,581</u>
Fund balance - end of year	<u>\$ 727,748</u>	<u>\$ 261,946</u>	<u>\$ 989,694</u>

COMPLIANCE SECTION

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

<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 Awards:			
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 38,529
Indian Education Grants to Local Education Agencies	84.060	N/A	62,335
Passed through the NC Department of Public Instruction:			
Title I, Part A:			
Basic and Concentration	84.010	PRC 050	1,078,777
School Improvement	84.010	PRC 105	43
Improving Teacher Quality State Grants	84.367	PRC 103	146,169
Rural and Low-Income Schools	84.358	PRC 109	69,773
English Language Acquisition Grants	84.365	PRC 104	18,054
Race-to-the-Top Incentive Grants, Governor's Teacher Network, Recovery Act	84.395	PRC 154	24,512
Office of Special Education and Rehabilitative Services:			
Passed through the NC Department of Public Instruction:			
Special Education State Improvement Grant	84.323	PRC 082	31,393
Special Education Cluster (IDEA):			
Individuals with Disabilities Education Act:			
Education of the Handicapped	84.027	PRC 060	894,925
Risk Pool	84.027	PRC 114	25,307
Special Needs Targeted Assistance	84.027	PRC 118	21,603
IDEA Targeted Assistance, Preschool	84.173	PRC 119	999
Preschool Handicapped	84.173	PRC 049	49,809
Total Special Education Cluster			<u>992,643</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

<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 Education, Continued</u>			
Office of Career, Technical and Adult Education:			
Passed through the NC Department of Public Instruction:			
Vocational Education Basic Grants to States	84.048	PRC 017	\$ 57,791
Capacity Building Grant	84.048	PRC 058	2,943
Total U.S. Department of Education			<u>2,522,962</u>
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service:			
Passed through the NC Department of Public Instruction:			
Child Nutrition Cluster:			
Non-cash award assistance (commodities):			
National School Lunch Program	10.555	N/A	108,358
Cash assistance:			
National School Lunch Program	10.555	N/A	927,459
School Breakfast Program	10.553	N/A	295,128
Seamless Summer Program	10.555	N/A	20,014
Total Child Nutrition Cluster			<u>1,350,959</u>
Forest Service:			
Passed through Jackson County:			
School and Roads--Grants to States	10.665	N/A	99,439
Total U.S. Department of Agriculture			<u>1,450,398</u>
<u>U.S. Department of Labor</u>			
Employment Training Administration:			
Passed through Southwestern NC Planning & Economic Development Commission:			
WIA Cluster:			
WIA Youth Activities	17.259	N/A	135,648
Total Federal Awards			<u>\$ 4,109,008</u>

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

<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 Awards:			
<u>NC Department of Public Instruction</u>			
State Public School Fund	N/A	N/A	\$ 20,184,566
Driver Training	N/A	PRC 012	56,801
School Technology Fund	N/A	PRC 015	60,577
Career Technical Education:			
State Months of Employment	N/A	PRC 013	1,230,952
Program Support Funds	N/A	PRC 014	105,644
State Kindergarten Breakfast	N/A	N/A	5,968
Appropriations for School Buses (non-cash assistance)	N/A	PRC 120	162,390
Appropriations for Vehicles (non-cash assistance)	N/A	N/A	22,500
			<hr/>
Total NC Department of Public Instruction			21,829,398
			<hr/>
<u>NC General Assembly</u>			
Passed through Jackson County:			
School Nurse Funding Initiative	N/A	N/A	32,815
			<hr/>
Total State Awards			\$ 21,862,213
			<hr/> <hr/>

Notes to the Schedule of Expenditures of Federal and State AwardsNote A--Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and State grant activity of the Jackson County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the Schedule of Expenditures of Federal and State Awards presents only a select portion of the operations of the Jackson County Board of Education, it is not intended to and does not present the financial position, changes in net position or cash flows of the Jackson County Board of Education.

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

Notes to the Schedule of Expenditures of Federal and State Awards, Continued

Note B--Summary of Significant Accounting Policies

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note C--Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

Note D--School-Wide Program

The total amount expended from the Grants to Local Education--Basic and Concentration, Title I program was expended in a school-wide program.

Note E--Federal and State Awards Which Have Been Passed Through to Subrecipients

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal</u>	<u>State</u>
Cherokee Central Schools Southwestern Child Development Commission, Inc.	Children with Special Needs Children with Special Needs	N/A N/A	\$ - -	\$ 104,133 54,251
	Special Education Cluster:			
Cherokee Central Schools	Preschool Handicapped	84.173	22,216	-
Cherokee Central Schools	Education of the Handicapped	84.027	29,549	-



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

Jackson County Board of Education
Sylva, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jackson County Board of Education (the "Board"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 24, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Asheville, North Carolina
February 24, 2016



Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Jackson County Board of Education
Sylva, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Jackson County Board of Education (the "Board") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Board's major federal program for the year ended June 30, 2015. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

Asheville, North Carolina
February 24, 2016

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; In Accordance with Applicable Sections of OMB Circular A-133; and the State Single Audit Implementation Act

Jackson County Board of Education
Sylva, North Carolina

Report on Compliance for Each Major State Program

We have audited the Jackson County Board of Education (the "Board") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major state programs for the year ended June 30, 2015. The Board's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Asheville, North Carolina
February 24, 2016

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Non-compliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ 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 Section 510(a) of Circular A-133? _____ yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.555	National School Lunch Program (cash assistance)
10.555	National School Lunch Program (commodities--non-cash assistance)
10.553	School Breakfast Program
10.555	Seamless Summer Program
84.010	Title I, Part A: Basic and Concentration

(continued)

JACKSON COUNTY BOARD OF EDUCATION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major state programs:

- Material weakness identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

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

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

Identification of major state programs:

Program Name

State Public School Fund

Section II—Financial Statement Findings

No findings noted.

Section III—Federal Award Findings and Questioned Costs

No findings noted.

Section IV—State Award Findings and Questioned Costs

No findings noted.

JACKSON COUNTY BOARD OF EDUCATION

Corrective Action Plan

For the Year Ended June 30, 2015

Section II—Financial Statement Findings

None noted.

Section III—Federal Award Findings and Questioned Costs

None noted.

Section IV—State Award Findings and Questioned Costs

None noted.

JACKSON COUNTY BOARD OF EDUCATION

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

No findings were reported in 2014.

Finding 2013-1 has been corrected.