

# Jackson County Board of Education

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**Financial Statements**

**Year Ended June 30, 2016**



**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**

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## **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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund and the Other Specific Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 schedules, budgetary schedules and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial schedules, 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 December 20, 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  
December 20, 2016

# JACKSON COUNTY BOARD OF EDUCATION

## Management's Discussion and Analysis

June 30, 2016

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, 2016. 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 \$43,748,026 (*net position*). Of this amount, \$44,427,737 represents the Board's investment in schools and other capital assets, net of depreciation and related debt.
- The Jackson County Board of Commissioners continued funding a special allotment to finance technology upgrades in the schools in the amount of \$400,000. In addition, the County funded a special allotment of \$320,700 to continue 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 \$5,670,495, a decrease of \$22,588 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,838,012, or approximately 26% 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 non-major governmental fund 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 \$43.8 million as of June 30, 2016. The largest component of net position is net investment in capital assets of \$44.4 million, comprising 102% 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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 7,309,795	\$ 6,991,274	\$ 394,177	\$ 330,595	\$ 7,703,972	\$ 7,321,869
Capital assets, net	44,612,054	44,619,882	213,487	171,597	44,825,541	44,791,479
Total assets	51,921,849	51,611,156	607,664	502,192	52,529,513	52,113,348
Deferred outflows of resources	1,983,244	1,759,533	60,987	53,460	2,044,231	1,812,993
Current liabilities	1,639,300	1,298,191	17,985	19,307	1,657,285	1,317,498
Long-term liabilities	7,732,968	3,744,734	202,745	92,859	7,935,713	3,837,593
Total liabilities	9,372,268	5,042,925	220,730	112,166	9,592,998	5,155,091
Deferred outflows of resources	1,195,944	5,910,847	36,776	179,587	1,232,720	6,090,434
Net investment in capital assets	44,214,250	44,457,492	213,487	171,597	44,427,737	44,629,089
Restricted net position	1,108,516	1,319,801	-	-	1,108,516	1,319,801
Unrestricted net Position (deficit)	(1,985,885)	(3,360,376)	197,658	92,302	(1,788,227)	(3,268,074)
	\$43,336,881	\$42,416,917	\$ 411,145	\$ 263,899	\$43,748,026	\$42,680,816

The Board's net investment in capital assets, which consist of land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 102% 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 increased by \$1,067,210 during fiscal year 2016. The net investment in capital assets decreased by \$201,352, primarily because there were few additions to capital assets and they did not offset depreciation expense. However, there was an increase in County funding for construction projects of \$923,267 in 2016.

Net position increased in the business-type activities by approximately \$147,000. The increase was due to several factors. While food sales continued to decline and food costs increased \$78,672, federal meal reimbursements increased \$213,232 resulting in an overall increase in net position.

*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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 356,435	\$ 289,043	\$ 521,850	\$ 584,903	\$ 878,285	\$ 873,946
Operating grants	26,380,465	25,289,558	1,753,931	1,533,977	28,134,396	26,823,535
Capital grants	212,225	-	-	-	212,225	-
General revenues	10,300,873	9,553,215	6,604	3,870	10,307,477	9,557,085
Total revenues	<u>37,249,998</u>	<u>35,131,816</u>	<u>2,282,385</u>	<u>2,122,750</u>	<u>39,532,383</u>	<u>37,254,566</u>
Expenses:						
Governmental activities:						
Instructional programs	27,325,977	26,894,393	-	-	27,325,977	26,894,393
Supporting services	8,140,177	8,488,469	-	-	8,140,177	8,488,469
Ancillary services	209,688	380,616	-	-	209,688	380,616
Non-programmed charges	506,327	524,343	-	-	506,327	524,343
Business-type activities:						
School nutrition	-	-	2,283,004	2,200,023	2,283,004	2,200,023
Total expenses	<u>36,182,169</u>	<u>36,287,821</u>	<u>2,283,004</u>	<u>2,200,023</u>	<u>38,465,173</u>	<u>38,487,844</u>
Net revenues (expense)	1,067,829	(1,156,005)	(619)	(77,273)	1,067,210	(1,233,278)
Transfers	(147,865)	(86,988)	147,865	86,988	-	-
Changes in net position	919,964	(1,242,993)	147,246	9,715	1,067,210	(1,233,278)
Net position, July 1	42,416,917	43,659,910	263,899	254,184	42,680,816	43,914,094
Net position, June 30	<u>\$43,336,881</u>	<u>\$42,416,917</u>	<u>\$ 411,145</u>	<u>\$ 263,899</u>	<u>\$43,748,026</u>	<u>\$42,680,816</u>

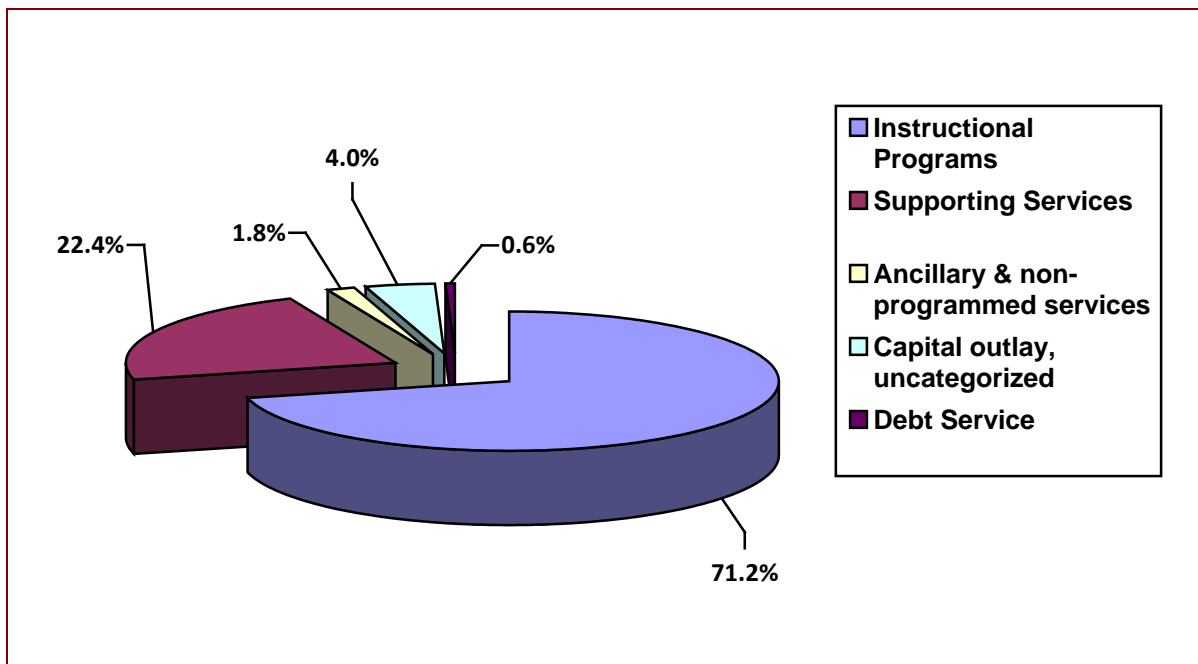
Total governmental activities generated revenues of \$37.2 million, while expenses in this category totaled \$36.2 million. After transfers to the business-type activities, the increase in net position was \$919,964. Repair and renovation projects funded by restricted sales tax monies held by Jackson County accounted for an increase in County capital expenditures of \$1.3 million. Expenditures in most categories decreased from 2015. The primary increase in the cost of instructional programs was the result of additional salary increases for teachers and instructional support staff, coupled with an increase in the retirement rate and cost of employer provided health care coverage. Instructional expenses in 2016 and 2015 comprised 76% and 74%, respectively, of total governmental-type expenses while support services made up 22.5% and 23.4% of those expenses, respectively, for that same time period. County funding comprised 22% of total governmental revenue in both 2016 and 2015. Much of the remaining governmental revenue consists of restricted State and federal funding. Total revenues in the business-type activities increased by almost 7.5% in comparison to 2015. The decrease in charges for services was offset by an increase in federal funding. Operating expenses increased by 3.8%, resulting in an increase in net position of \$147,246 before transfers in from the governmental activities of \$147,865.

**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 \$5,670,495, a \$22,588 decrease from the 2015 fiscal year. County funding increased by \$923,994 over the previous year, which was due to an increase in county funded construction projects. Federal revenues decreased by \$119,000. This reduction was shared among virtually all of the federal grants received by the Board.

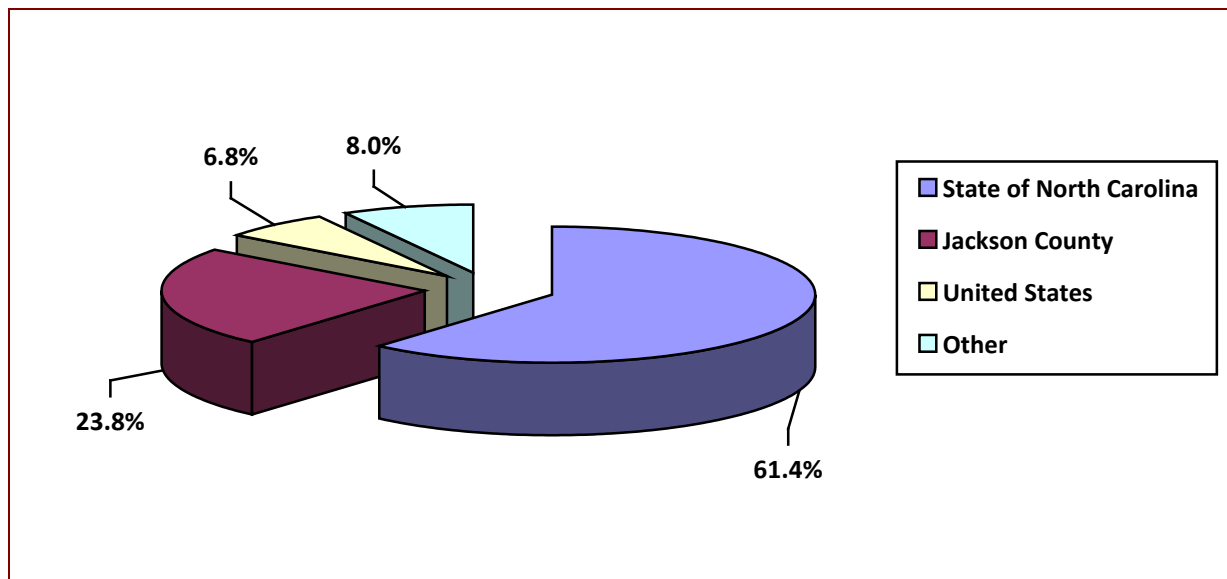
*Proprietary Fund:* The School Nutrition Fund’s performance improved slightly from the previous year. Lunch prices increased during the 2016 year, but participation fell, continuing the trend that has developed over the past several years. Food costs increased by 9% partially as a result of the extra 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 4% in 2016 compared to 2015. 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 2016 were less than budgeted expenditures by \$1.2 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 \$1.4 million (*appropriated fund balance*), actual results reported excess expenditures of only \$240,000.

**Capital Assets**

During the 2016 fiscal year, capital assets before depreciation in the governmental activities increased by \$912,000, due primarily to the extensive repair and renovation projects funded by restricted sales taxes held by Jackson County. The School Nutrition Fund added \$69,000 of new equipment which was funded by the governmental funds.

A roof repair project at Smoky Mountain High School was completed during the year. Several new repair and renovation projects were started, including a turf project at Smoky Mountain High School. \$1.3 million of expenditures on these projects are included in construction in progress at June 30, 2016. These renovations are expected to be completed by December, 2019 with a total cost of over \$10 million.

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, 2016 and 2015**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$ 1,809,021	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021	\$ 1,809,021
Construction in progress	1,331,399	67,407	-	-	1,331,399	67,407
Buildings and improvements	38,954,850	40,427,606	-	-	38,954,850	40,427,606
Equipment and furniture	930,940	982,790	213,487	171,597	1,144,427	1,154,387
Vehicles	1,585,844	1,333,058	-	-	1,585,844	1,333,058
<b>Total</b>	<b>\$44,612,054</b>	<b>\$44,619,882</b>	<b>\$ 213,487</b>	<b>\$ 171,597</b>	<b>\$44,825,541</b>	<b>\$44,791,479</b>

**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 2016, the County’s unemployment rate was 4.5%. This is less than that of the State of North Carolina, which was 4.9% as of October 2016. The County’s tax collection rate increased to 97.47% for 2016 from 96.76% for 2015, indicating the County is in sound financial condition.

The Board intends to budget conservatively during the 2016-2017 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**

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JACKSON COUNTY BOARD OF EDUCATION

Exhibit 1

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,881,606	\$ 281,001	\$ 6,162,607
Due from other governments	1,317,085	64,175	1,381,260
Receivables	111,104	220	111,324
Inventories	-	48,781	48,781
Capital assets:			
Land and construction in progress	3,140,420	-	3,140,420
Other capital assets, net of depreciation	41,471,634	213,487	41,685,121
Total capital assets	<u>44,612,054</u>	<u>213,487</u>	<u>44,825,541</u>
Total assets	<u>51,921,849</u>	<u>607,664</u>	<u>52,529,513</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,983,244</u>	<u>60,987</u>	<u>2,044,231</u>
<b>LIABILITIES</b>			
Accounts payable	685,802	-	685,802
Accrued salaries and wages payable	953,498	-	953,498
Unearned revenue	-	17,985	17,985
Long-term liabilities:			
Due within one year	1,168,019	37,117	1,205,136
Due in more than one year	6,564,949	165,628	6,730,577
Total liabilities	<u>9,372,268</u>	<u>220,730</u>	<u>9,592,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,195,944</u>	<u>36,776</u>	<u>1,232,720</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,214,250	213,487	44,427,737
Restricted:			
Stabilization by State Statute	44,994	-	44,994
Individual schools	850,801	-	850,801
Capital outlay	212,721	-	212,721
Unrestricted (deficit)	<u>(1,985,885)</u>	<u>197,658</u>	<u>(1,788,227)</u>
Total net position	<u>\$ 43,336,881</u>	<u>\$ 411,145</u>	<u>\$ 43,748,026</u>

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

# JACKSON COUNTY BOARD OF EDUCATION

## Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional services:				
Regular instructional	\$ 14,894,547	\$ -	\$ 13,131,447	\$ -
Special populations	3,657,459	-	3,538,870	-
Alternative programs and services	2,453,778	-	2,261,084	-
School leadership	1,861,264	-	1,312,186	-
Co-curricular	2,082,662	-	2,493	212,225
School-based support	2,376,267	-	1,693,939	-
System-wide support services:				
Support and development	367,986	-	234,591	-
Special populations support and development	220,363	-	209,220	-
Alternative programs and services support and development	133,362	-	127,091	-
Technology support	1,190,173	-	262,430	-
Operational support	4,665,700	86,936	2,423,367	-
Financial and human resource	856,720	-	171,091	-
Accountability services	102,013	-	35,751	-
System-wide pupil support	120,336	-	64,278	-
Policy, leadership and public relations	483,524	-	282,843	-
Ancillary services	209,688	269,499	76,467	-
Non-programmed charges	506,327	-	553,317	-
Total governmental activities	36,182,169	356,435	26,380,465	212,225
Business-type activities:				
School nutrition	2,283,004	521,850	1,753,931	-
Total government	\$ 38,465,173	\$ 878,285	\$ 28,134,396	\$ 212,225
General revenues:				
Unrestricted county appropriations - operating				
Unrestricted county appropriations - capital				
Unrestricted Federal grants - operating				
Investment earnings, unrestricted				
Gain on disposal of capital assets				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position—beginning				
Net position—ending				

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,763,100)	\$ -	\$ (1,763,100)
(118,589)	-	(118,589)
(192,694)	-	(192,694)
(549,078)	-	(549,078)
(1,867,944)	-	(1,867,944)
(682,328)	-	(682,328)
(133,395)	-	(133,395)
(11,143)	-	(11,143)
(6,271)	-	(6,271)
(927,743)	-	(927,743)
(2,155,397)	-	(2,155,397)
(685,629)	-	(685,629)
(66,262)	-	(66,262)
(56,058)	-	(56,058)
(200,681)	-	(200,681)
136,278	-	136,278
46,990	-	46,990
<u>(9,233,044)</u>	<u>-</u>	<u>(9,233,044)</u>
-	(7,223)	(7,223)
<u>(9,233,044)</u>	<u>(7,223)</u>	<u>(9,240,267)</u>
6,249,913	-	6,249,913
2,046,383	-	2,046,383
149,166	-	149,166
32,333	1,554	33,887
3,581	-	3,581
1,819,497	5,050	1,824,547
<u>(147,865)</u>	<u>147,865</u>	<u>-</u>
<u>10,153,008</u>	<u>154,469</u>	<u>10,307,477</u>
919,964	147,246	1,067,210
<u>42,416,917</u>	<u>263,899</u>	<u>42,680,816</u>
<u>\$ 43,336,881</u>	<u>\$ 411,145</u>	<u>\$ 43,748,026</u>

**JACKSON COUNTY BOARD OF EDUCATION**

Balance Sheet  
Governmental Funds

June 30, 2016

	<b>Major Funds</b>		
	<b>General</b>	<b>State Public School</b>	<b>Individual Schools</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,716,214	\$ -	\$ 852,626
Due from other governments	14,700	832,394	-
Due from other funds	1,825	-	-
Accounts receivable	11,199	-	-
Total assets	\$ 2,743,938	\$ 832,394	\$ 852,626
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 140,918	\$ -	\$ -
Accrued salaries and wages payable	37,251	832,394	-
Due to other funds	-	-	1,825
Total liabilities	178,169	832,394	1,825
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	27,724	-	-
Individual schools	-	-	850,801
Capital outlay	-	-	-
Committed:			
Special programs	-	-	-
Assigned:			
Subsequent years expenditures	700,033	-	-
Unassigned	1,838,012	-	-
Total fund balances	2,565,769	-	850,801
Total liabilities and fund balances	\$ 2,743,938	\$ 832,394	\$ 852,626

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

<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 2,031,270	\$ 281,496	\$ -	\$ 5,881,606
7,765	385,495	76,731	1,317,085
-	-	-	1,825
9,505	90,400	-	111,104
<u>\$ 2,048,540</u>	<u>\$ 757,391</u>	<u>\$ 76,731</u>	<u>\$ 7,311,620</u>
\$ 214	\$ 544,670	\$ -	\$ 685,802
7,122	-	76,731	953,498
-	-	-	1,825
<u>7,336</u>	<u>544,670</u>	<u>76,731</u>	<u>1,641,125</u>
17,270	-	-	44,994
-	-	-	850,801
-	212,721	-	212,721
2,023,934	-	-	2,023,934
-	-	-	700,033
-	-	-	1,838,012
<u>2,041,204</u>	<u>212,721</u>	<u>-</u>	<u>5,670,495</u>
<u>\$ 2,048,540</u>	<u>\$ 757,391</u>	<u>\$ 76,731</u>	<u>\$ 7,311,620</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, 2016

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

Total fund balances - governmental funds	\$	5,670,495
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,612,054
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		1,757,404
Pension related deferrals		225,840
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.		(1,195,944)
Liabilities for long-term debt are not payable with current financial resources and therefore are not reported in the funds:		
Net pension liability		(5,386,123)
Compensated absences		(1,949,041)
Installment purchase contracts		(397,804)
		(397,804)
Net position of governmental activities	\$	43,336,881

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, 2016

	Major Funds		
	General	State Public School	Individual Schools
<b>REVENUES</b>			
State of North Carolina	\$ -	\$ 22,643,085	\$ -
Jackson County	6,779,482	-	-
U.S. Government	-	-	-
Other	210,601	-	1,498,748
Total revenues	6,990,083	22,643,085	1,498,748
<b>EXPENDITURES</b>			
Current operating:			
Instructional programs:			
Regular instructional	1,415,673	12,742,421	-
Special populations	23,703	2,985,585	-
Alternative programs and services	143,994	1,135,987	-
School leadership	537,964	1,312,186	-
Co-curricular	416,731	-	1,539,110
School-based support	577,805	1,457,730	-
System-wide support services:			
Support and development	128,525	233,350	-
Special populations support and development	6,975	13,105	-
Alternative programs and services support and development	6,530	65,749	-
Technology support	198,511	114,097	-
Operational support	2,294,200	2,124,735	-
Financial and human resource	646,719	-	-
Accountability services	57,860	35,751	-
System-wide pupil support	49,878	63,079	-
Policy, leadership and public relations	194,455	282,843	-
Ancillary services	5,123	-	-
Non-programmed charges	433,866	-	-
Capital outlay, uncategorized	-	-	-
Debt service:			
Principal	-	-	-
Total expenditures	7,138,512	22,566,618	1,539,110
Revenues over (under) expenditures	(148,429)	76,467	(40,362)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	24,547	-	105,223
Transfers out	(116,130)	(76,467)	(203,754)
Proceeds from installment contract	-	-	-
Proceeds from the sale of assets	-	-	-
Total other financing sources (uses)	(91,583)	(76,467)	(98,531)
Net change in fund balances	(240,012)	-	(138,893)
Fund balances--beginning	2,805,781	-	989,694
Fund balances--ending	\$ 2,565,769	\$ -	\$ 850,801

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

<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 49,858	\$ 213,797	\$ -	\$ 22,906,740
47,347	2,046,383	-	8,873,212
118,009	-	2,422,012	2,540,021
1,041,502	249,729	-	3,000,580
<u>1,256,716</u>	<u>2,509,909</u>	<u>2,422,012</u>	<u>37,320,553</u>
254,382	9,889	230,208	14,652,573
5,721	-	547,564	3,562,573
4,483	-	1,121,059	2,405,523
365	-	-	1,850,515
38,343	5,815	-	1,999,999
261,656	-	25,371	2,322,562
1,241	-	-	363,116
80,533	-	115,582	216,195
-	-	61,342	133,621
6,676	733,328	148,333	1,200,945
35,959	493,763	53,102	5,001,759
177,339	-	-	824,058
-	-	-	93,611
1,199	-	-	114,156
154	-	-	477,452
179,471	-	-	184,594
-	-	72,461	506,327
-	1,524,692	-	1,524,692
-	213,797	-	213,797
<u>1,047,522</u>	<u>2,981,284</u>	<u>2,375,022</u>	<u>37,648,068</u>
<u>209,194</u>	<u>(471,375)</u>	<u>46,990</u>	<u>(327,515)</u>
179,207	-	-	308,977
-	(13,501)	(46,990)	(456,842)
-	449,211	-	449,211
-	3,581	-	3,581
<u>179,207</u>	<u>439,291</u>	<u>(46,990)</u>	<u>304,927</u>
388,401	(32,084)	-	(22,588)
1,652,803	244,805	-	5,693,083
<u>\$ 2,041,204</u>	<u>\$ 212,721</u>	<u>\$ -</u>	<u>\$ 5,670,495</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, 2016

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

Net change in fund balances—total governmental funds	\$ (22,588)
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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:

Capital outlay	2,176,021
Depreciation	(2,183,849)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	1,757,404
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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:

Issuance of long-term debt	(449,211)
Repayment on long-term debt	213,797

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and, therefore, are not reported as  
expenditures in governmental funds:

Pension expense	(568,343)
Net change in compensated absences	<u>(3,267)</u>

Total changes in net position of governmental activities	<u><u>\$ 919,964</u></u>
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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, 2016

	<b>General Fund</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Jackson County	6,779,482	6,779,482	6,779,482	-
U.S. Government	-	-	-	-
Other	190,000	190,000	210,601	20,601
Total revenues	<u>6,969,482</u>	<u>6,969,482</u>	<u>6,990,083</u>	<u>20,601</u>
<b>EXPENDITURES</b>				
Current operating:				
Instructional services:				
Regular instructional	1,671,357	1,805,324	1,415,673	389,651
Special populations	75,569	55,753	23,703	32,050
Alternative programs and services	235,581	171,263	143,994	27,269
School leadership	646,589	584,210	537,964	46,246
Co-curricular	467,443	471,432	416,731	54,701
School-based support	616,181	654,255	577,805	76,450
System-wide support services:				
Support and development	166,949	142,116	128,525	13,591
Special populations support and development	16,188	15,739	6,975	8,764
Alternative programs and services support and development	895	7,105	6,530	575
Technology support	281,658	241,457	198,511	42,946
Operational support	2,551,497	2,581,076	2,294,200	286,876
Financial and human resource	648,430	682,771	646,719	36,052
Accountability services	85,680	86,361	57,860	28,501
System-wide pupil support	67,389	67,389	49,878	17,511
Policy, leadership and public relations	282,312	265,003	194,455	70,548
Ancillary services	18,713	14,997	5,123	9,874
Non-programmed charges	475,000	475,000	433,866	41,134
Total expenditures	<u>8,307,431</u>	<u>8,321,251</u>	<u>7,138,512</u>	<u>1,182,739</u>
Revenues over (under) expenditures	<u>(1,337,949)</u>	<u>(1,351,769)</u>	<u>(148,429)</u>	<u>1,203,340</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	24,727	24,547	(180)
Transfers out	(105,223)	(116,130)	(116,130)	-
Contingency	-	-	-	-
Appropriated fund balance	1,443,172	1,443,172	-	(1,443,172)
Total other financing sources (uses)	<u>1,337,949</u>	<u>1,351,769</u>	<u>(91,583)</u>	<u>(1,443,352)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(240,012)</u>	<u>\$ (240,012)</u>
Fund balances—beginning			2,805,781	
Fund balances—ending			<u>\$ 2,565,769</u>	

**State Public School Fund**

Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ 22,013,273	\$ 23,200,787	\$ 22,643,085	\$ (557,702)
-	-	-	-
-	-	-	-
-	-	-	-
<u>22,013,273</u>	<u>23,200,787</u>	<u>22,643,085</u>	<u>(557,702)</u>
12,775,960	13,004,226	12,742,421	261,805
2,755,040	3,046,023	2,985,585	60,438
886,374	1,240,011	1,135,987	104,024
1,304,731	1,384,371	1,312,186	72,185
-	-	-	-
1,348,509	1,467,487	1,457,730	9,757
217,368	234,532	233,350	1,182
80,677	13,638	13,105	533
80,242	68,733	65,749	2,984
122,411	118,482	114,097	4,385
2,025,386	2,163,830	2,124,735	39,095
-	-	-	-
-	35,751	35,751	-
51,002	63,481	63,079	402
289,185	283,755	282,843	912
-	-	-	-
-	-	-	-
<u>21,936,885</u>	<u>23,124,320</u>	<u>22,566,618</u>	<u>557,702</u>
<u>76,388</u>	<u>76,467</u>	<u>76,467</u>	<u>-</u>
-	-	-	-
(76,388)	(76,467)	(76,467)	-
-	-	-	-
-	-	-	-
<u>(76,388)</u>	<u>(76,467)</u>	<u>(76,467)</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, 2016

	<b>Other Specific Revenue</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
State of North Carolina	\$ 50,000	\$ 50,000	\$ 49,858	\$ (142)
Jackson County	46,725	47,347	47,347	-
U.S. Government	62,875	77,740	118,009	40,269
Child Care Fees	258,390	265,710	241,675	(24,035)
Other	344,560	444,660	799,827	355,167
Total revenues	<u>762,550</u>	<u>885,457</u>	<u>1,256,716</u>	<u>371,259</u>
<b>EXPENDITURES</b>				
Current operating:				
Instructional services:				
Regular instructional	282,844	380,606	254,382	126,224
Special populations	-	23,272	5,721	17,551
Alternative programs and services	800	6,415	4,483	1,932
School leadership	-	400	365	35
Co-curricular	38,304	40,828	38,343	2,485
School-based support	239,482	316,412	261,656	54,756
System-wide support services:				
Support and development	1,150	2,750	1,241	1,509
Special populations support and development	16,519	81,651	80,533	1,118
Alternative programs and services support and development	-	-	-	-
Technology support	28,800	27,500	6,676	20,824
Operational support	24,664	49,774	35,959	13,815
Financial and human resource	178,000	184,350	177,339	7,011
Accountability services	-	-	-	-
System-wide pupil support	-	1,300	1,199	101
Policy, leadership and public relations	-	191	154	37
Ancillary services	191,907	201,599	179,471	22,128
Non-programmed charges	1,095	1,095	-	1,095
Total expenditures	<u>1,003,565</u>	<u>1,318,143</u>	<u>1,047,522</u>	<u>270,621</u>
Revenues over (under) expenditures	<u>(241,015)</u>	<u>(432,686)</u>	<u>209,194</u>	<u>641,880</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	24,367	70,622	179,207	108,585
Transfers out	-	-	-	-
Contingency	(27,600)	(9,400)	-	9,400
Appropriated fund balance	244,248	371,464	-	(371,464)
Total other financing sources	<u>241,015</u>	<u>432,686</u>	<u>179,207</u>	<u>(253,479)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>388,401</u>	<u>\$ 388,401</u>
Fund balances—beginning			<u>1,652,803</u>	
Fund balances—ending			<u>\$ 2,041,204</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, 2016

	<b>Major Fund</b>
	<b>School</b>
	<b>Nutrition</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 281,001
Due from other governments	64,175
Accounts receivable	220
Inventories	48,781
Total current assets	394,177
Non-current assets:	
Capital assets:	
Furniture and equipment, net	213,487
Total assets	607,664
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	60,987
<b>LIABILITIES</b>	
Current liabilities:	
Unearned revenue	17,985
Compensated absences, current portion	37,117
Total current liabilities	55,102
Non-current liabilities:	
Net pension liability	165,628
Total liabilities	220,730
<b>DEFERRED INFLOWS OF RESOURCES</b>	36,776
<b>NET POSITION</b>	
Net investment in capital assets	213,487
Unrestricted	197,658
Total net position	\$ 411,145

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, 2016

	<b>Major Fund</b>
	<b>School</b>
	<b>Nutrition</b>
<b>OPERATING REVENUES</b>	
Food sales	\$ 517,338
Other	4,512
Total operating revenues	521,850
<b>OPERATING EXPENSES</b>	
Food costs	941,541
Salaries and benefits	1,019,672
Indirect cost	185,793
Materials and supplies	83,863
Repairs and maintenance	18,437
Depreciation	27,533
Other	6,165
Total operating expenses	2,283,004
Operating loss	(1,761,154)
<b>NON-OPERATING REVENUES</b>	
Federal reimbursements	1,437,979
Federal commodities	126,212
State reimbursements	3,947
Interest on investments	1,554
Indirect costs not paid	185,793
Other revenues	5,050
Total non-operating revenues	1,760,535
Loss before transfers	(619)
<b>TRANSFERS IN</b>	
Capital Outlay Fund	13,501
State Public School Fund	76,467
Federal Grants Fund	46,990
General Fund	10,907
Total transfers in	147,865
Change in net position	147,246
Net position—beginning	263,899
Net position—ending	\$ 411,145

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, 2016

	<b><u>Major Fund</u></b>
	<b>School</b>
	<b><u>Nutrition</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 522,689
Cash paid for goods and services	(950,744)
Cash paid to employees for services	(972,750)
Net cash used by operating activities	<u>(1,400,805)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	1,431,779
State reimbursements	3,947
Other revenues	5,050
Net cash provided by non-capital financing activities	<u>1,440,776</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(8,932)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,554</u>
Net change in cash and cash equivalents	32,593
Cash and cash equivalents, beginning of year	<u>248,408</u>
Cash and cash equivalents, end of year	<u>\$ 281,001</u>

(continued)

**JACKSON COUNTY BOARD OF EDUCATION**

Statement of Cash Flows  
Proprietary Fund

For the Year Ended June 30, 2016

	<u>Major Fund</u> <u>School</u> <u>Nutrition</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>	
<b>CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,761,154)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	27,533
Contributions to the pension plan in current fiscal year	(54,042)
Pension expense	19,609
Donated commodities consumed	126,212
Indirect costs not paid	185,793
Expenses paid by other funds	87,374
Change in assets and liabilities:	
Decrease in accounts receivable	1,715
Increase in inventories	(26,504)
Decrease in accounts payable	(446)
Increase in compensated absences	(6,019)
Increase in unearned revenue	(876)
Total adjustments	<u>360,349</u>
Net cash used by operating activities	<u>\$ (1,400,805)</u>

**NON-CASH OPERATING AND NON-CAPITAL FINANCING ACTIVITIES**

The State Public School Fund paid salaries and benefits of \$76,467 to administrative personnel of the School Nutrition Fund. The payments are reflected as transfers in and expenses.

The Capital Outlay Fund and the Federal Grants Fund paid for the purchase of equipment for the School Nutrition Fund in the amount of \$13,501 and \$46,990, respectively. The purchases are reflected as transfers in and additions to capital assets.

Indirect costs of \$185,793 were not paid. These unpaid costs are reflected as a non-operating revenue.

The School Nutrition Fund received donated commodities with a value of \$126,212, 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, 2016

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

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

*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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

*Net Position/Fund Balances:*

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

### A. **Excess of Expenditures over Appropriations**

During the fiscal year ended June 30, 2016, the Board reported operating expenditures within the School Nutrition Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$158,098. The School Nutrition Fund received \$60,491 in capital assets paid by other funds. These were not budgeted because no cash was received or expended. In addition, food costs exceeded the amount expected to be paid. Management will amend procedures to ensure compliance with preaudit requirements.

## 3. **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, 2016, the Board had deposits in financial institutions with a carrying amount of \$1,192,522 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$1,471,912 and \$358,142, respectively. Of these balances, \$675,718 was covered by federal depository insurance, \$796,194 was covered by collateral held under the pooling method, and \$358,142 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

*Investments:* At June 30, 2016, the Board had \$4,970,085 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, 2016. The Board has no policy for managing interest rate risk or credit risk.

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

	Due from Other Governments	Due From Other Funds (Internal Balances)	Other	Total
Governmental activities:				
General Fund	\$ 14,700	\$ 1,825	\$ 11,199	\$ 27,724
State Public School Fund	832,394	-	-	832,394
Other Specific Revenue Fund	7,765	-	9,505	17,270
Capital Outlay Fund	385,495	-	90,400	475,895
Other Governmental Funds	76,731	-	-	76,731
	<u>\$ 1,317,085</u>	<u>\$ 1,825</u>	<u>\$ 111,104</u>	<u>\$ 1,430,014</u>
Business-type activities:				
School Nutrition Fund	<u>\$ 64,175</u>	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ 64,395</u>

Due from other governments consists of the following:

Governmental activities:			
General Fund	\$ 14,700	Fines and forfeitures	
State Public School Fund	832,394	Operating funds from DPI	
Other Specific Revenue Fund	7,765	SNFI grant funds	
Capital Outlay Fund	385,495	Jackson County reimbursements for construction projects	
Federal Grants Fund	<u>76,731</u>	Federal grant funds	
Total	<u>\$ 1,317,085</u>		
Business-type activities:			
School Nutrition Fund	<u>\$ 64,175</u>	Federal funds	



Capital Assets: Capital asset activity for the year ended June 30, 2016 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	67,407	1,389,865	125,873	1,331,399
Total capital assets not being depreciated	<u>1,876,428</u>	<u>1,389,865</u>	<u>125,873</u>	<u>3,140,420</u>
Capital assets being depreciated:				
Buildings	61,864,727	320,892	-	62,185,619
Land improvements	797,903	8,826	-	806,729
Mobile classrooms	216,727	-	-	216,727
Heaters	365,702	19,966	-	385,668
Athletic/health equipment	357,359	-	-	357,359
Buses	3,166,646	449,211	97,667	3,518,190
Vehicles/trailers	690,618	-	39,872	650,746
General equipment	2,631,071	105,267	-	2,763,338
Furniture and fixtures	961,814	7,867	-	969,681
Total capital assets being depreciated	<u>71,052,567</u>	<u>912,029</u>	<u>137,539</u>	<u>71,827,057</u>
Less accumulated depreciation for:				
Buildings	21,887,897	1,768,461	-	23,656,358
Land improvements	374,377	31,483	-	405,860
Mobile classrooms	189,477	2,530	-	192,007
Heaters	46,726	18,812	-	65,538
Athletic/health equipment	160,219	18,491	-	178,710
Buses	1,969,585	153,020	97,667	2,024,938
Vehicles/trailers	554,621	43,405	39,872	558,154
General equipment	2,325,282	97,782	-	2,423,064
Furniture and fixtures	800,929	49,865	-	850,794
Total accumulated depreciation	<u>28,309,113</u>	<u>2,183,849</u>	<u>137,539</u>	<u>30,355,423</u>
Total capital assets being depreciated, net	<u>42,743,454</u>			<u>41,471,634</u>
Governmental activity capital assets, net	<u>\$44,619,882</u>			<u>\$44,612,054</u>
Business-type activities:				
School Nutrition Fund:				
Capital assets:				
Equipment	\$ 356,740	\$ 69,423	\$ -	\$ 426,163
Less accumulated depreciation for:				
Equipment	185,143	27,533	-	212,676
Business-type activities Capital assets, net	<u>\$ 171,597</u>			<u>\$ 213,487</u>

Depreciation was charged to governmental functions as follows:

Regular instructional	\$ 903,844
Special populations	219,757
Alternative programs and services	148,385
School leadership	114,149
Co-curricular	122,270
School-based support	143,267
Support and development	22,399
Special populations support and development	13,336
Alternative programs and services support and development	8,242
Technology support	74,080
Operational support	308,533
Financial and human resource	50,832
Accountability services	5,774
System-wide pupil support	7,042
Policy, leadership and public relations	29,452
Ancillary services	12,487
	\$ 2,183,849

B. Deferred Outflows of Resources

The Board reported deferred outflows of resources related to pensions in the amount of \$2,044,231 as of June 30, 2016. Of this amount, \$1,983,244 was related to governmental activities and \$60,987 was related to business-type activities.

C. Liabilities

*Accounts Payable:* Accounts payables as of June 30, 2016 are as follows:

	<u>Vendors</u>	<u>Charter Schools</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 110,036	\$ 30,882	\$ 140,918
Other Governmental	544,884	-	544,884
	\$ 654,920	\$ 30,882	\$ 685,802

*Unearned Revenues:* The balance in unearned revenues as of June 30, 2016 is composed of the following element:

	<u>Unearned Revenue</u>
Prepaid sales not yet earned (School Nutrition Fund)	\$ 17,985

*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](http://www.osc.nc.gov).

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (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, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,811,446 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$5,551,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's 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, 2015 and at June 30, 2014, the Board's proportion was 0.15065% and 0.14383%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$587,952.

At June 30, 2016, 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	\$ -	\$ 631,235
Net difference between projected and actual earnings on pension plan investments	-	601,485
Changes in proportion and differences between Board contributions and proportionate share of contributions	232,785	-
Board contributions subsequent to the measurement date	1,811,446	-
	<u>\$ 2,044,231</u>	<u>\$ 1,232,720</u>

\$1,811,446 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ (658,222)
2018	(658,222)
2019	(635,565)
2020	952,074

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

Inflation	3.0 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension 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) \$	16,709,238	\$ 5,551,751	\$ (3,916,663)

*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, 2016, 2015, and 2014, the Board paid all annual required contributions to the Plan for post-employment healthcare benefits of \$1,129,336, \$1,099,027, and \$997,762, respectively. These contributions represented 5.60%, 5.49%, and 5.40%, 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, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$82,684, \$82,077, and \$80,701, respectively. These contributions represented 0.41%, 0.41%, 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, 2016, the total cost to the Board for group term life insurance and dental insurance was \$13,178 and \$55,614, respectively.

*Contingent Liabilities:* At June 30, 2016, 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.
- ✓ In February 2016, the Board entered into an installment purchase contract to finance the purchase of four school buses. The financing contract requires only principal payments of \$92,004 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 contracts as of June 30, 2016, are as follows:

	<b>Principal</b>
Year ending June 30,	
2017	\$ 193,498
2018	112,302
2019	92,004
Total	\$ 397,804

✓ *Long-Term Obligation Activity.* The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2016:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 162,390	\$ 449,211	\$ 213,797	\$ 397,804	\$ 193,498
Compensated absences	1,945,774	1,518,521	1,515,254	1,949,041	974,521
Net pension liability	1,636,570	3,749,553	-	5,386,123	-
Total	<u>\$ 3,744,734</u>	<u>\$ 5,717,285</u>	<u>\$ 1,729,051</u>	<u>\$ 7,732,968</u>	<u>\$ 1,168,019</u>
Business-type activities:					
Net pension liability	\$ 49,723	\$ 115,905	\$ -	\$ 165,628	\$ -
Compensated absences	43,136	62,181	68,200	37,117	37,117
Total	<u>\$ 92,859</u>	<u>\$ 178,086</u>	<u>\$ 68,200</u>	<u>\$ 202,745</u>	<u>\$ 37,117</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 \$1,232,720 as of June 30, 2016. Of this amount, \$1,195,944 was related to governmental activities and \$36,776 was related to business-type activities.

E. Interfund Balances and Activities

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

From the General Fund to the Individual Schools Fund for instructional supplies, athletics, and other operating expenditures	<u>\$ 105,223</u>
From the General Fund to the School Nutrition Fund as required to avoid raising meal prices	<u>\$ 10,907</u>
From the Individual Schools Fund to the General Fund for school supplies	<u>\$ 24,547</u>
From the Individual Schools Fund to the Other Specific Revenue Fund for use of activity buses and afterschool program expenditures	<u>\$ 179,207</u>
From the State Public School Fund to the School Nutrition Fund for administrative costs	<u>\$ 76,467</u>
From the Capital Outlay Fund to the School Nutrition Fund for the purchase of equipment	<u>\$ 13,501</u>
From the Federal Grants Fund to the School Nutrition Fund for the purchase of equipment	<u>\$ 46,990</u>

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

From the Individual Schools Fund for the purchase of school supplies:	
General Fund	\$ 1,825

#### 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.

4. **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.

# REQUIRED SUPPLEMENTARY INFORMATION

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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 Three Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (%)	0.15065%	0.14383%	0.14240%
Board's proportionate share of the net pension liability (\$)	\$ 5,551,751	\$ 1,686,293	\$ 8,645,131
Board's covered-employee payroll	\$ 20,018,706	\$ 18,550,024	\$ 18,890,817
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.73%	9.09%	45.76%
Plan fiduciary net position as a percentage of total pension liability	94.64%	98.24%	90.60%

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

**JACKSON COUNTY BOARD OF EDUCATION**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,811,446	\$ 1,810,186	\$ 1,593,773
Contributions in relation to the contractually required contributions	<u>1,811,446</u>	<u>1,810,186</u>	<u>1,593,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024
Contributions as a percentage of covered-employee payroll	9.10%	9.04%	8.59%



# GENERAL FUND

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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.

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**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, 2016

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

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>REVENUES</b>				
Jackson County:				
County appropriation		\$ 6,683,779		\$ 6,680,043
Timber receipts		95,703		99,439
Total	\$ 6,779,482	6,779,482	\$ -	6,779,482
Other:				
Fines and forfeitures		191,719		195,813
Interest on investments		19,372		18,734
Other		(490)		86
Total	190,000	210,601	20,601	214,633
Total revenues	6,969,482	6,990,083	20,601	6,994,115
<b>EXPENDITURES</b>				
Current operating:				
Instructional programs:				
Regular instructional:				
Regular curricular		1,346,508		1,391,030
CTE curricular		69,165		115,997
Total	1,805,324	1,415,673	389,651	1,507,027
Special populations:				
Children with disabilities curricular		15,872		91,246
CTE special population services		3,139		23,977
Speech and language pathology		601		10,488
Academically/intellectually gifted		3,882		38,078
Limited english proficiency		209		3,095
Total	55,753	23,703	32,050	166,884
Alternative programs and services:				
Alternative K-12		7,333		12,237
Attendance and social work		55,484		49,338
Remedial and supplemental K-12		78,547		146,018
Extended day/year		2,630		16,827
Total	171,263	143,994	27,269	224,420
School leadership	584,210	537,964	46,246	636,276

(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, 2016

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

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
Current operating, continued:				
Instructional programs, continued:				
Co-curricular	\$ 471,432	\$ 416,731	\$ 54,701	\$ 403,754
School-based support:				
Educational media		170,842		177,868
Student accounting		189,497		161,323
Guidance		115,049		154,044
Health support		456		5,838
Safety and security		-		1,694
Instructional technology services		101,961		28,409
	<u>654,255</u>	<u>577,805</u>	<u>76,450</u>	<u>529,176</u>
System-wide support services:				
Support and development:				
Regular curricular	142,116	128,525	13,591	126,996
Special populations support and development	15,739	6,975	8,764	18,240
Alternative programs and services	7,105	6,530	575	3,655
Technology support	241,457	198,511	42,946	610,773
Operational support:				
Communication services		101,895		66,403
Printing and copying services		1,665		3,259
Public utility and energy services		1,007,781		1,033,481
Custodial/housekeeping services		105,453		206,520
Transportation services		251,374		413,364
Warehouse and delivery services		420		-
Facilities planning, acquisition and construction services		12,498		-
Maintenance services		813,114		886,822
	<u>2,581,076</u>	<u>2,294,200</u>	<u>286,876</u>	<u>2,609,849</u>
Financial and human resource:				
Financial services		567,707		519,822
Human resource services		79,012		88,857
	<u>682,771</u>	<u>646,719</u>	<u>36,052</u>	<u>608,679</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, 2016

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

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
Current operating, continued:				
System-wide support services, continued:				
Accountability services	\$ 86,361	\$ 57,860	\$ 28,501	\$ 82,846
System-wide pupil support services	67,389	49,878	17,511	62,530
Policy, leadership and public relations:				
Board of education		49,089		78,131
Legal services		27,325		33,897
Audit services		22,600		34,300
Leadership services		94,022		135,464
Public relations		1,419		5,842
	<u>265,003</u>	<u>194,455</u>	<u>70,548</u>	<u>287,634</u>
Ancillary services:				
Community services		-		1,513
Nutrition services		5,123		23,049
	<u>14,997</u>	<u>5,123</u>	<u>9,874</u>	<u>24,562</u>
Non-programmed charges:				
Payments to charter schools	475,000	433,866	41,134	443,344
Total expenditures	<u>8,321,251</u>	<u>7,138,512</u>	<u>1,182,739</u>	<u>8,346,645</u>
Revenues over (under) expenditures	<u>(1,351,769)</u>	<u>(148,429)</u>	<u>1,203,340</u>	<u>(1,352,530)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	24,727	24,547	(180)	-
Transfers out	(116,130)	(116,130)	-	(105,257)
Appropriated fund balance	1,443,172	-	(1,443,172)	-
Total other financing sources (uses)	<u>1,351,769</u>	<u>(91,583)</u>	<u>(1,443,352)</u>	<u>(105,257)</u>
Net change in fund balance	<u>\$ -</u>	<u>(240,012)</u>	<u>\$ (240,012)</u>	<u>(1,457,787)</u>
Fund balance—beginning		<u>2,805,781</u>		<u>4,263,568</u>
Fund balance—ending		<u>\$ 2,565,769</u>		<u>\$ 2,805,781</u>

# FEDERAL GRANTS FUND

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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.

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**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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
U.S. Government	<u>\$ 3,568,147</u>	<u>\$ 2,422,012</u>	<u>\$ (1,146,135)</u>
<b>EXPENDITURES</b>			
Current operating:			
Instructional programs:			
Regular instructional	267,964	230,208	37,756
Special populations	689,268	547,564	141,704
Alternative programs and services	1,250,471	1,121,059	129,412
School-based support	81,348	25,371	55,977
Total	<u>2,289,051</u>	<u>1,924,202</u>	<u>364,849</u>
System-wide support services:			
Special populations support and development	116,388	115,582	806
Alternative programs and services support and development	69,437	61,342	8,095
Technology support	148,753	148,333	420
Operational support	55,809	53,102	2,707
Total	<u>390,387</u>	<u>378,359</u>	<u>12,028</u>
Non-programmed charges	<u>832,077</u>	<u>72,461</u>	<u>759,616</u>
Total expenditures	<u>3,511,515</u>	<u>2,375,022</u>	<u>1,136,493</u>
Revenues over expenditures	<u>56,632</u>	<u>46,990</u>	<u>9,642</u>
<b>OTHER FINANCING USES</b>			
Transfer out	<u>(56,632)</u>	<u>(46,990)</u>	<u>(9,642)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
Fund balance-beginning		<u>-</u>	
Fund balance-ending		<u><u>\$ -</u></u>	

# **CAPITAL OUTLAY FUND**

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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.

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**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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
State of North Carolina:			
State appropriations-buses	\$ 214,566	\$ 213,797	\$ (769)
Jackson County appropriation	2,807,822	2,046,383	(761,439)
Other:			
Investment earnings	134	1,007	873
NFL Turf Grant	200,000	180,000	(20,000)
Contributions	31,975	32,225	250
Other	33,002	36,497	3,495
Total other	265,111	249,729	(15,382)
Total revenues	3,287,499	2,509,909	(777,590)
<b>EXPENDITURES</b>			
Current operating:			
Instructional services:			
Regular instructional	9,947	9,889	58
Co-curricular	5,815	5,815	-
Total	15,762	15,704	58
System-wide support services:			
Technology support	734,405	733,328	1,077
Operational support	651,521	493,763	157,758
Total	1,385,926	1,227,091	158,835
Uncategorized:			
CVS roof repairs	134,827	134,827	-
BRS roof repairs	3,112	-	3,112
SME roof repairs	160,245	-	160,245
SMHS roof repairs	58,466	58,466	-
School construction in progress:			
FVS roof repairs	200,726	157,440	43,286
SME HVAC project	37,000	35,037	1,963
SMHS roof repairs	242,547	-	242,547
SMHS Underfloor waterline	163,854	36,769	127,085
HUB water line project	300,000	223,743	76,257
SMHS turf project	952,410	836,564	115,846
SMHS scoreboard	40,000	41,846	(1,846)
Total	2,293,187	1,524,692	768,495

(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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES, CONTINUED</b>			
Debt service:			
Principal	\$ 214,566	\$ 213,797	\$ 769
Total expenditures	<u>3,909,441</u>	<u>2,981,284</u>	<u>928,157</u>
Revenues under expenditures	<u>(621,942)</u>	<u>(471,375)</u>	<u>150,567</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(13,501)	(13,501)	-
Proceeds from installment contract	453,510	449,211	(4,299)
Fund balance appropriated	178,352	-	(178,352)
Proceeds from sale of capital assets	3,581	3,581	-
Total other financing sources (uses)	<u>621,942</u>	<u>439,291</u>	<u>(182,651)</u>
Net change in fund balance	<u>\$ -</u>	<u>(32,084)</u>	<u>\$ (32,084)</u>
Fund balance—beginning		<u>244,805</u>	
Fund balance—ending		<u>\$ 212,721</u>	

# **SCHOOL NUTRITION FUND**

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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.

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**JACKSON COUNTY BOARD OF EDUCATION**

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

For the Year Ended June 30, 2016  
With Comparative Actual Totals for the Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2015 Actual</b>
<b>OPERATING REVENUES</b>				
Food sales	\$ 277,000	\$ 517,338	\$ 240,338	\$ 583,222
Other	226,400	4,512	(221,888)	1,681
Total operating revenues	<u>503,400</u>	<u>521,850</u>	<u>18,450</u>	<u>584,903</u>
<b>OPERATING EXPENDITURES</b>				
Nutrition services:				
Food costs		968,045		845,662
Salaries and benefits		1,060,124		1,059,429
Indirect costs		185,793		177,050
Materials and supplies		83,863		92,466
Repairs and maintenance		18,437		14,922
Capital outlay		69,423		22,701
Other		6,165		6,429
Total operating expenditures	<u>2,233,752</u>	<u>2,391,850</u>	<u>(158,098)</u>	<u>2,218,659</u>
Operating loss	<u>(1,730,352)</u>	<u>(1,870,000)</u>	<u>(139,648)</u>	<u>(1,633,756)</u>
<b>NON-OPERATING REVENUES</b>				
Federal reimbursements	1,290,000	1,437,979	147,979	1,242,601
Federal commodities	119,000	126,212	7,212	108,358
State reimbursements	5,500	3,947	(1,553)	5,968
Interest on investments	1,100	1,554	454	1,063
Indirect costs not paid	175,000	185,793	10,793	177,050
Other revenues	1,000	5,050	4,050	3,425
Total non-operating revenues	<u>1,591,600</u>	<u>1,760,535</u>	<u>168,935</u>	<u>1,538,465</u>
Revenues under expenditures before other financing sources	<u>(138,752)</u>	<u>(109,465)</u>	<u>29,287</u>	<u>(95,291)</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, 2016  
With Comparative Actual Totals for the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2015 Actual</u>
<b>OTHER FINANCING SOURCES</b>				
Fund balance appropriated	\$ 81,252	\$ -	\$ (81,252)	\$ -
Transfers in:				
Federal Grants Fund	-	46,990	46,990	-
Capital Outlay Fund	-	13,501	13,501	11,376
State Public School Fund	57,500	76,467	18,967	75,612
General Fund	-	10,907	10,907	-
Total transfers in	<u>138,752</u>	<u>147,865</u>	<u>9,113</u>	<u>86,988</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>38,400</u>	<u>\$ 38,400</u>	<u>(8,303)</u>
Reconciliation of modified accrual to full accrual basis:				
Depreciation		(27,533)		(28,336)
Capital outlay		69,423		22,701
Book value of capital assets disposed		-		(618)
Contributions to the pension plan in current fiscal year		54,042		53,377
Pension expense		(19,609)		(21,305)
Increase (decrease) in inventories		26,504		(17,207)
Increase in compensated absences		6,019		9,406
Change in net position		<u>\$ 147,246</u>		<u>\$ 9,715</u>

# INDIVIDUAL SCHOOLS FUND

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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.

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**JACKSON COUNTY BOARD OF EDUCATION**Combining Balance Sheet  
Individual Schools Fund

June 30, 2016

	<u>Elementary Schools</u>	<u>High Schools</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	<u>\$ 561,114</u>	<u>\$ 291,512</u>	<u>\$ 852,626</u>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ -</u>	<u>\$ 1,825</u>	<u>\$ 1,825</u>
<b>FUND BALANCE</b>			
Total liabilities and fund balance	<u>\$ 561,114</u>	<u>\$ 291,512</u>	<u>\$ 850,801</u>

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

For the Year Ended June 30, 2016

	<u>Elementary Schools</u>	<u>High Schools</u>	<u>Total</u>
<b>REVENUES</b>			
Other:			
Contributions & instructional receipts	\$ 124,619	\$ 135,832	\$ 260,451
Fund raising	231,023	341,579	572,602
After school program	27,824	-	27,824
Athletics	35,631	315,843	351,474
Clubs and organizations	65,385	60,247	125,632
General	129,154	31,611	160,765
Total revenues	<u>613,636</u>	<u>885,112</u>	<u>1,498,748</u>
<b>EXPENDITURES</b>			
Co-curricular instructional programs:			
Contributions & instructional receipts	172,466	117,209	289,675
Fundraising costs	201,877	322,933	524,810
After school program	17,833	-	17,833
Athletics	52,211	360,474	412,685
Clubs and organizations	66,365	57,230	123,595
General	140,476	30,036	170,512
Total expenditures	<u>651,228</u>	<u>887,882</u>	<u>1,539,110</u>
Revenues under expenditures	<u>(37,592)</u>	<u>(2,770)</u>	<u>(40,362)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	41,293	63,930	105,223
Transfers out	<u>(170,335)</u>	<u>(33,419)</u>	<u>(203,754)</u>
Total other financing sources (uses)	<u>(129,042)</u>	<u>30,511</u>	<u>(98,531)</u>
Net change in fund balance	(166,634)	27,741	(138,893)
Fund balance - beginning of year	<u>727,748</u>	<u>261,946</u>	<u>989,694</u>
Fund balance - end of year	<u>\$ 561,114</u>	<u>\$ 289,687</u>	<u>\$ 850,801</u>

# **COMPLIANCE SECTION**

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**JACKSON COUNTY BOARD OF EDUCATION**

## Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Awards:</b>			
<b><u>U.S. Department of Education</u></b>			
Office of Elementary and Secondary Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 16,934
Indian Education Grants to Local Education Agencies	84.060	N/A	63,296
Passed through the NC Department of Public Instruction:			
Title I Grants to Local Educational Agencies:			
Title I, Part A: Basic and Concentration	84.010	PRC 050	1,219,426
Title I, Part A: School Improvement	84.010	PRC 105	10,344
Total Title I Grants to Local Education Agencies			<u>1,229,770</u>
Improving Teacher Quality State Grants	84.367	PRC 103	170,892
Rural Education	84.358	PRC 109	73,828
English Language Acquisition Grants	84.365	PRC 104	15,201
Race-to-the-Top Incentive Grants, Governor's Teacher Network, Recovery Act	84.395	PRC 154	96,466
Office of Special Education and Rehabilitative Services:			
Passed through the NC Department of Public Instruction:			
Special Education State Personnel Development	84.323	PRC 082	9,103
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B):			
Education of the Handicapped	84.027	PRC 060	632,207
Risk Pool	84.027	PRC 114	25,183
Special Needs Targeted Assistance	84.027	PRC 118	14,706
Special Education - Preschool Grants:			
IDEA Targeted Assistance, Preschool	84.173	PRC 119	1,170
Preschool Handicapped	84.173	PRC 049	41,628
Total Special Education Cluster			<u>714,894</u>

(continued)

**JACKSON COUNTY BOARD OF EDUCATION**

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education, Continued</u></b>			
Office of Career, Technical, and Adult Education:			
Passed through the NC Department of Public Instruction:			
Career and Technical Education:			
Basic Grants to States	84.048	PRC 017	\$ 64,868
Office of Innovation and Improvement:			
Passed through the NC New Schools:			
Transition to Teaching	84.350		<u>1,250</u>
Total U.S. Department of Education			<u>2,456,502</u>
<b><u>U.S. Department of Agriculture</u></b>			
Food and Nutrition Service:			
School Nutrition Program (Note C):			
Child Nutrition Cluster:			
Non-cash assistance (commodities):			
Passed through N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	125,320
Seamless Summer Program	10.559	PRC 035	892
Cash assistance:			
Passed through the N.C. Department of Public Instruction:			
National School Lunch Program	10.555	PRC 035	1,010,746
School Breakfast Program	10.553	PRC 035	394,626
Passed through the N.C. Department of Health Human Services:			
Summer Food Service Program for Children	10.555	PRC 035	<u>32,607</u>
Total Child Nutrition Cluster			<u>1,564,191</u>
Passed through the NC Department of Public Instruction:			
Child Nutrition Discretionary Grants	10.579	PRC 053	<u>46,990</u>
Total School Nutrition Program (Note C)			<u>1,611,181</u>

(continued)

**JACKSON COUNTY BOARD OF EDUCATION**

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture, Continued</u></b>			
Forest Service:			
Passed through Jackson County:			
School and Roads--Grants to States	10.665	N/A	\$ 95,703
Total U.S. Department of Agriculture			1,706,884
Total Federal Awards			\$ 4,163,386
<b>State Awards:</b>			
<b><u>NC Department of Public Instruction</u></b>			
State Public School Fund	N/A	N/A	\$ 21,181,035
Textbooks	N/A	PRC 130	7,349
Driver Training	N/A	PRC 012	59,968
School Technology Fund	N/A	PRC 015	40,373
Career Technical Education:			
State Months of Employment	N/A	PRC 013	1,271,090
Program Support Funds	N/A	PRC 014	83,270
State Kindergarten Breakfast	N/A	N/A	3,947
Appropriations for School Buses (non-cash assistance)	N/A	PRC 120	213,797
Total NC Department of Public Instruction			22,860,829
<b><u>NC General Assembly</u></b>			
Passed through Jackson County:			
School Nurse Funding Initiative	N/A	N/A	49,858
Total State Awards			\$ 22,910,687

(continued)

**JACKSON COUNTY BOARD OF EDUCATION**

## Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

**Notes to the Schedule of Expenditures of Federal and State Awards**Note 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, 2016. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. 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.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C--Clusters

The following are clustered by the North Carolina Department of Public Instruction and are treated separately for state audit requirements purposes: School Nutrition Program.

Note D--Food Distribution

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

Note E--School-Wide Program

The total amount expended from Title I, Part A program was expended in a school-wide program.

Note F -- Indirect Cost Rate

Jackson County Board of Education has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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

## **Independent Auditors' Report**

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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 20, 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. We did identify a certain deficiency in internal

control, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001, that we consider to be a material weakness.

### **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 an instance of non-compliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001.

### **Board of Education's Response to Finding**

The Board's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
December 20, 2016

## **Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditors' Report**

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the Board's major federal programs. However, our audit does not provide a legal determination of the Board's compliance.

***Opinions 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 each of its major federal programs for the year ended June 30, 2016.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
December 20, 2016



## **Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditors' Report**

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, 2016. 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; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2016.

**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 the Uniform Guidance 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... However, material weaknesses may exist that have not been identified.

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
December 20, 2016

**JACKSON COUNTY BOARD OF EDUCATION**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Section I—Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified?                        X     yes                               no
- Significant deficiency(ies) identified?                           yes                        X     none reported

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

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?                               yes                        X     no
- Significant deficiency(ies) identified?                           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 2 CFR 500.516(a)?                               yes                        X     no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster:
84.173	Special Education – Grants to States (IDEA, Part B)
	Special Education – Preschool Grants
84.010	Title I Grants to Local Educational Agencies

(continued)

**JACKSON COUNTY BOARD OF EDUCATION**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**Section I—Summary of Auditors' Results, Continued**

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

Auditee qualified as low-risk auditee?  X  yes   no

**State Awards**

Internal control over major state programs:

- Material weakness(es) identified?   yes  X  no
- Significant deficiency(ies) identified?   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  
Career Technical Education: State Months of Employment

**Section II—Financial Statement Findings**

**Finding 2016-001: Budgetary Control**

MATERIAL WEAKNESS  
MATERIAL NON-COMPLIANCE

Criteria: In accordance with budgetary control procedures outlined in G.S. 115C-425 and G.S. 115C-441, expenditures may not exceed appropriations at the legal level of budgetary control for all annually budgeted funds.

**JACKSON COUNTY BOARD OF EDUCATION**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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**Section II—Financial Statement Findings, Continued**

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Condition:	Expenditures in the School Nutrition Fund exceeded the amounts budgeted by \$158,098.
Cause:	Budget amendments were not made to cover excess appropriations.
Recommendation:	We recommend that the Board of Education monitor its budgets and make budget amendments to cover anticipated overages prior to June 30th.
Views of responsible officials and planned corrective actions:	The Board of Education agrees with the finding. See the Corrective Action Plan on the following page.

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

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No findings noted.

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

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No findings noted.

**JACKSON COUNTY BOARD OF EDUCATION**

Corrective Action Plan

For the Year Ended June 30, 2016

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**Section II—Financial Statement Findings**

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**Finding 2016–001 - Budgetary Control**

Name of contact person: Gwen Edwards, Finance Officer

Corrective action: The School Nutrition Fund received a federal grant for equipment from the NC Department of Instruction, and the Capital Outlay and General Funds contributed to the associated installation costs. The equipment was immediately capitalized rather than recorded as an expense. The finance officer knew about the grants, but didn't notice the equipment had not been budgeted because the expense was not reflected in the financial statements. In the future, any equipment grants will be budgeted as soon as notification of the grants is received.

Proposed completion date: December 2016

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

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None noted.

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

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None noted.

**JACKSON COUNTY BOARD OF EDUCATION**

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2016

No findings were reported in 2014 or 2015.