

**Jackson County  
Board of Education**

Financial Statements

Year Ended June 30, 2017

**JACKSON COUNTY BOARD OF EDUCATION**  
**Sylva, North Carolina**

Members of the Board of Education

Ken Henke, Chairperson

Ali Laird-Large, Vice Chairperson

Elizabeth Cooper

Wes Jamison

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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ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Jackson County Board of Education as of June 30, 2017, 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 Special 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 on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 47 and 48, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017 on our consideration of Jackson County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jackson County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

November 14, 2017  
Statesville, North Carolina  
(704) 562-5039

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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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, 2017. 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 traditional 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 \$43,546,555 (net position). Of this amount, \$44,904,700 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.
- To enable the Board of Education to better maintain its existing buildings, the Jackson County Board of County Commissioners increased the capital outlay appropriation by \$75,000 to be used for preventive maintenance.
- As of the close of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5,633,304, a decrease of \$37,191 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,620,769, or approximately 26% of total General Fund expenditures.

***Overview of the Financial Statements***

The audited financial statements of the Jackson County Board of Education 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 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 and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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 Jackson County's (the "County") 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 as Exhibits 1 and 2 of this report.



**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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***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 the Other Special Revenue funds.

Jackson County Board of Education has two types of funds:

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

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

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

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

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

Net position is an indicator of the fiscal health of the Board. The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows of resources by \$43.5 million as of June 30, 2017. The largest component of net position is net investment in capital assets, of \$44,904,700. It comprised 103% of the total net position.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

Following is a summary of the Statement of Net Position:

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>As of June 30, 2017 and 2016</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current assets	\$ 6,768,983	\$ 7,309,795	\$ 494,012	\$ 394,177	\$ 7,262,995	\$ 7,703,972
Capital assets	45,083,791	44,612,054	232,904	213,487	45,316,695	44,825,541
Total assets	<u>51,852,774</u>	<u>51,921,849</u>	<u>726,916</u>	<u>607,664</u>	<u>52,579,690</u>	<u>52,529,513</u>
Deferred outflows of resources	<u>9,266,038</u>	<u>1,983,244</u>	<u>266,093</u>	<u>60,987</u>	<u>9,532,131</u>	<u>2,044,231</u>
Current liabilities	2,220,567	1,639,300	42,204	17,985	2,262,771	1,657,285
Long-term liabilities	<u>15,207,118</u>	<u>7,732,968</u>	<u>419,610</u>	<u>202,745</u>	<u>15,626,728</u>	<u>7,935,713</u>
Total liabilities	<u>17,427,685</u>	<u>9,372,268</u>	<u>461,814</u>	<u>220,730</u>	<u>17,889,499</u>	<u>9,592,998</u>
Deferred inflows of resources	<u>656,823</u>	<u>1,195,944</u>	<u>18,944</u>	<u>36,776</u>	<u>675,767</u>	<u>1,232,720</u>
Net investment in						
capital assets	44,671,796	44,214,250	232,904	213,487	44,904,700	44,427,737
Restricted net position	1,206,689	1,108,516	-	-	1,206,689	1,108,516
Unrestricted net position	<u>(2,844,181)</u>	<u>(1,985,885)</u>	<u>279,347</u>	<u>197,658</u>	<u>(2,564,834)</u>	<u>(1,788,227)</u>
Total net assets	<u>\$ 43,034,304</u>	<u>\$ 43,336,881</u>	<u>\$ 512,251</u>	<u>\$ 411,145</u>	<u>\$ 43,546,555</u>	<u>\$ 43,748,026</u>

The Board's net investment in capital assets, which consist of land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 103% of total net position. Net position decreased by \$201,471 during fiscal year 2017. The net investment in capital assets increased by \$476,963, primarily because capital additions exceeded depreciation expense during the year.

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

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

<b>Table 2</b>						
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
<b>For the Fiscal Years Ended June 30, 2017 and 2016</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 431,220	\$ 356,435	\$ 510,707	\$ 521,850	\$ 941,927	\$ 878,285
Operating grants and contributions	25,696,092	26,380,465	1,590,554	1,753,931	27,286,646	28,134,396
Capital grants and contributions	262,728	212,225	9,402	-	272,130	212,225
<b>General revenues:</b>						
Other revenues	13,282,683	10,300,873	2,178	6,604	13,284,861	10,307,477
<b>Total revenues</b>	<u>39,672,723</u>	<u>37,249,998</u>	<u>2,112,841</u>	<u>2,282,385</u>	<u>41,785,564</u>	<u>39,532,383</u>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	29,818,091	27,325,977	-	-	29,818,091	27,325,977
System-wide support services	9,347,634	8,140,177	-	-	9,347,634	8,140,177
Ancillary services	254,037	209,688	-	-	254,037	209,688
Non-programmed charges	477,147	506,327	-	-	477,147	506,327
<b>Business-type activities:</b>						
School food service	-	-	2,090,126	2,283,004	2,090,126	2,283,004
<b>Total expenses</b>	<u>39,896,909</u>	<u>36,182,169</u>	<u>2,090,126</u>	<u>2,283,004</u>	<u>41,987,035</u>	<u>38,465,173</u>
Net revenues (expenses)	(224,186)	1,067,829	22,715	(619)	(201,471)	1,067,210
Transfers in (out)	(78,391)	(147,865)	78,391	147,865	-	-
Increase (decrease) in net position	(302,577)	919,964	101,106	147,246	(201,471)	1,067,210
Beginning net position	43,336,881	42,416,917	411,145	263,899	43,748,026	42,680,816
Ending net position	<u>\$ 43,034,304</u>	<u>\$ 43,336,881</u>	<u>\$ 512,251</u>	<u>\$ 411,145</u>	<u>\$ 43,546,555</u>	<u>\$ 43,748,026</u>

Total governmental activities generated revenues of \$39.7 million, while expenses in this category totaled \$39.9 million. After transfers to the business-type activities, the decrease in net position was \$302,577. Instructional expenses in 2017 and 2016 comprised 75% and 76%, respectively, of total governmental-type expenses while support services made up 23.4% and 22.5% of those expenses, respectively, for that same time period. County funding comprised 25% and 22% of total governmental revenue in 2017 and 2016, respectively. Much of the remaining governmental revenue consists of restricted State and federal funding. Total revenues in the business-type activities were \$2.1 million in 2017 while expenses were \$2.1 million. After \$78,391 of transfers from governmental activities, net position of business-type activities increased by \$101,106.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

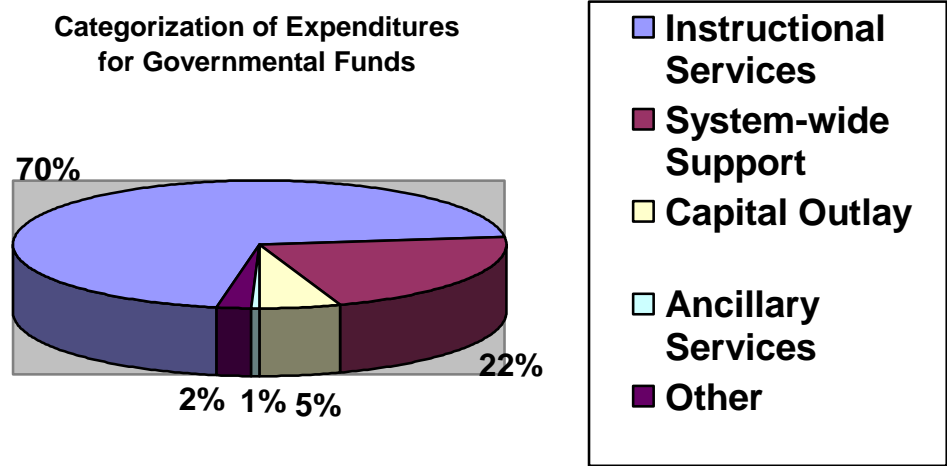
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**Financial Analysis of the Board's Funds**

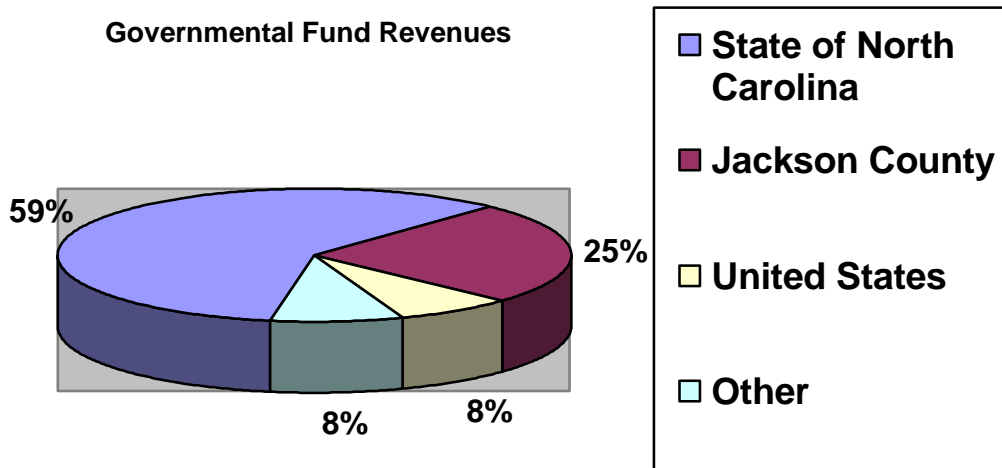
Governmental Funds: The focus of Jackson County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$5,633,304, a \$37,191 decrease from the 2016 fiscal year. The General Fund decreased by \$232,054. This decrease was primarily due to the increased cost of providing educational services.

Proprietary Fund: The Board's business-type fund had an increase in net position in the past year. The School Nutrition Fund reflected an increase in net position of \$101,106.



Expenditures are presented on the modified accrual basis of accounting.



Revenues presented on modified accrual basis of accounting.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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**General Fund Budgetary Highlights**

The Board approved several budget amendments to account for changes in revenue and expenditure projections. Budget amendments are submitted to the Board on a monthly basis to reflect new revenues not measurable or known at the time of the original budget resolution. State and federal budgets are not approved at the State level until after the fiscal year begins and amendments are needed to reconcile the initial budget to final approved State and federal budgets. The State may send new allotments throughout the year and require additional budget amendments. There were no significant budget amendments during the year and there were no significant expenditures in excess of the budgeted expenditures. Actual expenditures in the General Fund during 2017 were less than budgeted expenditures by \$550,000.

**Capital Assets**

Capital assets increased by \$490,000 (1%) from the previous year. This was due to current year capital additions exceeding depreciation expense.

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

<b>Table 3</b>						
<b>Summary of Capital Assets</b>						
<b>As of June 30, 2017 and 2016</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Land	\$ 1,809,021	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021	\$ 1,809,021
Construction in progress	-	1,331,399	-	-	-	1,331,399
Buildings and improvements	39,824,329	38,954,850	-	-	39,824,329	38,954,850
Equipment and furniture	1,669,501	930,940	232,904	213,487	1,902,405	1,144,427
Vehicles	1,780,940	1,585,844	-	-	1,780,940	1,585,844
Total	<u>\$ 45,083,791</u>	<u>\$ 44,612,054</u>	<u>\$ 232,904</u>	<u>\$ 213,487</u>	<u>\$ 45,316,695</u>	<u>\$ 44,825,541</u>

**Debt Outstanding**

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

**Economic Factors**

County funding is a major source of revenue for the Board; therefore, Jackson County's economic outlook directly affects that of the schools. As of September 2017, the County's unemployment rate was 3.8%. This is less than that of the State of North Carolina, which was 4.1% as of September 2017. 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.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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***Requests for Information***

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

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,812,062	\$ 393,227	\$ 6,205,289
Due from other governments	954,526	47,691	1,002,217
Receivables (net)	2,395	-	2,395
Inventories	-	53,094	53,094
Capital assets:			
Land and construction in progress	1,809,021	-	1,809,021
Other capital assets, net of depreciation	43,274,770	232,904	43,507,674
Total capital assets	45,083,791	232,904	45,316,695
Total assets	51,852,774	726,916	52,579,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	9,266,038	266,093	9,532,131
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	153,863	-	153,863
Accrued salaries and wages payable	981,816	-	981,816
Unavailable revenues	-	20,248	20,248
Long-term liabilities:			
Net pension liability	13,897,660	400,830	14,298,490
Due within one year	1,084,888	21,956	1,106,844
Due in more than one year	1,309,458	18,780	1,328,238
Total liabilities	17,427,685	461,814	17,889,499
<b>DEFERRED INFLOWS OF RESOURCES</b>	656,823	18,944	675,767
<b>NET POSITION</b>			
Net investment in capital assets	44,671,796	232,904	44,904,700
Restricted for:			
Individual school activities	802,827	-	802,827
Stabilization by State statute	20,844	-	20,844
School Capital Outlay	383,018	-	383,018
Unrestricted	(2,844,181)	279,347	(2,564,834)
Total net position	\$ 43,034,304	\$ 512,251	\$ 43,546,555

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

Functions/Programs	<i>Exhibit 2</i>						
	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 15,737,479		\$ 13,170,941	\$ -	\$ (2,566,538)	\$ -	\$ (2,566,538)
Special populations	4,200,281	-	3,657,298	-	(542,983)	-	(542,983)
Alternative programs	2,824,539	-	2,378,106	-	(446,433)	-	(446,433)
School leadership	2,105,191	-	1,379,831	-	(725,360)	-	(725,360)
Co-curricular services	2,238,031	-	-	-	(2,238,031)	-	(2,238,031)
School-based support	2,712,570	-	1,673,982	-	(1,038,588)	-	(1,038,588)
System-wide support services							
Support and development	283,294	-	121,997	-	(161,297)	-	(161,297)
Special population support and development	240,463	-	125,907	-	(114,556)	-	(114,556)
Alternative programs and services support and development	178,125	-	161,314	-	(16,811)	-	(16,811)
Technology support	1,339,735	-	213,819	-	(1,125,916)	-	(1,125,916)
Operational support	5,453,209	150,262	2,220,413	262,728	(2,819,806)	-	(2,819,806)
Financial and human resource services	102,638	-	73,183	-	(29,455)	-	(29,455)
Accountability	204,013	-	29,444	-	(174,569)	-	(174,569)
System-wide pupil support	939,468	-	27,905	-	(911,563)	-	(911,563)
Policy, leadership and public relations	606,689	-	313,902	-	(292,787)	-	(292,787)
Ancillary services	254,037	280,958	9,751	-	36,672	-	36,672
Non-programmed charges	477,147	-	138,299	-	(338,848)	-	(338,848)
Total governmental activities	39,896,909	431,220	25,696,092	262,728	(13,506,869)	-	(13,506,869)
Business-type activities:							
School food service	2,090,126	510,707	1,590,554	9,402	-	20,537	20,537
Total primary government	\$ 41,987,035	\$ 941,927	\$ 27,286,646	\$ 272,130	(13,506,869)	20,537	(13,486,332)
General revenues:							
Unrestricted county appropriations - operating					6,683,779	-	6,683,779
Unrestricted county appropriations - capital					3,189,789	-	3,189,789
Unrestricted Federal grants - operating					243,931	-	243,931
Investment earnings, unrestricted					27,469	2,178	29,647
Miscellaneous, unrestricted					3,137,715	-	3,137,715
Transfers					(78,391)	78,391	-
Total general revenues and transfers					13,204,292	80,569	13,284,861
Change in net position					(302,577)	101,106	(201,471)
Net position-beginning					43,336,881	411,145	43,748,026
Net position-ending					\$ 43,034,304	\$ 512,251	\$ 43,546,555

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



**JACKSON COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017**

*Exhibit 3*

	Major Funds				Non-major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue		Federal Grants
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,490,327	\$ -	\$ 802,827	\$ 383,226	\$ 2,135,682	\$ -	\$ 5,812,062
Due from other governments	15,553	878,395	-	2,896	-	57,682	954,526
Receivables (net)	2,395	-	-	-	-	-	2,395
Total assets	<u>\$ 2,508,275</u>	<u>\$ 878,395</u>	<u>\$ 802,827</u>	<u>\$ 386,122</u>	<u>\$ 2,135,682</u>	<u>\$ 57,682</u>	<u>\$ 6,768,983</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 136,052	\$ -	\$ -	\$ 208	\$ 17,603	\$ -	\$ 153,863
Accrued salaries and wages payable	38,508	878,395	-	-	7,231	57,682	981,816
Total liabilities	<u>174,560</u>	<u>878,395</u>	<u>-</u>	<u>208</u>	<u>24,834</u>	<u>57,682</u>	<u>1,135,679</u>
Fund balances:							
Restricted:							
Stabilization by State statute	17,948	-	-	2,896	-	-	20,844
Individual schools	-	-	802,827	-	-	-	802,827
School capital outlay	-	-	-	383,018	-	-	383,018
Committed:							
Special revenues	-	-	-	-	2,110,848	-	2,110,848
Assigned:							
Subsequent years expenditures	694,998	-	-	-	-	-	694,998
Unassigned	1,620,769	-	-	-	-	-	1,620,769
Total fund balances	<u>2,333,715</u>	<u>-</u>	<u>802,827</u>	<u>385,914</u>	<u>2,110,848</u>	<u>-</u>	<u>5,633,304</u>
Total liabilities and fund balances	<u>\$ 2,508,275</u>	<u>\$ 878,395</u>	<u>\$ 802,827</u>	<u>\$ 386,122</u>	<u>\$ 2,135,682</u>	<u>\$ 57,682</u>	<u>\$ 6,768,983</u>

**JACKSON COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017**

**Exhibit 3  
(Continued)**

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

Total fund balances - governmental funds	\$ 5,633,304
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,083,791
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	1,999,284
Pension related deferrals	7,266,754
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.	(656,823)
Liabilities for long-term debt are not payable with current financial resources and therefore are not reported in the funds:	
Net pension liability	(13,897,660)
Compensated absences	(1,982,351)
Installment purchase contracts	<u>(411,995)</u>
Net position of governmental activities	<u>\$ 43,034,304</u>

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

**Exhibit 4**

	Major Funds				Non-major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue		Federal Grants
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 23,051,847	\$ -	\$ 262,728	\$ 54,964	\$ -	\$ 23,369,539
Jackson County	6,683,779	-	-	3,189,789	-	-	9,873,568
U.S. Government	95,703	-	-	-	148,228	2,722,636	2,966,567
Other	242,023	-	1,526,231	70,586	1,624,209	-	3,463,049
Total revenues	7,021,505	23,051,847	1,526,231	3,523,103	1,827,401	2,722,636	39,672,723
<b>EXPENDITURES</b>							
<b>Current:</b>							
Instructional services:							
Regular instructional	1,149,776	12,955,959	-	406	755,792	214,982	15,076,915
Special populations	59,140	2,921,933	-	-	133,231	735,365	3,849,669
Alternative programs	166,754	1,105,391	-	-	3,726	1,272,715	2,548,586
School leadership	562,512	1,379,831	-	-	6,149	-	1,948,492
Co-curricular services	393,204	-	1,586,456	41,360	50,425	-	2,071,445
School-based support	582,847	1,655,609	-	-	252,885	18,373	2,509,714
System-wide support services:							
Support and development	129,490	121,997	-	-	10,720	-	262,207
Special population support and development	2,222	4,215	-	-	88,153	121,692	216,282
Alternative programs and services support and development	753	65,603	-	-	-	95,711	162,067
Technology support	296,437	159,607	-	698,562	27,999	54,212	1,236,817
Operational support	2,321,143	2,158,527	-	418,147	87,602	61,886	5,047,305
Financial and human resource services	604,303	73,183	-	-	192,053	-	869,539
Accountability	65,554	29,444	-	-	-	-	94,998
System-wide pupil support	93,485	27,905	-	45,087	22,350	-	188,827
Policy, leadership and public relations	247,628	313,902	-	-	-	-	561,530
Ancillary services	12,149	350	-	-	213,227	9,401	235,127
Non-programmed charges	465,501	-	-	-	-	138,299	603,800
<b>Debt service:</b>							
Principal payments	-	-	-	262,728	-	-	262,728
<b>Capital outlay</b>	-	-	-	2,162,394	-	-	2,162,394
Total expenditures	7,152,898	22,973,456	1,586,456	3,628,684	1,844,312	2,722,636	39,908,442
Revenues over (under) expenditures	(131,393)	78,391	(60,225)	(105,581)	(16,911)	-	(235,719)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	-	-	100,661	1,855	86,555	-	189,071
Transfers to other funds	(100,661)	(78,391)	(88,410)	-	-	-	(267,462)
Proceeds from installment contract	-	-	-	276,919	-	-	276,919
Total other financing sources (uses)	(100,661)	(78,391)	12,251	278,774	86,555	-	198,528
Net change in fund balance	(232,054)	-	(47,974)	173,193	69,644	-	(37,191)
Fund balances-beginning	2,565,769	-	850,801	212,721	2,041,204	-	5,670,495
Fund balances-ending	\$ 2,333,715	\$ -	\$ 802,827	\$ 385,914	\$ 2,110,848	\$ -	\$ 5,633,304

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

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

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

Net changes in fund balances - total governmental funds \$ (37,191)

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	2,729,741
Depreciation	(2,258,004)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities. 1,999,284

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	(276,919)
Repayment on long-term debt	262,728

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	(2,688,906)
Net change in compensated absences	(33,310)

Total changes in net position of governmental activities \$ (302,577)

**JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND  
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2017**

**Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Jackson County	6,643,065	6,643,065	6,683,779	40,714
U.S. Government	136,417	136,417	95,703	(40,714)
Other	190,000	190,000	242,023	52,023
Total revenues	<u>6,969,482</u>	<u>6,969,482</u>	<u>7,021,505</u>	<u>52,023</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular instructional	1,190,842	1,165,935	1,149,776	16,159
Special populations	56,471	65,675	59,140	6,535
Alternative programs	150,449	178,479	166,754	11,725
School leadership	649,176	654,631	562,512	92,119
Co-curricular services	475,859	399,528	393,204	6,324
School-based support	613,401	663,711	582,847	80,864
System-wide support services:				
Support and development	124,947	132,102	129,490	2,612
Special population support and development	1,896	2,253	2,222	31
Alternative programs and services support and development	645	1,060	753	307
Technology support	297,839	299,654	296,437	3,217
Operational support	2,552,367	2,599,943	2,321,143	278,800
Financial and human resource services	628,403	614,308	604,303	10,005
Accountability	64,102	72,916	65,554	7,362
System-wide pupil support	76,615	94,776	93,485	1,291
Policy, leadership and public relations	238,027	275,915	247,628	28,287
Ancillary services	7,814	14,953	12,149	2,804
Non-programmed charges	440,000	470,000	465,501	4,499
Total expenditures	<u>7,568,853</u>	<u>7,705,839</u>	<u>7,152,898</u>	<u>552,941</u>
Revenues over (under) expenditures	(599,371)	(736,357)	(131,393)	604,964
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(100,661)	(100,661)	(100,661)	-
Total other financing sources (uses)	<u>(100,661)</u>	<u>(100,661)</u>	<u>(100,661)</u>	<u>-</u>
Revenues over (under) expenditures and other uses	(700,032)	(837,018)	(232,054)	604,964
Appropriated fund balance	<u>700,032</u>	<u>837,018</u>	<u>-</u>	<u>(837,018)</u>
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(232,054)</u>	<u>\$ (232,054)</u>
Fund balances, beginning of year			<u>2,565,769</u>	
Fund balances, end of year			<u>\$ 2,333,715</u>	

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**

**Exhibit 5 (continued)**

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 22,574,414	\$ 23,412,481	\$ 23,051,847	\$ (360,634)
Jackson County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>22,574,414</u>	<u>23,412,481</u>	<u>23,051,847</u>	<u>(360,634)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular instructional	13,227,156	13,043,993	12,955,959	88,034
Special populations	2,888,754	2,950,280	2,921,933	28,347
Alternative programs	939,394	1,200,013	1,105,391	94,622
School leadership	1,386,810	1,444,872	1,379,831	65,041
Co-curricular services	-	-	-	-
School-based support	1,574,628	1,686,137	1,655,609	30,528
System-wide support services:				
Support and development	156,289	122,591	121,997	594
Special population support and development	4,224	4,251	4,215	36
Alternative programs and services support and development	62,396	63,054	65,603	(2,549)
Technology support	73,464	163,353	159,607	3,746
Operational support	1,766,361	2,204,213	2,158,527	45,686
Financial and human resource services	64,579	74,779	73,183	1,596
Accountability	28,579	33,319	29,444	3,875
System-wide pupil support	31,162	28,602	27,905	697
Policy, leadership and public relations	290,819	313,932	313,902	30
Ancillary services	350	350	350	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>22,494,965</u>	<u>23,333,739</u>	<u>22,973,456</u>	<u>360,283</u>
Revenues over (under) expenditures	79,449	78,742	78,391	(351)
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(79,449)	(78,742)	(78,391)	351
Total other financing sources (uses)	<u>(79,449)</u>	<u>(78,742)</u>	<u>(78,391)</u>	<u>351</u>
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**

*Exhibit 5 (continued)*

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina Jackson County	\$ 50,000	\$ 50,000	\$ 54,964	\$ 4,964
U.S. Government	-	-	-	-
Child care fees	59,709	83,831	148,228	64,397
Other	167,922	185,488	280,958	95,470
	<u>1,322,798</u>	<u>1,653,315</u>	<u>1,343,251</u>	<u>(310,064)</u>
Total revenues	<u>1,600,429</u>	<u>1,972,634</u>	<u>1,827,401</u>	<u>(145,233)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular instructional	1,306,999	1,412,404	755,792	656,612
Special populations	23,600	134,435	133,231	1,204
Alternative programs	35,800	37,353	3,726	33,627
School leadership	-	20,000	6,149	13,851
Co-curricular services	38,960	51,001	50,425	576
School-based support	292,420	291,727	252,885	38,842
System-wide support services:				
Support and development	8,000	14,300	10,720	3,580
Special population support and development	84,210	88,912	88,153	759
Technology support	50,400	129,024	27,999	101,025
Operational support	69,162	204,748	87,602	117,146
Financial and human resource services	186,300	191,877	192,053	(176)
Accountability	-	-	-	-
System-wide pupil support	-	23,065	22,350	715
Policy, leadership and public relations	200	200	-	200
Ancillary services	196,318	221,205	213,227	7,978
Non-programmed charges	1,095	1,095	-	1,095
Total expenditures	<u>2,293,464</u>	<u>2,821,346</u>	<u>1,844,312</u>	<u>977,034</u>
Revenues over (under) expenditures	(693,035)	(848,712)	(16,911)	831,801
Other financing sources (uses):				
Transfers from other funds	-	-	86,555	86,555
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>86,555</u>	<u>86,555</u>
Revenues over (under) expenditures and other uses	(693,035)	(848,712)	69,644	918,356
Appropriated fund balance	<u>693,035</u>	<u>848,712</u>	<u>-</u>	<u>(848,712)</u>
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>69,644</u>	<u>\$ 69,644</u>
Fund balances, beginning of year			<u>2,041,204</u>	
Fund balances, end of year			<u>\$ 2,110,848</u>	

**JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
June 30, 2017**

**Exhibit 6**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 393,227
Due from other governments	47,691
Inventories	53,094
Total current assets	<u>494,012</u>
Noncurrent assets:	
Capital assets, net	232,904
Total assets	<u>726,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>266,093</u>
<b>LIABILITIES</b>	
Current liabilities:	
Compensated absences	21,956
Unavailable revenues	20,248
Total current liabilities	<u>42,204</u>
Noncurrent liabilities:	
Net pension liability	400,830
Compensated absences	18,780
Total liabilities	<u>461,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>18,944</u>
<b>NET POSITION</b>	
Net investment in capital assets	232,904
Unrestricted	279,347
Total net position	<u>\$ 512,251</u>



**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2017**

**Exhibit 7**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 504,318
Other	6,389
Total operating revenues	<u>510,707</u>
<b>OPERATING EXPENSES</b>	
Food cost	955,849
Salaries and benefits	1,047,160
Indirect costs	189,218
Materials and supplies	21,419
Repairs and maintenance	25,853
Depreciation	32,144
Other	7,701
Total operating expenses	<u>2,279,344</u>
Operating income (loss)	<u>(1,768,637)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	1,458,018
Federal commodities	128,330
State reimbursements	4,206
Interest earned	2,178
Indirect costs not paid	189,218
Total nonoperating revenues	<u>1,781,950</u>
Income (loss) before capital contributions and transfers	13,313
Capital contribution from the Federal Grants Fund	9,402
Operating transfer from the State Pubic School Fund	<u>78,391</u>
Change in net position	101,106
Total net position - beginning	<u>411,145</u>
Total net position - ending	<u><u>\$ 512,251</u></u>

**JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
For the Year Ended June 30, 2017**

**Exhibit 8**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 513,190
Cash paid for goods and services	(886,805)
Cash paid to employees for services	(952,886)
	<u>(1,326,501)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	1,474,502
State reimbursements	4,206
	<u>1,478,708</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(42,159)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments and other	<u>2,178</u>
	112,226
Balances-beginning of the year	<u>281,001</u>
Balances-end of the year	<u><u>\$ 393,227</u></u>

**JACKSON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2017**

**Exhibit 8**  
**(Continued)**

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (1,768,637)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	32,144
Donated commodities consumed	128,330
Transfers from other funds	78,391
Indirect costs not paid	189,218
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	220
(Increase) decrease in inventory	(4,313)
(Increase) decrease in deferred outflows	(205,106)
Increase (decrease) in net pension liability	235,202
Increase (decrease) in deferred inflows	(17,832)
Increase (decrease) in unavailable revenues	2,263
Increase (decrease) in compensated absences	3,619
	<hr/>
Total adjustments	442,136
	<hr/>
Net cash provided (used) by operating activities	<u>\$ (1,326,501)</u>

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

The State Public School Fund paid salaries and benefits of \$78,391 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and as an operating expense on Exhibit 7.

The School Nutrition Fund received \$9,402 of capital assets as a capital contribution from the Federal Grants Fund.

Indirect costs of \$189,218 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibits 7.

The School Nutrition Fund received donated commodities with a value of \$128,330 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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. 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. 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

**JACKSON COUNTY BOARD OF EDUCATION**  
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The Board reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund. 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 Department of Public Instruction for the current operating expenditures of the public school system.

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

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

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.

**JACKSON COUNTY BOARD OF EDUCATION  
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Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$10,000) from one function 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.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2017.

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 in 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. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

#### Cash and Cash Equivalents

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

#### Inventories

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

#### Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1984 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole. Donated assets received prior to June 15, 2016 are recorded at their estimated fair value at the date of donation or forfeiture.

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

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion - a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has 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, 2017 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.



**JACKSON COUNTY BOARD OF EDUCATION**  
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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 in the government-wide and proprietary fund financial statements are classified 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 Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

**JACKSON COUNTY BOARD OF EDUCATION  
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*Unassigned fund balance* – the portion of fund balance that has 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.

**NOTE 2 – DETAIL NOTES ON ALL FUNDS**

Assets

Deposits

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

At June 30, 2017, the Board had deposits in financial institutions with a carrying amount of \$1,050,814 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$1,277,159 and \$225,508, respectively. Of these balances, \$632,728 was covered by federal depository insurance and \$869,939 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Investments

At June 30, 2017, the Board had \$5,154,475 invested with the State Treasurer in the STIF. The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2017. The Board has no policy for managing interest rate risk or credit risk. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Receivables at the government-wide level at June 30, 2017, were as follows:

	Due from other governments	Other
Governmental activities:		
General Fund	\$ 15,553	\$ 2,395
Other governmental activities	938,973	-
Total	<u>\$ 954,526</u>	<u>\$ 2,395</u>
Business-type activities:		
School Food Service	<u>\$ 47,691</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 15,553	Fines and forfeitures
State Public School Fund	878,395	Operating funds from DPI for payroll
Capital Outlay Fund	2,896	Due from Jackson County
Federal Grants Fund	<u>57,682</u>	Federal grant funds
Total	<u>\$ 954,526</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 47,691</u>	USDA Grant Reimbursement

**JACKSON COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Retirements and transfers	Ending Balances
Governmental activities:				
<b>Capital assets not being     depreciated:</b>				
Land	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021
Construction in progress	<u>1,331,399</u>	<u>2,240,248</u>	<u>3,571,647</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,140,420</u>	<u>2,240,248</u>	<u>3,571,647</u>	<u>1,809,021</u>
<b>Capital assets being depreciated:</b>				
Buildings	62,185,619	2,415,958	-	64,601,577
Land improvements	806,729	271,093	-	1,077,822
Mobile classrooms	216,727	-	-	216,727
Heaters	385,668	-	-	385,668
Athletic/health equipment	357,359	878,253	-	1,235,612
Buses	3,518,190	276,919	-	3,795,109
Vehicles/trailors	650,746	138,505	191,528	597,723
General equipment	2,736,338	80,412	313	2,816,437
Furniture and fixtures	<u>969,681</u>	<u>-</u>	<u>-</u>	<u>969,681</u>
Total capital assets being depreciated	<u>71,827,057</u>	<u>4,061,140</u>	<u>191,841</u>	<u>75,696,356</u>
<b>Less accumulated     depreciation for:</b>				
Buildings	23,656,358	1,773,213	-	25,429,571
Land improvements	405,860	41,829	-	447,689
Mobile classrooms	192,007	2,530	-	194,537
Heaters	65,538	19,283	-	84,821
Athletic/health equipment	178,710	67,244	-	245,954
Buses	2,024,938	176,016	-	2,200,954
Vehicles/trailors	558,154	44,312	191,528	410,938
General equipment	2,423,064	91,368	313	2,514,119
Furniture and fixtures	<u>850,794</u>	<u>42,209</u>	<u>-</u>	<u>893,003</u>
Total accumulated depreciation	<u>30,355,423</u>	<u>2,258,004</u>	<u>191,841</u>	<u>32,421,586</u>
Total capital assets being depreciated, net	<u>41,471,634</u>			<u>43,274,770</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 44,612,054</u>			<u>\$ 45,083,791</u>

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 426,163	\$ 51,561	\$ 6,376	\$ 471,348
<b>Less accumulated depreciation for:</b>				
Furniture and office equipment	<u>212,676</u>	<u>32,144</u>	<u>6,376</u>	<u>238,444</u>
<b>School Food Service capital assets, net:</b>	<u>\$ 213,487</u>			<u>\$ 232,904</u>

Depreciation was charged to governmental functions as follows:

Regular instructional	\$ 925,136
Special populations	235,543
Alternative programs and services	155,803
School leadership	119,118
Co-curricular	126,634
School-based support	153,427
Support and development	16,030
Special populations support and development	13,222
Alternative programs and services support and development	9,908
Technology support	75,611
Operational support	308,558
Financial and human resource	53,158
Accountability services	5,808
System-wide pupil support	11,544
Policy, leadership and public relations	34,329
Ancillary services	14,375
Total	<u>\$2,258,204</u>

**JACKSON COUNTY BOARD OF EDUCATION**  
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Deferred Outflows of Resources

The Board reported deferred outflows of resources related to pensions in the amount of \$9,532,131 as of June 30, 2017. Of this amount, \$9,266,038 was related to governmental activities and \$266,093 was related to business-type activities.

Liabilities

Accounts Payable

Accounts payable at June 30, 2017, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities			
General	\$ 136,052	\$ 38,508	\$ 174,560
Other Governmental	<u>17,811</u>	<u>943,308</u>	<u>961,119</u>
Total-governmental activities	<u>\$ 153,863</u>	<u>\$ 981,816</u>	<u>\$ 1,135,679</u>

Unavailable Revenues

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

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 20,248</u>

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 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, 2017, was 9.98% 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 \$2,056,946 for the year ended June 30, 2017.

**JACKSON COUNTY BOARD OF EDUCATION  
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*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, 2017, the Board reported a liability of \$14,298,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015, the Board’s proportion was 0.156% and 0.151%, respectively.

For the year ended June 30, 2017, the Board recognized pension expense of \$2,688,906. At June 30, 2017, 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	\$ -	\$ 675,767
Changes of assumptions	2,123,680	-
Net difference between projected and actual earnings on pension plan investments	5,114,300	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	237,205	-
Board contributions subsequent to the measurement date	<u>2,056,946</u>	<u>-</u>
Total	<u>\$ 9,532,131</u>	<u>\$ 675,767</u>



**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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\$2,056,946 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 1,178,409
2019	1,201,811
2020	2,852,132
2021	1,567,066
2022	--
Thereafter	--
Total	<u>\$ 6,759,418</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

**JACKSON COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

	<u>1% Decrease (6.25%)</u>	<u>Discounted Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 26,892,697	\$ 14,298,490	\$ 3,708,489

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

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

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

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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, 2017, 2016, and 2015, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,190,982, \$1,129,336, and \$1,099,027, respectively. These contributions represented 5.81%, 5.60%, and 5.49% of covered payroll, respectively.

**2. Other Employment Benefits**

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

Death Benefits

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

Disability Benefits

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

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2017, 2016, and 2015, the Board paid all annual required contributions to the DIPNC for disability benefits of \$77,896, \$82,684, and \$82,077, respectively. These contributions represented 0.38%, 0.41%, and 0.41% 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, 2017, the total cost to the Board for group term life insurance and dental insurance was \$13,289 and \$59,741, respectively.

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 moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party financing arrangements. As of June 30, 2017, the Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts require annual payments from \$20,229 to \$92,004.

The future minimum payments of the installment purchases as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 181,533
2019	161,233
2020	<u>69,229</u>
Totals	<u>\$ 411,995</u>

Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2017:

**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current
<b>Governmental activities:</b>					
Installment purchases	\$ 397,804	\$ 276,919	\$ 262,728	\$ 411,995	\$ 181,533
Compensated absences	1,949,041	1,692,970	1,659,660	1,982,351	903,355
Net pension liability	<u>5,386,123</u>	<u>8,511,537</u>	<u>-</u>	<u>13,897,660</u>	<u>-</u>
<b>Total</b>	<u>\$ 7,732,968</u>	<u>\$ 10,481,426</u>	<u>\$ 1,922,388</u>	<u>\$ 16,292,006</u>	<u>\$ 1,084,888</u>
<b>Business-type activities:</b>					
Net pension liability	\$ 165,628	\$ 235,202	\$ -	\$ 400,830	\$ -
Compensated absences	<u>37,117</u>	<u>51,245</u>	<u>47,626</u>	<u>40,736</u>	<u>21,956</u>
<b>Total</b>	<u>\$ 202,745</u>	<u>\$ 286,447</u>	<u>\$ 47,626</u>	<u>\$ 441,566</u>	<u>\$ 21,956</u>

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

Deferred Inflows of resources

The Board reported deferred inflows of resources related to pensions in the amount of \$675,767 as of June 30, 2017. Of this amount, \$656,823 was related to governmental activities and \$18,944 was related to business-type activities.

Interfund Balances and Activities

Transfers to/from other funds at June 30, 2017 consist of the following:

From the General Fund to the Individual Schools Fund for instructional supplies, athletics, and other operating expenditures	<u>\$ 100,661</u>
From the Individual Schools Fund to the Other Special Revenue Fund for textbooks	<u>\$ 10,350</u>
From the Individual Schools Fund to the Other Special Revenue Fund for use of activity buses	<u>\$ 76,205</u>
From the State Public School Fund to the School Nutrition Fund for administrative costs	<u>\$ 78,391</u>
From the Individual Schools Fund to the Capital Outlay Fund for the purchase of a new scoreboard	<u>\$ 1,855</u>

**JACKSON COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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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.

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

Total fund balance - General Fund	\$ 2,333,715
Less:	
Stabilization by State statute	(17,948)
Appropriated Fund Balance in 2018 budget	<u>(694,998)</u>
Remaining fund balance	<u>\$ 1,620,769</u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the "Trust"), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. 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. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.



**JACKSON COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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.

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

Federal and State Assisted Programs

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

**JACKSON COUNTY BOARD OF EDUCATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
*Last Four Fiscal Years\**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.156%	0.151%	0.144%	0.142%
Board's proportionate share of the net pension liability (asset)	\$ 14,298,490	\$ 5,551,751	\$ 1,686,293	\$ 8,645,131
Board's covered-employee payroll	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024	\$ 18,890,817
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.80%	27.73%	9.09%	45.76%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

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

**This schedule is required supplementary information.**

**JACKSON COUNTY BOARD OF EDUCATION**  
**Schedule of Board Contributions**  
**Teachers' and State Employees' Retirement System**  
*Last Four Fiscal Years*

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,139,328	\$ 1,811,446	\$ 1,810,186	\$ 1,593,773
Contributions in relation to the contractually required contribution	<u>2,139,328</u>	<u>1,811,446</u>	<u>1,810,186</u>	<u>1,593,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 21,436,154	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024
Contributions as a percentage of covered-employee payroll	9.98%	9.10%	9.04%	8.59%

**This schedule is required supplementary information.**

**JACKSON COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

**Exhibit A-1**

	Budget	Actual	Positive (Negative) Variance	2016 Actual
<b>Revenues:</b>				
Jackson County:				
County appropriations	\$ 6,643,065	\$ 6,683,779	\$ 40,714	6,779,482
U.S. Government:				
School and Roads - Grants to States	136,417	95,703	(40,714)	-
Other:				
Fines and forfeitures		217,444		191,719
Other		108		(490)
Interest earned on investments		24,471		19,372
Total	190,000	242,023	52,023	210,601
Total revenues	6,969,482	7,021,505	52,023	6,990,083
<b>Expenditures:</b>				
Instructional services:				
Regular instructional				
Regular curricular		1,111,944		1,346,508
CTE curricular		37,832		69,165
	1,165,935	1,149,776	16,159	1,415,673
Special populations				
Children with disabilities curricular		42,669		15,872
CTE special population services		9,066		3,139
Pre-K children with disabilities		1,338		-
Speech and language pathology		1,407		601
Academically/intellectually gifted		4,373		3,882
Limited english proficiency		287		209
	65,675	59,140	6,535	23,703
Alternative programs				
Alternative K-12		10,106		7,333
Attendance and social work		55,791		55,484
Remedial and supplemental K-12		99,450		78,547
Extended day/year		1,407		2,630
	178,479	166,754	11,725	143,994
School leadership	654,631	562,512	92,119	537,964
Co-curricular services	399,528	393,204	6,324	416,731

**JACKSON COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

**Exhibit A-1**  
**(Continued)**

	Budget	Actual	Positive (Negative) Variance	2016 Actual
School-based support				
Educational media		162,453		170,842
Student accounting		192,631		189,497
Guidance		105,031		115,049
Health support		496		456
Safety and security		52,374		-
Instructional technology services		64,396		101,961
Staff development		5,466		-
	<u>663,711</u>	<u>582,847</u>	<u>80,864</u>	<u>577,805</u>
Total instructional services	<u>3,127,959</u>	<u>2,914,233</u>	<u>213,726</u>	<u>3,115,870</u>
System-wide support services:				
Support and development				
Regular curricular		89,150		128,525
CTE curricular		40,340		-
	<u>132,102</u>	<u>129,490</u>	<u>2,612</u>	<u>128,525</u>
Special population support and development	<u>2,253</u>	<u>2,222</u>	<u>31</u>	<u>6,975</u>
Alternative programs and services	<u>1,060</u>	<u>753</u>	<u>307</u>	<u>6,530</u>
Technology support	<u>299,654</u>	<u>296,437</u>	<u>3,217</u>	<u>198,511</u>
Operational support				
Communication services		154,338		101,895
Printing and copying services		1,200		1,665
Public utility and energy services		981,412		1,007,781
Custodial/housekeeping services		214,981		105,453
Transportation services		338,785		251,374
Warehouse and delivery services		-		420
Facilities planning, acquisition and construction services		71,711		12,498
Maintenance services		558,716		813,114
	<u>2,599,943</u>	<u>2,321,143</u>	<u>278,800</u>	<u>2,294,200</u>
Financial and human resource services				
Financial services		523,517		567,707
Human resource services		80,786		79,012
	<u>614,308</u>	<u>604,303</u>	<u>10,005</u>	<u>646,719</u>
Accountability	<u>72,916</u>	<u>65,554</u>	<u>7,362</u>	<u>57,860</u>
Systemwide pupil support	<u>94,776</u>	<u>93,485</u>	<u>1,291</u>	<u>49,878</u>

**JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND  
ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2017  
With Comparative Actual Amounts for the Year Ended June 30, 2016**

**Exhibit A-1  
(Continued)**

	Budget	Actual	Positive (Negative) Variance	2016 Actual
Policy, leadership and public relations				
Board of Education		62,669		49,089
Legal services		43,151		27,325
Audit services		44,900		22,600
Leadership services		90,120		94,022
Public relations		6,788		1,419
	<u>275,915</u>	<u>247,628</u>	<u>28,287</u>	<u>194,455</u>
Total system-wide support services	<u>4,092,927</u>	<u>3,761,015</u>	<u>331,912</u>	<u>3,583,653</u>
Ancillary services	<u>14,953</u>	<u>12,149</u>	<u>2,804</u>	<u>5,123</u>
Non-programmed charges				
Payments to charter schools	<u>470,000</u>	<u>465,501</u>	<u>4,499</u>	<u>433,866</u>
Total expenditures	<u>7,705,839</u>	<u>7,152,898</u>	<u>552,941</u>	<u>7,138,512</u>
Revenues over (under) expenditures	<u>(736,357)</u>	<u>(131,393)</u>	<u>604,964</u>	<u>(148,429)</u>
Other financing uses:				
Transfers out	<u>(100,661)</u>	<u>(100,661)</u>	<u>-</u>	<u>(91,583)</u>
Revenues over (under) expenditures and other uses	<u>(837,018)</u>	<u>(232,054)</u>	<u>604,964</u>	<u>(240,012)</u>
Appropriated fund balance	<u>837,018</u>	<u>-</u>	<u>(837,018)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>(232,054)</u>	<u>\$ (232,054)</u>	<u>(240,012)</u>
<b>Fund balances:</b>				
Beginning of year, July 1		<u>2,565,769</u>		<u>2,805,781</u>
End of year, June 30		<u>\$ 2,333,715</u>		<u>\$ 2,565,769</u>

**JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND  
For the Year Ended June 30, 2017**

**Exhibit B-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations-buses	\$ 427,204	\$ 262,728	\$ (164,476)
Jackson County			
County appropriations	9,000,000	2,121,906	(6,878,094)
Restricted portion of sales tax	1,307,550	1,067,883	(239,667)
	<u>10,307,550</u>	<u>3,189,789</u>	<u>(7,117,761)</u>
Other:			
Investment earnings		2,998	
NFL Turf Grant		20,000	
Contributions		10,000	
Other		37,588	
	<u>30,937</u>	<u>70,586</u>	<u>39,649</u>
Total revenues	<u>10,765,691</u>	<u>3,523,103</u>	<u>(7,242,588)</u>
Expenditures:			
Instructional services			
Regular instructional	995	406	589
Co-curricular	116,088	41,360	74,728
Total	<u>117,083</u>	<u>41,766</u>	<u>75,317</u>
System-wide support services			
Technology support	722,477	698,562	23,915
Operational support	602,555	418,147	184,408
System-wide pupil support	53,641	45,087	8,554
Total	<u>1,378,673</u>	<u>1,161,796</u>	<u>216,877</u>
Capital outlay			
HUB water line project	76,257	12,175	64,082
CVS roof repairs	1,200,000	38,000	1,162,000
FVS roof repairs	1,019,834	101,122	918,712
BRS roof repairs	1,411,460	71,370	1,340,090
SME HVAC project	1,207,050	492,816	714,234
SMHS roof repairs	3,181,347	1,446,911	1,734,436
Other	1,023,702	-	1,023,702
Total	<u>9,119,650</u>	<u>2,162,394</u>	<u>6,957,256</u>

**JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - CAPITAL OUTLAY FUND  
 For the Year Ended June 30, 2017**

**Exhibit B-1  
 (Continued)**

Debt service:			
Principal payments	<u>427,204</u>	<u>262,728</u>	<u>164,476</u>
Total expenditures	<u>11,042,610</u>	<u>3,628,684</u>	<u>7,413,926</u>
Revenues over (under) expenditures	(276,919)	(105,581)	171,338
<b>OTHER FINANCING SOURCES</b>			
Proceeds from installment contract	276,919	276,919	-
Transfers in	-	1,855	1,855
Total other financing sources (uses)	<u>276,919</u>	<u>278,774</u>	<u>1,855</u>
Revenues and other sources over (under) expenditures and other sources	<u>\$ -</u>	173,193	<u>\$ 173,193</u>
Fund balances:			
Beginning of year, July 1		<u>212,721</u>	
End of year, June 30		<u>\$ 385,914</u>	



**JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - FEDERAL GRANTS FUND  
For the Year Ended June 30, 2017**

**Exhibit C-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 3,691,250	\$ 2,722,636	\$ (968,614)
Expenditures:			
Instructional services			
Regular instructional	247,515	214,982	32,533
Special populations	913,179	735,365	177,814
Alternative programs and services	1,415,287	1,272,715	142,572
School-based support	31,189	18,373	12,816
Total	<u>2,607,170</u>	<u>2,241,435</u>	<u>365,735</u>
System-wide support services			
Special populations support and development	123,602	121,692	1,910
Alternative programs and services support and development	101,793	95,711	6,082
Technology support	54,263	54,212	51
Operational support	95,269	61,886	33,383
Total	<u>374,927</u>	<u>333,501</u>	<u>41,426</u>
Ancillary services	<u>9,642</u>	<u>9,401</u>	<u>241</u>
Non-programmed charges	<u>699,511</u>	<u>138,299</u>	<u>561,212</u>
Total expenditures	<u>3,691,250</u>	<u>2,722,636</u>	<u>968,614</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

**JACKSON COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) -**  
**SCHOOL NUTRITION FUND**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

**Exhibit D-1**

	Budget	Actual	Variance Positive (Negative)	2016 Actual
Operating revenues:				
Food sales and other	\$ 685,700	\$ 513,190	\$ (172,510)	\$ 526,900
Operating expenditures:				
Business support services		1,793,378		2,199,892
Capital outlay		42,159		6,165
Total operating expenditures	2,302,528	1,835,537	466,991	2,206,057
Operating loss	(1,616,828)	(1,322,347)	294,481	(1,679,157)
Nonoperating revenues:				
Federal reimbursements	1,398,000	1,458,018	60,018	1,437,979
Federal commodities	127,835	128,330	495	126,212
State reimbursements	3,000	4,206	1,206	3,947
Interest earned	1,100	2,178	1,078	1,554
Donated capital assets	9,402	9,402	-	-
Total nonoperating revenues	1,539,337	1,602,134	62,797	1,569,692
Revenues over (under) expenditures before other financing sources	(77,491)	279,787	357,278	(109,465)
Transfers from other funds	77,491	78,391	900	147,865
Revenues and other sources over (under)	<u>\$ -</u>	358,178	<u>\$ 358,178</u>	38,400
Reconciliation of modified accrual to full accrual basis:				
Reconciling items:				
Depreciation		(32,144)		(27,533)
Indirect costs		(189,218)		(185,793)
Indirect costs not paid		189,218		185,793
Capital outlay		42,159		69,423
Increase (decrease) in accounts receivable		(220)		-
Increase (decrease) in inventory		4,313		26,504
(Increase) decrease in unavailable revenues		(2,263)		-
(Increase) decrease in compensated absences		(3,619)		6,019
Net pension liability		(235,202)		(19,609)
Deferred outflows - pension		205,106		54,042
Deferred inflows - pension		(235,202)		-
Change in net position		<u>\$ 101,106</u>		<u>\$ 147,246</u>

**COMPLIANCE SECTION**



ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
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 basic 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, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jackson County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 14, 2017.

*Internal Control over Financial Reporting*

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

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

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

### *Compliance and Other Matters*

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

### *Purpose of this Report*

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

*Anderson Smith & Wike PLLC*

**November 14, 2017**  
**Statesville, North Carolina**



ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
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's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Jackson County Board of Education's major federal programs for the year ended June 30, 2017. The Jackson County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the Jackson County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### *Other Matter*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 17-01. Our opinion on each major federal program is not modified with respect to this matter.

The Jackson County Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Jackson County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *Report on Internal Control Over Compliance*

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 17-01 that we consider to be a significant deficiency.

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

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

*Anderson Smith & Wike PLLC*

*November 14, 2017  
Statesville, North Carolina*





ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
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's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Jackson County Board of Education's major state programs for the year ended June 30, 2017. The Jackson County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

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

In our opinion, the Jackson County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

#### *Report on Internal Control over Compliance*

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

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

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

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

*Anderson Smith & Wike PLLC*

**November 14, 2017**  
**Statesville, North Carolina**

**Jackson County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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Section I. Summary of Auditors' Results

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Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

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

**Jackson County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster: Commodities - noncash School Breakfast Program National School Lunch Program Summer Food Service Program Child Nutrition Equipment
10.553	
10.555	
10.559	
10.579	
84.010	Title I, Grants to Local Education Agencies

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_yes    Xno

State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_yes    Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes    Xnone 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    Xno

Identification of major State programs:

Program Name  
State Public School Fund

**Jackson County Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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Section II. Financial Statement Findings

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None reported

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Section III. Federal Award Findings and Questioned Costs

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Finding: 17-01

**SIGNIFICANT DEFICIENCY AND NON COMPLIANCE**

U.S. Department of Education  
Passed-through the N.C. Department of Public Instruction  
Program Name: Title I, Grants to Local Education Agencies  
CFDA#: 84.010

Activities allowed or unallowed

Criteria: Classroom teachers are required to teach in a position that is consistent with the area of certification.

Condition: We noted one teacher paid with Title I funds who was not certified to teach the classes she was instructing. She was teaching 6<sup>th</sup> and 8<sup>th</sup> grade science, but was licensed to teach K-6.

Effect: The teacher was instructing in an area outside of her area of certification therefore Title I funds had been used for unallowable expenditures.

Cause: Management did not have procedures and controls in place to ensure that all teachers are instructing classes within their area of certification.

Questioned Cost: None. The teacher's salary was moved out of the Title I program prior to year-end.

Recommendation: We recommend that management review all teaching certificates to ensure that teachers are indeed teaching within areas for which they are certified to teach.

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Section IV. State Award Findings and Questioned Costs

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None reported

**Jackson County Board of Education  
Corrective Action Plan  
For the Year Ended June 30, 2017**

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Section II. Financial Statement Findings

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Finding: None Reported

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Section III. Federal Award Findings and Questioned Costs

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Finding: 17-01

Name of Contact Person: Dr. Kevin Bailey, Personnel Director

Corrective Action Plan: Jackson County Board of Education is a small rural district where it is sometimes difficult to fill teaching positions. In January 2017, the Board offered teachers an incentive program to pay the cost of adding hard to fill instructional areas to their teaching licenses by December 2017. It is the hope of the Board that this will increase the number of teachers with proper certifications to teach these hard to fill courses. In addition, when a school administrator recommends an out-of-field teaching assignment they will be required to submit a plan to ensure the proper license is obtained in a timely manner so that appropriate funding allocations can be made. This plan will be monitored to ensure compliance.

Proposed Completion Date: Immediately

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Section IV. State Award Findings and Questioned Costs

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Finding: None reported

**Jackson County Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017**

Finding: 2016-01

Status: Corrected

**JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2017**

<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 Grants:</b>			
<b>Cash Assistance:</b>			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Child Nutrition Cluster:			
Passed-through the N.C. Department of Public Instruction:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 128,330
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	386,062
National School Lunch Program	10.555	PRC 035	1,018,234
After School Snack Program	10.555	PRC 035	15,903
Summer Food Service Program for Children	10.559	PRC 035	37,819
Cash Assistance Subtotal			<u>1,458,018</u>
Total Child Nutrition Cluster			1,586,348
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Equipment	10.579	PRC 053	<u>9,402</u>
Total School Nutrition Program (Note 3):			1,595,750
Forest Service:			
Passed through Jackson County:			
School and Roads - Grants to States	10.665		<u>95,703</u>
Total U.S. Department of Agriculture			<u>1,691,453</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Programs:			
Impact Aid	84.041		76,961
Indian Education Grants to Local Education Agencies	84.060		59,709
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Title I Cluster:			
Educationally Deprived Children	84.010	PRC 050	1,367,291



**JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2017**

Title I - School Improvement	84.377	PRC 105	75,701
Rural Education	84.358	PRC 109	72,051
English Language Acquisition Grants	84.365	PRC 104	27,047
Supporting Effective Instruction State Grant	84.367	PRC 103	171,935
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	868,583
Special Education - Targeted Assistance	84.027	PRC 118	9,010
Special Education - Targeted Assistance for Preschool	84.027	PRC 119	4,027
Special Education - Preschool Grants	84.173	PRC 049	40,671
Total Special Education Cluster			<u>922,291</u>
Special Education State Personnel Development	84.323	PRC 082	18,282
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	<u>58,636</u>
Total U.S. Department of Education			<u>2,849,904</u>
<u>National Aeronautics and Space Administration</u>			
Passed-through Southwestern Community College			
NASA Science Mission Directorate Science Education	43.001		<u>11,558</u>
<b>Total Federal Assistance</b>			<b><u>4,552,915</u></b>
<b>State Grants:</b>			
<b>Cash Assistance:</b>			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			21,405,785
Vocational Education			
State Months of Employment		PRC 013	1,363,334
Program Support Funds		PRC 014	60,123
Driver Training		PRC 012	61,024
School Technology Fund		PRC 015	115,389
Textbooks (noncash)			46,192
Appropriations for School Buses (non-cash assistance)			<u>262,728</u>
Total N.C. Department of Public Instruction			<u>23,314,575</u>

**JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2017**

NC General Assembly

Passed through Jackson County: School Nurse Funding Initiative	54,964
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N.C. Department of Agriculture

State Reduced Breakfast Program	<u>4,206</u>
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<b>Total State Assistance</b>	<u>23,373,745</u>
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<b>Total Federal and State Assistance</b>	<b><u>\$ 27,926,660</u></b>
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Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Jackson County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Jackson County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Jackson County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

Note 3. 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 4. 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.