

**PERSON COUNTY
BOARD OF EDUCATION
Roxboro, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2017*

**PERSON COUNTY BOARD OF EDUCATION
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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Person 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 comparisons for the General, State Public School, Federal Grants and Restricted Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Person 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.

Financial Highlights

For the fiscal year ended June 30, 2017, the Board's total government-wide net position decreased by \$915,000, or 5.2%. Governmental activities net position decreased by \$961,000, or 5.8%, and business-type activities net position increased by \$46,000, or 5.2%.

- Total government-wide net investment in capital assets decreased by \$425,000, or 1.8%, from the prior year. Governmental activities net investment in capital assets decreased by \$411,000, or 1.8%, and business-type activities net investment in capital assets decreased by \$14,000, or 12.4%.
- Total restricted net position increased by \$221,000, or 28.5%. Restricted net position is found only in the governmental activities.
- The Board's total government-wide unrestricted net position at June 30, 2017 decreased by \$710,000 from the prior year. Governmental activities unrestricted net position decreased by \$771,000 while business-type activities unrestricted net position increased by \$61,000 over the prior year.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary schedules and other schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds and fiduciary 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 and fiduciary funds are presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements

PERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

provide information about the Board as an economic unit while the fund financial statements provide information on each of 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 it has changed. Net position is the difference between the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the unit's financial health or position.

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

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

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

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

Person County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) 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 fund 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 Federal Grants Fund, the Restricted Grants Fund, the Individual Schools Fund and the Capital Outlay Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

**PERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Person County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Fiduciary funds: The Board is the trustee, or fiduciary, for assets that belong to others, such as the Private Purpose Trust Fund. The Board is responsible for ensuring that the assets reported in this fund are used only for their intended purpose and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$16.6 million as of June 30, 2017 as compared to \$17.5 million at June 30, 2016, a decrease of \$915,000. The largest component of net position is the net investment in capital assets of \$22.6 million. Following is a summary of the Statement of Net Position at June 30, 2017 and 2016:

**Table 1
Condensed Statement of Net Position
As of June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Current assets	\$ 3,839,179	\$ 4,231,647	\$ 1,195,755	\$ 1,135,195	\$ 5,034,934	\$ 5,366,842
Capital assets	23,286,709	23,321,270	102,411	116,863	23,389,120	23,438,133
Total assets	27,125,888	27,552,917	1,298,166	1,252,058	28,424,054	28,804,975
Deferred outflows of resources	11,013,440	2,233,531	464,896	101,180	11,478,336	2,334,711
Current liabilities	2,953,887	3,189,267	70,326	66,610	3,024,213	3,255,877
Long-term liabilities	18,424,615	8,051,642	718,501	317,703	19,143,116	8,369,345
Total liabilities	21,378,502	11,240,909	788,827	384,313	22,167,329	11,625,222
Deferred inflows of resources	1,132,666	1,956,592	47,811	88,633	1,180,477	2,045,225
Net investment in capital assets	22,506,798	22,917,813	102,411	116,863	22,609,209	23,034,676
Restricted net position	998,188	777,045	-	-	998,188	777,045
Unrestricted net position (deficit)	(7,876,826)	(7,105,911)	824,013	763,429	(7,052,813)	(6,342,482)
Total net position	\$ 15,628,160	\$ 16,588,947	\$ 926,424	\$ 880,292	\$ 16,554,584	\$ 17,469,239

The net position of the Board's governmental activities was \$15.6 million at June 30, 2017, a decrease of \$961,000 from the \$16.6 reported at June 30, 2016, indicating a decline in the financial condition of the Board. This decline is primarily attributable to an increase in the district's net pension liability.

Net position of the Board's business-type activities increased \$46,000 for the year ended June 30, 2017 and ended the year at \$926,000. This increase is the combined net profit generated by our school food service and child care programs during the 2017 fiscal year.

**PERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Revenues:						
Program revenues:						
Charges for services	\$ 93,801	\$ 136,212	\$ 815,837	\$ 806,075	\$ 909,638	\$ 942,287
Operating grants and contributions	32,863,761	31,653,813	2,302,821	2,255,517	35,166,582	33,909,330
Capital grants and contributions	260,094	-	-	-	260,094	-
General revenues:						
Other revenues	11,944,643	11,941,819	3,716	(649)	11,948,359	11,941,170
Total revenues	<u>45,162,299</u>	<u>43,731,844</u>	<u>3,122,374</u>	<u>3,060,943</u>	<u>48,284,673</u>	<u>46,792,787</u>
Expenses:						
Governmental activities:						
Instructional services	34,659,426	31,949,627	-	-	34,659,426	31,949,627
System-wide support services	9,394,203	8,793,514	-	-	9,394,203	8,793,514
Ancillary services	74,865	70,940	-	-	74,865	70,940
Non-programmed charges	1,844,549	1,826,529	-	-	1,844,549	1,826,529
Interest on long-term debt	11,866	19,860	-	-	11,866	19,860
Unallocated depreciation	90,860	51,397	-	-	90,860	51,397
Business-type activities:						
School food service	-	-	2,706,637	2,691,046	2,706,637	2,691,046
Child care	-	-	416,922	432,039	416,922	432,039
Total expenses	<u>46,075,769</u>	<u>42,711,867</u>	<u>3,123,559</u>	<u>3,123,085</u>	<u>49,199,328</u>	<u>45,834,952</u>
Excess (deficiency)						
before transfers	(913,470)	1,019,977	(1,185)	(62,142)	(914,655)	957,835
Transfers in (out)	<u>(47,317)</u>	<u>(47,666)</u>	<u>47,317</u>	<u>47,666</u>	<u>-</u>	<u>-</u>
Change in net position	(960,787)	972,311	46,132	(14,476)	(914,655)	957,835
Beginning net position	<u>16,588,947</u>	<u>15,616,636</u>	<u>880,292</u>	<u>894,768</u>	<u>17,469,239</u>	<u>16,511,404</u>
Ending net position	<u>\$ 15,628,160</u>	<u>\$ 16,588,947</u>	<u>\$ 926,424</u>	<u>\$ 880,292</u>	<u>\$ 16,554,584</u>	<u>\$ 17,469,239</u>

Total governmental activities generated revenues of \$45.2 million while expenses in this category totaled \$46.1 million for the year ended June 30, 2017, resulting in a decrease in net position of \$961,000 (net of \$47,000 of transfers to business-type activities). Comparatively, revenues were \$43.7 million, expenses totaled \$42.7 million and transfers out totaled \$48,000 for the year ended June 30, 2016, resulting in an increase in net position of \$972,000. In comparing the two years, revenues increased by \$1.4 million, or 3.3%, while expenses increased by \$3.4 million, or 7.9%. An increase in allocations from the State Public School Fund was the primary factor contributing to the increase in revenues. The overall increase in expenses is primarily attributable to a \$2.6 million increase in pension expense. See the footnotes for discussion of pension-related amounts and disclosures.

PERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board's primary sources of revenues were funding from the State of North Carolina, Person County, and the United States Government, which respectively comprised 63.3%, 23.8% and 8.7% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 75.2% of our total expenses during the most recent fiscal year. Of the remaining 24.8% of our total expenses, 20.4% was attributable to system-wide support services.

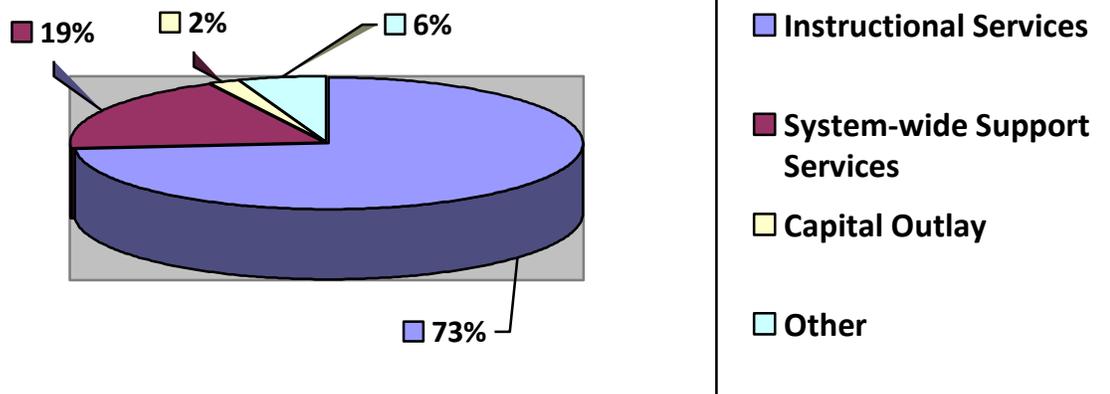
Our business-type activities generated revenues of \$3.1 million, while expenses were also \$3.1 million and transfers in totaled \$47,000 for the year ended June 30, 2017. For the year, net position increased by \$46,000. Comparatively, revenues and expenses both totaled \$3.1 million for the year ended June 30, 2016 and transfers in totaled \$48,000, resulting in a decrease in net position of \$14,000. Overall, revenues and expenses remained comparable for the two periods.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Person 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 \$2.2 million at June 30, 2017, an increase of \$25,000 over the \$2.1 million reported at June 30, 2016. The Board's General and Individual Schools funds reported increases in fund balance of \$15,000 and \$22,000, respectively, while the Restricted Grants Fund reported a decrease in fund balance of \$13,000. Overall, total governmental fund revenues increased by \$1.2 million, or 2.7%, and expenditures increased by \$1.9 million, or 4.2%. An increase in State Public School Fund grant revenues and expenditures was the primary factor contributing to these changes.

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service Fund and the Child Care Fund, reported a combined increase in net position of \$46,000 for the fiscal year ended June 30, 2017 compared to a decrease of \$14,000 for the same 2016 period. Revenues, expenses and overall operating results were comparable in both funds for the two periods.

General Fund Budgetary Highlights

Over the course of the year, the Board will revise the budget to account for changes in revenue expectations and program allocations. Since some revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments. However, during the year ended June 30, 2017, no

**PERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

Capital Assets

Total primary government capital assets were \$23.4 million at both June 30, 2017 and 2016. The following table is a summary of the Board's capital assets, net of depreciation, at June 30, 2017 and 2016. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Land	\$ 987,018	\$ 987,018	\$ -	\$ -	\$ 987,018	\$ 987,018
Construction in progress	-	-	-	-	-	-
Buildings	17,806,373	18,402,712	-	-	17,806,373	18,402,712
Building Improvements	2,872,018	2,811,038	-	-	2,872,018	2,811,038
Equipment	249,108	321,888	102,411	116,863	351,519	438,751
Vehicles	1,372,192	798,614	-	-	1,372,192	798,614
Total	<u>\$ 23,286,709</u>	<u>\$ 23,321,270</u>	<u>\$ 102,411</u>	<u>\$ 116,863</u>	<u>\$ 23,389,120</u>	<u>\$ 23,438,133</u>

Debt Outstanding

During the year, the Board's long-term debt increased by \$376,000 to \$780,000 at June 30, 2017. 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. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

Economic Factors

The Board relies on funding from local, State and federal sources for a majority of its revenues. The Board receives federal funding primarily from federal grants that flow through the NC Department of Public Instruction. State funds are mainly received as allotments from the State Public School Fund. Local funds consist mostly of County appropriations from property taxes and fines and forfeitures.

The following factors have affected the economic outlook of Person County:

- As of June 30, 2017, Person County experienced an unemployment rate of approximately 4.3% as compared to an unemployment rate of approximately 5.5% at June 30, 2016. Person County's unemployment rate is comparable to the June 30, 2017 State of N.C. and national unemployment rates which were 4.2% and 4.3%, respectively.
- The Board anticipates enrollment to remain steady over the next few years. However, the district's enrollment is subject to fluctuate based on the number of students in the County attending local charter schools.

**PERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Requests for Information

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

Julie Masten, Finance Officer
Person County Board of Education
304 South Morgan Street, Room 25
Roxboro, NC 27573

PERSON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2017

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 2,112,793	\$ 1,031,034	\$ 3,143,827
Due from other governments	1,723,389	96,164	1,819,553
Receivables	2,997	156	3,153
Inventories	-	68,401	68,401
Capital assets:			
Land	987,018	-	987,018
Other capital assets, net of depreciation	22,299,691	102,411	22,402,102
Total capital assets	23,286,709	102,411	23,389,120
Total assets	27,125,888	1,298,166	28,424,054
Deferred Outflows of Resources	11,013,440	464,896	11,478,336
Liabilities			
Accounts payable and accrued expenses	122,558	-	122,558
Accrued salaries and wages payable	1,562,597	28,088	1,590,685
Unearned revenue	-	12,813	12,813
Long-term liabilities:			
Net pension liability	16,676,309	703,934	17,380,243
Due within one year	1,268,732	29,425	1,298,157
Due in more than one year	1,748,306	14,567	1,762,873
Total liabilities	21,378,502	788,827	22,167,329
Deferred Inflows of Resources	1,132,666	47,811	1,180,477
Net position			
Net investment in capital assets	22,506,798	102,411	22,609,209
Restricted for:			
Stabilization by State statute	368,992	-	368,992
School capital outlay	101,976	-	101,976
Instructional services	230,040	-	230,040
Individual schools activities	297,180	-	297,180
Unrestricted (deficit)	(7,876,826)	824,013	(7,052,813)
Total net position	\$ 15,628,160	\$ 926,424	\$ 16,554,584

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

