

**ROANOKE RAPIDS GRADED
SCHOOL DISTRICT
Roanoke Rapids, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2018*

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Roanoke Rapids Graded School District
Roanoke Rapids, 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 Roanoke Rapids Graded School District, as of and for the year ended June 30, 2018 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 Roanoke Rapids Graded School District as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Other Special Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Schedule of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedule of Board Contributions on pages 48 through 53, 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 opinions on the financial statements that collectively comprise the Roanoke Rapids Graded School District's basic financial statements. The individual nonmajor fund schedules, budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by the *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 nonmajor fund schedules, budgetary 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund schedules, budgetary 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 September 4, 2018 on our consideration of the Roanoke Rapids Graded School District's internal control over financial reporting and on 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 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 Roanoke Rapids Graded School District's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 4, 2018
West End, North Carolina
(910) 603-0508

ROANOKE RAPIDS GRADED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Roanoke Rapids Graded School District's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

As discussed in Note 5 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. As a result, net position as previously reported at June 30, 2017 for the governmental and business-type activities decreased by \$37.5 million and \$1.1 million respectively. For the fiscal year ended June 30, 2018, the Board's total government-wide net position (not including the decrease in net position due to the GASB 75 restatement) increased by \$14.0 million, or 95.8%. Governmental activities net position increased by \$13.9 million, or 100.7% due to new school construction, and business-type activities net position increased by \$95,000, or 11.8%.

- The Board's average daily membership (ADM) for the fiscal year ended June 30, 2018 was 2,846 students, a decrease of 42 students from the 2017 ADM of 2,888.
- Total government-wide net investment in capital assets increased by \$16.4 million, or 104.3%, from the prior year. Governmental activities net investment in capital assets increased by \$16.1 million, or 103.4%, and business-type activities net investment in capital assets increased by \$269,000, or 211.0%. The increase in capital assets is the results of the construction of the new Manning Elementary school.
- Total restricted net position decreased by \$370,000, or 30.9%. Restricted net position is found mainly in the governmental activities as a result of capital outlay fund balance, which decreased in the current year as the district conducts repairs and maintenance and modifications to open an Early College program.
- The Board's total government-wide unrestricted net position at June 30, 2018 decreased by \$40.6 million from the prior year due largely to the \$38.6 million GASB 75 restatement. Including this restatement, Governmental activities unrestricted net position decreased by \$39.4 million while business-type activities unrestricted net position decreased by \$1.3 million from the prior year due to the operating losses recognized in the School Food Service fund.

Overview of the Financial Statements

The audited financial statements of the Roanoke Rapids Graded School District 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 statements for nonmajor governmental funds and budgetary statements for enterprise funds.*

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, 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 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets and liabilities. 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 and City's property tax bases 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 and city funding along with 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.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Roanoke Rapids Graded School District 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 – 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 Other Special Revenue Fund, the Capital Outlay Fund and the Individual Schools Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Roanoke Rapids Graded School District 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.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$10.0 million as of June 30, 2018 as compared to assets exceeding liabilities by \$14.6 million as of June 30, 2017, a decrease of \$24.6 million. As previously discussed, this decrease is primarily due to the implementation of GASB 75 during the year which had the effect of reducing beginning of the year net position by \$38.6 million. The largest component of net position is net investment in capital assets of \$32.1 million, which comprises 320% of the total net position. Following is a summary of the Statement of Net Position at June 30, 2018 and 2017:

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 1
Condensed Statement of Net Position
As of June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current assets	\$ 3,672,753	\$ 4,210,182	\$ 698,045	\$ 855,775	\$ 4,370,798	\$ 5,065,957
Capital assets	31,724,193	15,598,162	396,674	127,560	32,120,867	15,725,722
Total assets	35,396,946	19,808,344	1,094,719	983,335	36,491,665	20,791,679
Deferred outflows of resources	8,305,723	6,429,912	243,938	228,151	8,549,661	6,658,063
Current liabilities	1,869,442	1,935,633	32,557	48,725	1,901,999	1,984,358
Long-term liabilities	40,472,169	10,071,876	1,178,622	341,860	41,650,791	10,413,736
Total liabilities	42,341,611	12,007,509	1,211,179	390,585	43,552,790	12,398,094
Deferred inflows of resources	11,201,280	459,749	328,982	16,313	11,530,262	476,062
Net investment in capital assets	31,724,193	15,598,162	396,674	127,560	32,120,867	15,725,722
Restricted net position	826,601	1,200,072	3,198	-	829,799	1,200,072
Unrestricted net position (deficit)	(42,391,016)	(3,027,236)	(601,376)	677,028	(42,992,392)	(2,350,208)
Total net position (deficit)	\$ (9,840,222)	\$ 13,770,998	\$ (201,504)	\$ 804,588	\$ (10,041,726)	\$ 14,575,586

The net position of the Board's governmental activities decreased \$23.6 during the year, from \$13.8 million at June 30, 2017 to \$(9.8) million at June 30, 2018. The GASB 75 restatement accounted for all of this decrease, reducing beginning of year governmental activities net position by \$37.5 million. This decrease was offset by the addition of the new Manning Elementary school paid for by the County Restricted net position decreased by \$373,000, primarily due to decreased fund balance in the Capital Outlay Fund as capital outlay and repairs and maintenance expenditures exceeded revenues. Unrestricted net position decreased \$39.4 million compared to the prior year, due primarily to implementation of GASB 75. Net investment in capital assets increased \$16.1 million due to an excess of capital additions over depreciation for the year as a result of the new Elementary school.

Net of a reduction of \$1.1 million to beginning of year net position for implementation of GASB 75, the net position of the Board's business-type activities increased \$95,000 from \$(296,000) at June 30, 2017 to \$(201,000) at June 30, 2018, the increase excluding the prior period adjustment is due to \$295,000 of contributed capital for the equipment in the new Manning Elementary cafeteria. Excluding GASB 75 and the contributed capital, the combined net loss generated by our school food service and child care operations during the 2018 fiscal year totaled \$(200,000). The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues:						
Program revenues:						
Charges for services	\$ 456,917	\$ 475,254	\$ 497,801	\$ 714,046	\$ 954,718	\$ 1,189,300
Operating grants and contributions	20,299,612	19,241,795	1,180,475	1,342,287	21,480,087	20,584,082
Capital grants and contributions	-	-	295,000	-	295,000	-
General revenues:						
County and City appropriations	21,477,172	4,859,888				
State appropriations	1,447,192	1,276,845				
Other revenues	202,668	683,297	(505)	4,110	202,163	687,407
Total revenues	<u>43,883,561</u>	<u>26,537,079</u>	<u>1,972,771</u>	<u>2,060,443</u>	<u>22,931,968</u>	<u>22,460,789</u>
Expenses:						
Governmental activities:						
Instructional services	23,417,652	21,301,895	-	-	23,417,652	21,301,895
System-wide support services	6,468,542	6,167,975	-	-	6,468,542	6,167,975
Ancillary services	18,648	15,742	-	-	18,648	15,742
Unallocated depreciation	41,932	57,650	-	-	41,932	57,650
Business-type activities:						
School food service	-	-	1,835,711	1,944,665	1,835,711	1,944,665
Child care	-	-	103,499	121,289	103,499	121,289
Total expenses	<u>29,946,774</u>	<u>27,543,262</u>	<u>1,939,210</u>	<u>2,065,954</u>	<u>31,885,984</u>	<u>29,609,216</u>
Transfers in (out)	(61,333)	(62,441)	61,333	62,441	-	-
Increase (decrease) in net position	13,875,454	(1,068,624)	94,894	56,930	(8,954,016)	(7,148,427)
Beginning net position, previously reported	13,770,998	14,839,622	804,588	747,658	14,575,586	15,587,280
Restatement	<u>(37,486,674)</u>	<u>-</u>	<u>(1,100,986)</u>	<u>-</u>	<u>(38,587,660)</u>	<u>-</u>
Beginning net position (deficit), restated	<u>(23,715,676)</u>	<u>14,839,622</u>	<u>(296,398)</u>	<u>747,658</u>	<u>(24,012,074)</u>	<u>15,587,280</u>
Ending net position (deficit)	<u>\$ (9,840,222)</u>	<u>\$ 13,770,998</u>	<u>\$ (201,504)</u>	<u>\$ 804,588</u>	<u>\$ (32,966,090)</u>	<u>\$ 8,438,853</u>

For the year ended June 30, 2018, total governmental activities generated revenues of \$43.9 million, expenses of \$30.0 million and transfers out of \$61,000 resulting in an increase in net position of \$13.8 million. Comparatively, revenues were \$26.5 million, expenses totaled \$27.5 million and transfers out were \$62,000 for the year ended June 30, 2017, resulting in a decrease in net position of \$1,069,000. The board experienced an increase in revenues of \$17.3 million, due to the construction of a new

ROANOKE RAPIDS GRADED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Elementary school. Expenses increased \$2.4 million, including an increase in OPEB expense of \$2.1 million due to implementing GASB 75 in the current year.

The Board's primary sources of revenues were funding from the State of North Carolina, Halifax County, and the United States Government, which respectively comprised 43.8%, 43.0% and 5.0% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 47.9% of our total expenditures during the most recent fiscal year. Of the remaining 52.1% of our total expenditures, 12.4% was attributable to system-wide support services and 39.4% was for capital outlay attributed to construction of a new Manning Elementary.

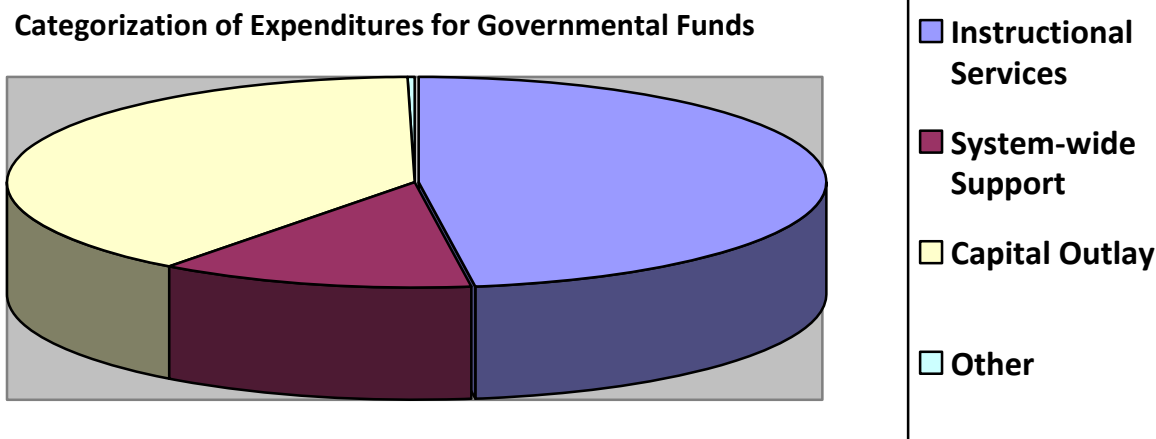
Our business-type activities generated revenues of \$2.0 million, while expenses in this category totaled \$1.9 million for the year ended June 30, 2018. For the year, excluding the restatement reported due to the implementation of GASB 75, net position increased by \$95,000 (including transfers in of \$61,000 and contributed capital of \$295,000). Comparatively, revenues and expenses were \$2.1 million and \$2.1 million respectively with transfers in of \$62,000 for the year ended June 30, 2017, resulting in an increase in net position of \$57,000.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Roanoke Rapids Graded School District'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 \$2.8 million at June 30, 2018, a decrease of \$510,000 from the amount reported at June 30, 2017. The Board's General and Individual Schools fund reported revenues over expenditures for the year ended June 30, 2018 of \$461,000 and \$300, respectively, while the Other Special Revenue and Capital Outlay funds reported decreases in fund balance of \$528,000 and \$443,000, respectively. Overall, total governmental fund revenues increased by \$17.4 million, or 65.1%, from the prior year, while total expenditures increased by \$17.2 million, or 62.6%.

The following chart summarizes governmental fund expenditures:



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 \$95,000 for the fiscal year ended June 30, 2018 compared to an increase of \$57,000 for the same 2017 period excluding the restatement reported due to the implementation of GASB 75. The restatement decreased net position in the School Food Service Fund and Child Care Fund by \$1.0 million and \$70,000, respectively. Net income in the School Food Service Fund (including transfers in and capital contributions) was \$72,000 for the fiscal year ended June

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

30, 2018 compared to \$67,000 for 2017, an increase of \$5,000. The Child Care Fund reported a net profit of \$23,000 in 2018 compared to a net loss of \$10,000 in 2017, an improvement of \$33,000.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several 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.

Capital Assets

Total primary government capital assets were \$32.1 million at June 30, 2018 compared to \$15.7 million at June 30, 2017, an increase of \$16.4 million due to the construction of the new Manning Elementary. More detailed information about the Board's capital assets is contained in the notes to the financial statements. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2018 and 2017.

**Table 3
Summary of Capital Assets
As of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/17</u>
Land	\$ 1,448,163	\$ 1,345,514	\$ -	\$ -	\$ 1,448,163	\$ 1,345,514
Construction in progress	983,897	807,488	-	-	983,897	807,488
Buildings and improvements	28,870,204	12,909,816	-	-	28,870,204	12,909,816
Equipment and furniture	287,773	337,431	396,674	127,560	684,447	464,991
Vehicles	134,156	197,913	-	-	134,156	197,913
Total	<u>\$ 31,724,193</u>	<u>\$ 15,598,162</u>	<u>\$ 396,674</u>	<u>\$ 127,560</u>	<u>\$ 32,120,867</u>	<u>\$ 15,725,722</u>

Economic Factors

County and City funding are a major source of income for the Board; therefore, the local area's economic outlook directly affects that of the Board's. Roanoke Rapids and Halifax County continue to feel the effects of the national recession. Our unemployment rate was 6.4% at June 30, 2018 while the State and national rates were 4.2% and 4.0%, respectively.

Our local school district's supplemental tax provides approximately 34.0% of our funding for local budgets. These funds are critical for the effective operation of the school district. The Board has maintained a healthy fund balance over the years, but if State funding continues to decline and federal ARRA stimulus grant revenues are not replaced, the district will continue to face some challenging funding decisions in the future.

Requests for Information

This report is intended to provide a summary of the financial condition of Roanoke Rapids Graded School District. Questions or requests for additional information should be addressed to:

Andrea Midgette, Finance Officer
Roanoke Rapids Graded School District
536 Hamilton Street
Roanoke Rapids, NC 27870

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 2,824,914	\$ 574,778	\$ 3,399,692
Due from other governments	791,469	43,780	835,249
Receivables	10	29,229	29,239
Net OPEB asset	56,360	1,655	58,015
Inventories	-	48,603	48,603
Capital assets:			
Land and construction in progress	2,432,060	-	2,432,060
Other capital assets, net of depreciation	29,292,133	396,674	29,688,807
Total capital assets	<u>31,724,193</u>	<u>396,674</u>	<u>32,120,867</u>
 Total assets	 <u>35,396,946</u>	 <u>1,094,719</u>	 <u>36,491,665</u>
 Deferred Outflows of Resources	 <u>8,305,723</u>	 <u>243,938</u>	 <u>8,549,661</u>
Liabilities			
Accounts payable and accrued expenses	130,487	2,259	132,746
Accrued salaries and wages payable	672,226	-	672,226
Unearned revenue	900	7,198	8,098
Long-term liabilities:			
Net pension liability	8,384,823	246,262	8,631,085
Net OPEB liability	31,432,186	923,163	32,355,349
Due within one year	1,065,829	23,100	1,088,929
Due in more than one year	<u>655,160</u>	<u>9,197</u>	<u>664,357</u>
 Total liabilities	 <u>42,341,611</u>	 <u>1,211,179</u>	 <u>43,552,790</u>
 Deferred Inflows of Resources	 <u>11,201,280</u>	 <u>328,982</u>	 <u>11,530,262</u>
Net position			
Net investment in capital assets	31,724,193	396,674	32,120,867
Restricted for:			
Stabilization by State statute	103,773	-	103,773
School capital outlay	437,528	-	437,528
Instructional services	22,965	-	22,965
Individual schools activities	153,436	-	153,436
DIPNC OPEB plan	108,899	3,198	112,097
Unrestricted (deficit)	<u>(42,391,016)</u>	<u>(601,376)</u>	<u>(42,992,392)</u>
 Total net position (deficit)	 <u>\$ (9,840,222)</u>	 <u>\$ (201,504)</u>	 <u>\$ (10,041,726)</u>

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Instructional services:								
Regular instructional	\$ 13,742,100	\$ -	\$ 11,136,735	\$ -	\$ (2,605,365)	\$ -	\$ (2,605,365)	
Special populations	3,436,233	-	3,372,593	-	(63,640)	-	(63,640)	
Alternative programs	2,331,252	-	1,858,554	-	(472,698)	-	(472,698)	
School leadership	1,640,587	-	861,006	-	(779,581)	-	(779,581)	
Co-curricular	645,878	453,817	-	-	(192,061)	-	(192,061)	
School-based support	1,621,602	-	1,059,863	-	(561,739)	-	(561,739)	
System-wide support services:								
Support and development	330,222	-	106,406	-	(223,816)	-	(223,816)	
Special population support and development	201,226	-	176,050	-	(25,176)	-	(25,176)	
Alternative programs and services support and development	325,717	-	122,434	-	(203,283)	-	(203,283)	
Technology support	425,544	-	10,161	-	(415,383)	-	(415,383)	
Operational support	3,804,344	-	1,093,412	-	(2,710,932)	-	(2,710,932)	
Financial and human resource services	588,781	3,100	138,116	-	(447,565)	-	(447,565)	
System-wide pupil support	101,370	-	3,480	-	(97,890)	-	(97,890)	
Policy, leadership and public relations	691,338	-	259,214	-	(432,124)	-	(432,124)	
Ancillary services	18,648	-	3,823	-	(14,825)	-	(14,825)	
Non-programmed charges	-	-	97,765	-	97,765	-	97,765	
Unallocated depreciation expense**	41,932	-	-	-	(41,932)	-	(41,932)	
Total governmental activities	29,946,774	456,917	20,299,612	-	(9,190,245)	-	(9,190,245)	
Business-type activities:								
School food service	1,835,711	371,354	1,180,475	295,000	-	11,118	11,118	
Child care	103,499	126,447	-	-	-	22,948	22,948	
Total business-type activities	1,939,210	497,801	1,180,475	295,000	-	34,066	34,066	
Total primary government	\$ 31,885,984	\$ 954,718	\$ 21,480,087	\$ 295,000	(9,190,245)	34,066	(9,156,179)	
General revenues:								
Unrestricted county and city appropriations - operating					4,489,618	-	4,489,618	
Unrestricted county appropriations - capital					16,987,554	-	16,987,554	
Unrestricted State appropriations - operating					1,324,543	-	1,324,543	
Unrestricted State appropriations - capital					122,649	-	122,649	
Investment earnings, unrestricted					17,039	1,424	18,463	
Miscellaneous, unrestricted					185,629	(1,929)	183,700	
Transfers					(61,333)	61,333	-	
Total general revenues					23,065,699	60,828	23,126,527	
**This amount excludes the depreciation that is included in the direct expenses of the various programs.					Change in net position	13,875,454	94,894	13,970,348
					Net position - beginning, as previously reported	13,770,998	804,588	14,575,586
					Restatement (Note 5)	(37,486,674)	(1,100,986)	(38,587,660)
					Net position (deficit) - beginning, as restated	(23,715,676)	(296,398)	(24,012,074)
					Net position (deficit) - ending	\$ (9,840,222)	\$ (201,504)	\$ (10,041,726)

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 1,229,040	\$ -	\$ -	\$ 1,015,015	\$ 427,423	\$ 153,436	\$ 2,824,914
Due from other governments	90,015	547,488	67,922	75,939	10,105	-	791,469
Accounts receivable	10	-	-	-	-	-	10
Total assets	<u>\$ 1,319,065</u>	<u>\$ 547,488</u>	<u>\$ 67,922</u>	<u>\$ 1,090,954</u>	<u>\$ 437,528</u>	<u>\$ 153,436</u>	<u>\$ 3,616,393</u>
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 130,477	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ 130,487
Accrued salaries and wages payable	18,397	547,488	67,922	38,419	-	-	672,226
Unearned revenue	900	-	-	-	-	-	900
Total liabilities	<u>149,774</u>	<u>547,488</u>	<u>67,922</u>	<u>38,429</u>	<u>-</u>	<u>-</u>	<u>803,613</u>
Deferred inflows of resources	<u>62,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,191</u>
Fund balances:							
Restricted:							
Stabilization by State statute	27,834	-	-	75,939	-	-	103,773
School capital outlay	-	-	-	-	437,528	-	437,528
Instructional services	-	-	-	22,965	-	-	22,965
Individual schools	-	-	-	-	-	153,436	153,436
Assigned:							
Special revenues	-	-	-	953,621	-	-	953,621
Unassigned	<u>1,079,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,079,266</u>
Total fund balances	<u>1,107,100</u>	<u>-</u>	<u>-</u>	<u>1,052,525</u>	<u>437,528</u>	<u>153,436</u>	<u>2,750,589</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,319,065</u>	<u>\$ 547,488</u>	<u>\$ 67,922</u>	<u>\$ 1,090,954</u>	<u>\$ 437,528</u>	<u>\$ 153,436</u>	

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 3 (continued)

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because of the following:

Total fund balance (All Governmental Funds)	\$ 2,750,589
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,724,193
Net OPEB asset	56,360
Deferred outflows of resources related to pensions	4,592,444
Deferred outflows of resources related to OPEB	3,713,279
Other long-term assets (taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.	62,191
Some liabilities, including those for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,720,989)
Net pension liability	(8,384,823)
Net OPEB liability	(31,432,186)
Deferred inflows of resources related to pensions	(279,573)
Deferred inflows of resources related to OPEB	<u>(10,921,707)</u>
Net position (deficit) of governmental activities	<u>\$ (9,840,222)</u>

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 18,720,067	\$ -	\$ 458,721	\$ 122,649	\$ -	\$ 19,301,437
Halifax County	2,080,892	-	-	-	16,871,536	-	18,952,428
U.S. Government	-	-	2,018,595	165,070	-	-	2,183,665
Other	2,133,102	-	-	948,958	122,222	453,817	3,658,099
Total revenues	<u>4,213,994</u>	<u>18,720,067</u>	<u>2,018,595</u>	<u>1,572,749</u>	<u>17,116,407</u>	<u>453,817</u>	<u>44,095,629</u>
Expenditures:							
Current:							
Instructional services:							
Regular instructional	863,853	11,088,403	170,113	126,976	-	-	12,249,345
Special populations	30,274	2,489,575	471,316	223,537	-	-	3,214,702
Alternative programs	96,955	465,386	1,117,672	523,843	-	-	2,203,856
School leadership	77,490	1,359,034	-	84,435	-	-	1,520,959
Co-curricular	-	-	-	180,862	-	453,504	634,366
School-based support	38,371	1,074,523	20,355	375,972	-	-	1,509,221
System-wide support services:							
Support and development	38,328	174,579	-	96,943	-	-	309,850
Special population support and development	1,066	107,437	70,652	3,902	-	-	183,057
Alternative programs and services support and development	189,617	61,965	60,469	-	-	-	312,051
Technology support	383,089	22,388	-	-	-	-	405,477
Operational support	1,434,877	1,025,649	6,430	469,402	-	-	2,936,358
Financial and human resource services	317,673	318,022	-	-	-	-	635,695
System-wide pupil support	-	94,194	-	-	-	-	94,194
Policy, leadership and public relations	281,621	377,579	-	-	-	-	659,200
Ancillary services	-	-	3,823	14,825	-	-	18,648
Non-programmed charges	-	-	97,765	-	-	-	97,765
Capital outlay	-	-	-	-	17,559,313	-	17,559,313
Total expenditures	<u>3,753,214</u>	<u>18,658,734</u>	<u>2,018,595</u>	<u>2,100,697</u>	<u>17,559,313</u>	<u>453,504</u>	<u>44,544,057</u>
Revenues over (under) expenditures	460,780	61,333	-	(527,948)	(442,906)	313	(448,428)
Other financing sources (uses):							
Transfers from (to) other funds	-	(61,333)	-	-	-	-	(61,333)
Net change in fund balance	460,780	-	-	(527,948)	(442,906)	313	(509,761)
Fund balances:							
Beginning of year	<u>646,320</u>	<u>-</u>	<u>-</u>	<u>1,580,473</u>	<u>880,434</u>	<u>153,123</u>	<u>3,260,350</u>
End of year	<u>\$ 1,107,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,052,525</u>	<u>\$ 437,528</u>	<u>\$ 153,436</u>	<u>\$ 2,750,589</u>

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (509,761)
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. This is the amount by which capital outlays exceeded depreciation in the current period.	16,174,244
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,782,192
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,023,356
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Supplemental taxes	10,697
Loss on disposal of capital assets	(48,213)
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.	
Net OPEB expense	(2,120,936)
Pension expense	(2,347,312)
Compensated absences	<u>(88,813)</u>
Total changes in net position of governmental activities	<u>\$ 13,875,454</u>

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ·
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Halifax County	2,037,379	2,047,379	2,080,892	33,513
U.S. Government	-	-	-	-
Other	<u>2,791,692</u>	<u>2,122,416</u>	<u>2,133,102</u>	<u>10,686</u>
Total revenues	<u>4,829,071</u>	<u>4,169,795</u>	<u>4,213,994</u>	<u>44,199</u>
Expenditures:				
Current:				
Instructional services	1,244,194	1,210,284	1,106,943	103,341
System-wide support services	3,584,877	2,959,511	2,646,271	313,240
Ancillary services	-	-	-	-
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,829,071</u>	<u>4,169,795</u>	<u>3,753,214</u>	<u>416,581</u>
Revenues over (under) expenditures	-	-	460,780	460,780
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	460,780	<u>\$ 460,780</u>
Fund balances:				
Beginning of year			<u>646,320</u>	
End of year			<u>\$ 1,107,100</u>	

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 18,562,092	\$ 19,283,151	\$ 18,720,067	\$ (563,084)
Halifax County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>18,562,092</u>	<u>19,283,151</u>	<u>18,720,067</u>	<u>(563,084)</u>
Expenditures:				
Current:				
Instructional services	16,350,013	16,940,455	16,476,921	463,534
System-wide support services	2,146,160	2,281,361	2,181,813	99,548
Ancillary services	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>18,496,173</u>	<u>19,221,816</u>	<u>18,658,734</u>	<u>563,082</u>
Revenues over (under) expenditures	65,919	61,335	61,333	(2)
Other financing uses:				
Transfers to other funds	(65,919)	(61,335)	(61,333)	2
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Halifax County	-	-	-	-
U.S. Government	2,413,731	2,377,689	2,018,595	(359,094)
Other	-	-	-	-
Total revenues	<u>2,413,731</u>	<u>2,377,689</u>	<u>2,018,595</u>	<u>(359,094)</u>
Expenditures:				
Current:				
Instructional services	2,021,242	2,080,895	1,779,456	301,439
System-wide support services	61,357	155,525	137,551	17,974
Ancillary services	-	3,823	3,823	-
Nonprogrammed charges	<u>331,132</u>	<u>137,446</u>	<u>97,765</u>	<u>39,681</u>
Total expenditures	<u>2,413,731</u>	<u>2,377,689</u>	<u>2,018,595</u>	<u>359,094</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	Other Special Revenue Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 427,805	\$ 427,805	\$ 458,721	\$ 30,916
Halifax County	-	-	-	-
U.S. Government	102,400	154,400	165,070	10,670
Other	<u>952,300</u>	<u>905,543</u>	<u>948,958</u>	<u>43,415</u>
Total revenues	<u>1,482,505</u>	<u>1,487,748</u>	<u>1,572,749</u>	<u>85,001</u>
Expenditures:				
Current:				
Instructional services	1,813,922	1,903,384	1,515,625	387,759
System-wide support services	96,586	673,243	570,247	102,996
Ancillary services	7,450	15,172	14,825	347
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,917,958</u>	<u>2,591,799</u>	<u>2,100,697</u>	<u>491,102</u>
Revenues over (under) expenditures	(435,453)	(1,104,051)	(527,948)	576,103
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>435,453</u>	<u>1,104,051</u>	<u>-</u>	<u>(1,104,051)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(527,948)	<u>\$ (527,948)</u>
Fund balances:				
Beginning of year			<u>1,580,473</u>	
End of year			<u>\$ 1,052,525</u>	

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2018

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 472,523	\$ 102,255	\$ 574,778
Due from other governments	43,780	-	43,780
Receivables	27,745	1,484	29,229
Net OPEB asset	1,549	106	1,655
Inventories	48,603	-	48,603
Total current assets	<u>594,200</u>	<u>103,845</u>	<u>698,045</u>
Noncurrent assets:			
Capital assets:			
Furniture, equipment and vehicles, net	396,674	-	396,674
Total assets	<u>990,874</u>	<u>103,845</u>	<u>1,094,719</u>
Deferred Outflows of Resources	<u>228,336</u>	<u>15,602</u>	<u>243,938</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	2,259	-	2,259
Compensated absences	19,698	3,402	23,100
Unearned revenue	7,198	-	7,198
Total current liabilities	<u>29,155</u>	<u>3,402</u>	<u>32,557</u>
Noncurrent liabilities:			
Net pension liability	230,510	15,752	246,262
Net OPEB liability	864,114	59,049	923,163
Compensated absences	5,507	3,690	9,197
Total noncurrent liabilities	<u>1,100,131</u>	<u>78,491</u>	<u>1,178,622</u>
Total liabilities	<u>1,129,286</u>	<u>81,893</u>	<u>1,211,179</u>
Deferred Inflows of Resources	<u>307,939</u>	<u>21,043</u>	<u>328,982</u>
Net position			
Net investment in capital assets	396,674	-	396,674
Restricted for DIPNC OPEB plan	2,994	204	3,198
Unrestricted (deficit)	<u>(617,683)</u>	<u>16,307</u>	<u>(601,376)</u>
Total net position (deficit)	<u>\$ (218,015)</u>	<u>\$ 16,511</u>	<u>\$ (201,504)</u>

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018

Exhibit 8

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Operating revenues:			
Food sales	\$ 371,354	\$ -	\$ 371,354
Child care fees	-	126,447	126,447
Total operating revenues	<u>371,354</u>	<u>126,447</u>	<u>497,801</u>
Operating expenses:			
Food cost:			
Purchase of food	619,409	-	619,409
Donated commodities	98,119	-	98,119
Salaries and benefits	902,088	98,813	1,000,901
Indirect costs	125,000	-	125,000
Materials and supplies	6,122	1,838	7,960
Repairs and maintenance	6,846	-	6,846
Depreciation	21,557	-	21,557
Non-capitalized equipment	37,944	-	37,944
Contracted services	11,039	-	11,039
Other	7,587	2,848	10,435
Total operating expenses	<u>1,835,711</u>	<u>103,499</u>	<u>1,939,210</u>
Operating income (loss)	<u>(1,464,357)</u>	<u>22,948</u>	<u>(1,441,409)</u>
Nonoperating revenues:			
Federal reimbursements	1,079,513	-	1,079,513
Federal commodities	98,119	-	98,119
State reimbursements	2,843	-	2,843
Loss on disposal of capital assets	(4,100)	-	(4,100)
Interest earned	1,214	210	1,424
Other	2,171	-	2,171
Total nonoperating revenues	<u>1,179,760</u>	<u>210</u>	<u>1,179,970</u>
Income (loss) before transfers and contributions	(284,597)	23,158	(261,439)
Transfers from other funds	<u>61,333</u>	-	<u>61,333</u>
Contributions:			
Capital contributions	<u>295,000</u>	-	<u>295,000</u>
Change in net position	71,736	23,158	94,894
Net position, beginning of year, as previously reported	<u>740,812</u>	<u>63,776</u>	<u>804,588</u>
Restatement (Note 5)	<u>(1,030,563)</u>	<u>(70,423)</u>	<u>(1,100,986)</u>
Net position (deficit), beginning of year, as restated	<u>(289,751)</u>	<u>(6,647)</u>	<u>(296,398)</u>
Net position (deficit), end of year	<u>\$ (218,015)</u>	<u>\$ 16,511</u>	<u>\$ (201,504)</u>

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018

Exhibit 9

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 363,974	\$ 125,540	\$ 489,514
Cash paid for goods and services	(801,828)	(4,686)	(806,514)
Cash paid to employees for services	(822,679)	(99,499)	(922,178)
Net cash provided (used) by operating activities	(1,260,533)	21,355	(1,239,178)
Cash flows from noncapital financing activities:			
Federal and State reimbursements	1,136,803	-	1,136,803
Other	2,171	-	2,171
Net cash provided by noncapital activities	1,138,974	-	1,138,974
Cash flows from capital and related financing activities:			
Proceeds from disposal of capital assets	3,214	-	3,214
Purchase of capital assets	(2,985)	-	(2,985)
Net cash used by capital and related financing activities	229	-	229
Cash flows from investing activities:			
Interest earned on investments	1,214	210	1,424
Net increase in cash and cash equivalents	(120,116)	21,565	(98,551)
Cash and cash equivalents, beginning of year	592,639	80,690	673,329
Cash and cash equivalents, end of year	\$ 472,523	\$ 102,255	\$ 574,778
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,464,357)	\$ 22,948	\$ (1,441,409)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	21,557	-	21,557
Donated commodities	98,119	-	98,119
Salaries paid by special revenue fund	61,333	-	61,333
Changes in assets and liabilities:			
Increase in accounts receivable	(8,240)	(907)	(9,147)
Decrease in OPEB asset	-	-	-
Decrease in inventories	15,534	-	15,534
Decrease in accounts payable and accrued liabilities	(3,415)	-	(3,415)

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018

Exhibit 9 (continued)

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Reconciliation of operating loss to net cash used by operating activities (continued):			
Increase in unearned revenue	860	-	860
Decrease in pension liability	(72,867)	(17,142)	(90,009)
Decrease in OPEB liability	(194,812)	(13,312)	(208,124)
Decrease in deferred outflow	4,312	8,547	12,859
Increase in deferred inflow	293,222	19,447	312,669
Increase (decrease) in compensated absences payable	(11,779)	1,774	(10,005)
Total adjustments	<u>203,824</u>	<u>(1,593)</u>	<u>202,231</u>
Net cash used by operating activities	<u>\$ (1,260,533)</u>	<u>\$ 21,355</u>	<u>\$ (1,239,178)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$98,119 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$61,333 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense.

School Food Service capital assets with a value of \$295,000 were purchased by the Capital Outlay Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

The School Food Service Fund reported a loss on disposal of capital assets of \$4,100.

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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roanoke Rapids Graded School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Roanoke Rapids Graded School District (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 Roanoke Rapids, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. 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.

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.

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.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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

The Board reports the following nonmajor governmental funds:

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 Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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.

Halifax County levies, on behalf of the Roanoke Rapids Graded School District, a special property tax (the school supplemental tax). The tax levy on real and personal property is twenty-one cents per \$100

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

of property valuation. Collections of the tax are made by Halifax County and remitted to the City of Roanoke Rapids. The City then immediately remits the tax to the Board of Education.

Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Halifax County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2017 through February 2018 apply to the fiscal year ended June 30, 2018. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements. Those taxes for vehicles registered from March 1, 2018 through June 30, 2018 apply to the 2019 fiscal year end and are not shown as receivables at June 30, 2018. For motor vehicles which are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred inflows of resources because the due date and the date upon which the interest begins to accrue passed prior to June 30.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools 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 purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$1,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the Board of Education. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. The STIF 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.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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

2. Cash and Cash Equivalents

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

3. Inventories

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

4. 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 capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 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.

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years, while for capital assets utilized in business-type activities, it is the policy of the Board to capitalize those assets costing more than \$1,500 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Halifax 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 and improvements	20 - 50
Equipment and furniture	3 - 12
Vehicles	6

Depreciation for assets that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial 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 one item that meets this criterion - contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meet this criterion – pension related deferrals.

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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)].

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

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.

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. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(12,590,811) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 50,001,424
Less Accumulated Depreciation	<u>(18,277,231)</u>
Net capital assets	31,724,193
Net OPEB Asset	56,360
Pension related deferred outflows of resources	4,592,444
OPEB related deferred outflows of resources	3,713,279
Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide	62,191
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(1,720,989)
Net pension liability	(8,384,823)
Net OPEB liability	(31,432,186)
Deferred inflows of resources related to pensions	(279,573)
Deferred inflows of resources related to OPEB	<u>(10,921,707)</u>
Total adjustment	<u>\$ (12,590,811)</u>

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$14,385,215 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 16,866,803
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(692,559)
Supplemental taxes in the statement of activities that do not provide current financial resources in the funds	10,697
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,782,192
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,023,356
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension expense	(2,347,312)
OPEB expense	(2,120,936)
Loss on disposal of asset	(48,213)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(88,813)
Total adjustment	<u>\$ 14,385,215</u>

10. Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension 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), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's 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, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$2,634,885 and with the State Treasurer of \$-0-. Cash on hand was \$500 at June 30, 2018. The bank balances with the financial institutions and the State Treasurer were \$2,668,789 and \$65,075, respectively. Of these balances, \$406,636 was covered by federal depository insurance and \$2,327,228 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2018, the Board had \$764,307 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2018. The Board has no investment balances in the NCCMT as of June 30, 2018. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2018 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 90,015	\$ 10	\$ 90,025
Other governmental activities	<u>692,294</u>	<u>-</u>	<u>692,294</u>
Total governmental activities	<u>\$ 782,309</u>	<u>\$ 10</u>	<u>\$ 782,319</u>
Business-type activities:			
School Food Service Fund	\$ 43,780	\$ 27,745	\$ 71,525
Child Care Fund	<u>-</u>	<u>1,484</u>	<u>1,484</u>
Total business-type activities	<u>\$ 43,780</u>	<u>\$ 29,229</u>	<u>\$ 73,009</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 90,015	Amounts due from County and City
State Public School Fund	547,488	Operating funds from DPI
Federal Grants Fund	67,922	Federal grant funds
Other Special Revenue Fund	75,939	Amounts due from County and federal grants
Capital Outlay Fund	<u>10,105</u>	Amounts due from County
Total	<u>\$ 782,309</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 43,780</u>	Federal funds

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
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For the Fiscal Year Ended June 30, 2018

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,345,514	\$ 102,649	\$ -	\$ 1,448,163
Construction in progress	807,488	376,409	200,000	983,897
Total capital assets not being depreciated	<u>2,153,002</u>	<u>479,058</u>	<u>200,000</u>	<u>2,432,060</u>
Capital assets being depreciated:				
Buildings and improvements	30,800,749	16,581,950	1,926,333	45,456,366
Equipment and furniture	1,135,880	5,795	56,971	1,084,704
Vehicles	1,028,294	-	-	1,028,294
Total capital assets being depreciated	<u>32,964,923</u>	<u>16,587,745</u>	<u>1,983,304</u>	<u>47,569,364</u>
Less accumulated depreciation for:				
Buildings and improvements	17,907,913	586,870	1,908,621	16,586,162
Equipment and furniture	781,469	41,932	26,470	796,931
Vehicles	830,381	63,757	-	894,138
Total accumulated depreciation	<u>19,519,763</u>	<u>692,559</u>	<u>1,935,091</u>	<u>18,277,231</u>
Total capital assets being depreciated, net	<u>13,445,160</u>			<u>29,292,133</u>
Governmental activity capital assets, net	<u>\$ 15,598,162</u>			<u>\$ 31,724,193</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 363,551	\$ 297,985	\$ 43,203	\$ 618,333
Vehicles	24,626	-	-	24,626
Total capital assets being depreciated	<u>388,177</u>	<u>297,985</u>	<u>43,203</u>	<u>642,959</u>
Less accumulated depreciation for:				
Equipment and furniture	235,991	21,557	35,889	221,659
Vehicles	24,626	-	-	24,626
Total accumulated depreciation	<u>260,617</u>	<u>21,557</u>	<u>35,889</u>	<u>246,285</u>
School Food Service capital assets, net	<u>\$ 127,560</u>			<u>\$ 396,674</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 586,870
System-wide support services	63,757
Unallocated depreciation	<u>41,932</u>
Total	<u>\$ 692,559</u>

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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, 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, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,823,161 for the year ended June 30, 2018.

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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.

At June 30, 2018, the Board reported a liability of \$8,631,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net pension liability was based on a projection of the Board’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board’s proportion was .10878% and .10677%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$2,394,816. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,106	\$ 282,368
Changes of assumptions	1,363,581	-
Net difference between projected and actual earnings on pension plan investments	1,168,078	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	174,023	5,416
Board contributions subsequent to the measurement date	1,834,535	-
Total	<u>\$ 4,727,323</u>	<u>\$ 287,784</u>

\$1,834,535 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 533,923
2020	1,701,792
2021	836,766
2022	(467,477)
2023	-
Thereafter	-
Total	<u>\$ 2,605,004</u>

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Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

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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 County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
Board’s proportionate share of the net pension liability (asset)	\$ 17,766,346	\$ 8,631,085	\$ 976,901

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

b. Other Postemployment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina’s CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the

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University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$1,029,586.

At June 30, 2018, Board reported a liability of \$32,355,349 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .09868% and .09114%, respectively.

\$1,029,586 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:

2019	\$ (1,701,363)
2020	(1,701,363)
2021	(1,701,363)
2022	(1,701,363)
2023	(1,698,356)
Thereafter	<u>-</u>
Total	<u>\$ (8,503,808)</u>

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

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

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	(2.58%)	(3.58%)	(4.58%)
Net OPEB liability	<u>\$ 38,598,073</u>	<u>\$ 32,355,349</u>	<u>\$ 27,403,983</u>

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Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% Increase (Medical- 6.00-7.50%, Pharmacy- 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 26,431,341	\$ 32,355,349	\$ 40,229,114

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

2. Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5

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years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$23,825 for the year ended June 30, 2018.

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.

At June 30, 2018, Board reported an OPEB asset of \$58,015 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .09492% and .09353%, respectively.

\$23,825 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 9,028
2020	9,028
2021	9,025
2022	3,176
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 30,257</u>

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

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

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Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	(2.75%)	(3.75%)	(4.75%)
Net OPEB asset	\$ 49,321	\$ 58,015	\$ 66,729

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2018:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$ 2,151,858	\$ 31,367	\$ 2,183,225
OPEB Liability (Asset)	32,355,349	(58,015)	32,297,334
Proportionate share of the net OPEB liability (asset)	0.09868%	0.09492%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	-	15,907	15,907
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	12,716	12,716
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,738,670	1,634	2,740,304
Board contributions subsequent to the measurement date	1,029,586	23,825	1,053,411
Deferred of Inflows of Resources			
Differences between Expected and actual experience	2,319,938	-	2,319,938
Changes of assumptions	8,910,515	-	8,910,515
Net difference between projected and actual earnings on plan investments	12,025	-	12,025
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	-	-

2. Accounts Payable

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

	<u>Vendors</u>
Governmental activities:	
General Fund	\$ 130,477
Other governmental activities	<u>10</u>
Total governmental activities	<u>\$ 130,487</u>
Business-type activities:	
School Food Service Fund	<u>\$ 2,259</u>

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

3. Unavailable Revenues

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

Governmental activities:	
Other miscellaneous (General Fund)	\$ <u>900</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	\$ <u>7,198</u>

4. Deferred Outflows and Inflows of Resources

In the General fund the Board reported \$62,191 of deferred inflows of resources for supplemental taxes receivable at June 30, 2018.

The balances in deferred outflows and inflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 203,013	\$ 2,602,306
Changes of assumptions	1,363,581	8,910,515
Net difference between projected and actual earnings on pension and OPEB plan investments	1,180,794	12,025
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,914,327	5,416
Board contributions subsequent to the measurement date	<u>2,887,946</u>	<u>-</u>
Total	<u>\$ 8,549,661</u>	<u>\$ 11,530,262</u>

5. 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 both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from federal and 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. The Fund 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

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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.

6. Long-Term Obligations

Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2018:

	July 1, 2017	Increases	Decreases	June 30, 2018	Current Portion
Governmental activities:					
Net pension liability	\$ 9,476,995	\$ -	\$ 1,092,172	\$ 8,384,823	\$ -
Net OPEB liability	38,518,480	-	7,086,294	31,432,186	-
Compensated absences	1,632,176	1,099,639	1,010,826	1,720,989	1,065,829
Total	<u>\$ 49,627,651</u>	<u>\$ 1,099,639</u>	<u>\$ 9,189,292</u>	<u>\$ 41,537,998</u>	<u>\$ 1,065,829</u>
Business-type activities:					
Net pension liability	\$ 336,271	\$ -	\$ 90,009	\$ 246,262	\$ -
Net OPEB liability	1,131,287	-	208,124	923,163	-
Compensated absences	42,302	31,449	41,454	32,297	23,100
Total	<u>\$ 1,509,860</u>	<u>\$ 31,449</u>	<u>\$ 339,587</u>	<u>\$ 1,201,722</u>	<u>\$ 23,100</u>

Compensated absences related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

1. Transfers to/from other Funds

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

From the State Public School Fund to the School Food Service Fund for administrative costs

\$ 61,333

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

D. Fund Balance

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

Total fund balance - General Fund	\$ 1,107,100
Less:	
Stabilization by State statute	<u>(27,834)</u>
Remaining fund balance	<u>\$ 1,079,266</u>

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2018 in the Other Special Revenue Fund consists of the following:

Local sales tax	\$ 428,144
Medicaid reimbursement program	261,702
Other reimbursements and refunds	22,405
Indirect costs allocated	222,765
Rental of school property	2,700
Insurance proceeds	6,584
Interest	2,009
Tuition and fees	400
Other	<u>2,249</u>
Total other revenues	<u>\$ 948,958</u>

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$37,486,674 and \$1,100,986, respectively.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.10878%	0.10677%	0.10639%	0.10799%	0.10970%
Board's proportionate share of the net pension liability (asset)	\$ 8,631,085	\$ 9,813,266	\$ 3,920,683	\$ 1,266,097	\$ 6,659,908
Board's covered-employee payroll	\$ 16,298,126	\$ 15,662,082	\$ 15,952,472	\$ 15,404,064	\$ 15,383,763
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.96%	62.66%	24.58%	8.22%	43.29%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	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.

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only five years of data presented.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,834,535	\$ 1,626,553	\$ 1,433,081	\$ 1,459,651	\$ 1,338,613
Contributions in relation to the contractually required contribution	<u>1,834,535</u>	<u>1,626,553</u>	<u>1,433,081</u>	<u>1,459,651</u>	<u>1,338,613</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 17,017,951	\$ 16,298,126	\$ 15,662,082	\$ 15,952,472	\$ 15,404,064
Contributions as a percentage of covered-employee payroll	10.78%	9.98%	9.15%	9.15%	8.69%

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only five years of data presented.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.09868%	0.09114%
Board's proportionate share of the net OPEB liability	\$ 32,355,349	\$ 39,649,767
Board's covered-employee payroll	\$ 16,298,126	\$ 15,662,082
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	198.52%	253.16%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only two years of data presented.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,029,586	\$ 941,743	\$ 875,069	\$ 874,105	\$ 825,339
Contributions in relation to the contractually required contribution	<u>1,029,586</u>	<u>941,743</u>	<u>875,069</u>	<u>874,105</u>	<u>825,339</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 17,017,951	\$ 16,298,126	\$ 15,662,082	\$ 15,952,472	\$ 15,404,064
Contributions as a percentage of covered-employee payroll	6.05%	5.81%	5.60%	5.49%	5.40%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only five years of data presented as the remaining information was not readily available.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.09492%	0.09353%
Board's proportionate share of the net OPEB asset	\$ 58,015	\$ 58,082
Board's covered-employee payroll	\$ 16,298,126	\$ 15,662,082
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.36%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	116.23%	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only two years of data presented.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 23,825	\$ 61,594	\$ 64,068	\$ 65,279	\$ 67,250
Contributions in relation to the contractually required contribution	<u>23,825</u>	<u>61,594</u>	<u>64,068</u>	<u>65,279</u>	<u>67,250</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 17,017,951	\$ 16,298,126	\$ 15,662,082	\$ 15,952,472	\$ 15,404,064
Contributions as a percentage of covered-employee payroll	0.14%	0.38%	0.41%	0.41%	0.44%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only five years of data presented as the remaining information was not readily available.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Halifax County:			
County appropriation	\$ 2,047,379	\$ 2,080,892	\$ 33,513
Other:			
Fines and forfeitures	70,336	72,618	2,282
Supplemental school taxes	1,971,186	1,969,885	(1,301)
Interest earned on investment	13,000	14,669	1,669
ABC revenues	28,572	32,459	3,887
Miscellaneous	39,322	43,471	4,149
Total other	<u>2,122,416</u>	<u>2,133,102</u>	<u>10,686</u>
Total revenues	<u>4,169,795</u>	<u>4,213,994</u>	<u>44,199</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	863,853	-
Special populations	-	30,274	-
Alternative programs	-	96,955	-
School leadership	-	77,490	-
School-based support	-	38,371	-
Total instructional services	<u>1,210,284</u>	<u>1,106,943</u>	<u>103,341</u>
System-wide support services:			
Support and development	-	38,328	-
Special population support and development	-	1,066	-
Alternative programs and services			
support and development	-	189,617	-
Technology support	-	383,089	-
Operational support	-	1,434,877	-
Financial and human resource services	-	317,673	-
Policy, leadership and public relations	-	281,621	-
Total system-wide support services	<u>2,959,511</u>	<u>2,646,271</u>	<u>313,240</u>
Total expenditures	<u>4,169,795</u>	<u>3,753,214</u>	<u>416,581</u>
Revenues over (under) expenditures	-	460,780	460,780
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>460,780</u>	<u>\$ 460,780</u>
Fund balance:			
Beginning of year		<u>646,320</u>	
End of year		<u>\$ 1,107,100</u>	

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2018

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net change in fund balance</u>	<u>Fund balances June 30, 2017</u>	<u>Fund balances June 30, 2018</u>
Clara Hearne Early Childhood	\$ 5,167	\$ 7,853	\$ (2,686)	\$ 9,921	\$ 7,235
Belmont Elementary	84,319	83,785	534	26,008	26,542
Manning Elementary	44,591	39,383	5,208	27,282	32,490
Chaloner Middle	58,234	55,242	2,992	13,708	16,700
Roanoke Rapids High School	<u>261,506</u>	<u>267,241</u>	<u>(5,735)</u>	<u>76,204</u>	<u>70,469</u>
Totals	<u>\$ 453,817</u>	<u>\$ 453,504</u>	<u>\$ 313</u>	<u>\$ 153,123</u>	<u>\$ 153,436</u>

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 130,649	\$ 122,649	\$ (8,000)
Halifax County:			
County installment purchase proceeds	16,581,950	16,581,950	-
County appropriations	119,000	289,586	170,586
Total Halifax County	<u>16,700,950</u>	<u>16,871,536</u>	<u>170,586</u>
Other:			
Local sales tax	81,200	116,018	34,818
Interest earned on investments	-	361	361
Insurance proceeds	-	1,825	1,825
Miscellaneous	1,000	4,018	3,018
Total other	<u>82,200</u>	<u>122,222</u>	<u>40,022</u>
Total revenues	<u>16,913,799</u>	<u>17,116,407</u>	<u>202,608</u>
Expenditures:			
Capital outlay:			
Real property and buildings:			
Manning Elementary	-	16,581,950	-
Manning Land	-	102,649	-
Patterson Athletic Complex	-	149,948	-
Early College	-	376,409	-
Total real property and buildings	<u>17,196,205</u>	<u>17,210,956</u>	<u>(14,751)</u>
Furnishings and equipment	<u>548,998</u>	<u>348,357</u>	<u>200,641</u>
Total capital outlay	<u>17,745,203</u>	<u>17,559,313</u>	<u>185,890</u>
Revenues over (under) expenditures	(831,404)	(442,906)	388,498
Fund balance appropriated	<u>831,404</u>	-	<u>(831,404)</u>
Net change in fund balance	<u>\$ -</u>	(442,906)	<u>\$ (442,906)</u>
Fund balance:			
Beginning of year		<u>880,434</u>	
End of year		<u>\$ 437,528</u>	

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 650,860	\$ 371,354	\$ (279,506)
Operating expenditures:			
Business support services:			
Purchase of food	-	623,858	-
Donated commodities	-	98,119	-
Salaries and benefits	-	884,012	-
Indirect costs	-	125,000	-
Materials and supplies	-	6,122	-
Repairs and maintenance	-	6,846	-
Non-capitalized equipment	-	37,944	-
Contracted services	-	11,039	-
Other	-	7,587	-
Capital outlay	-	2,985	-
Total operating expenditures	<u>2,016,717</u>	<u>1,803,512</u>	<u>213,205</u>
Operating loss	<u>(1,365,857)</u>	<u>(1,432,158)</u>	<u>(66,301)</u>
Nonoperating revenues:			
Federal reimbursements	1,300,000	1,079,513	(220,487)
Federal commodities	25,000	98,119	73,119
State reimbursements	4,400	2,843	(1,557)
Proceeds from disposal of capital assets	-	3,214	3,214
Interest earned	2,194	1,214	(980)
Other	1,700	2,171	471
Total nonoperating revenues	<u>1,333,294</u>	<u>1,187,074</u>	<u>(146,220)</u>
Revenues over (under) expenditures before other financing sources	(32,563)	(245,084)	(212,521)
Other financing sources:			
Transfers from other funds	-	61,333	61,333
Fund balance appropriated	32,563	-	(32,563)
Total other financing sources	<u>32,563</u>	<u>61,333</u>	<u>28,770</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>(183,751)</u>	<u>\$ (183,751)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(21,557)	
Capital contributions		295,000	
Net OPEB asset		-	
Net pension liability		72,867	
Net OPEB liability		194,812	
Deferred outflows		(4,312)	
Deferred inflows		(293,222)	
Equipment purchases		2,985	
Proceeds from disposal of capital assets		(3,214)	
Loss on disposal of capital assets		(4,100)	
Decrease in compensated absences payable		11,779	
Increase in inventories		4,449	
Change in net position (full accrual)		<u>\$ 71,736</u>	

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
CHILD CARE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 140,050	\$ 126,447	\$ (13,603)
Operating expenditures:			
Regular community services:			
Salaries and benefits	-	99,499	-
Materials and supplies	-	1,838	-
Other	-	2,848	-
Total operating expenditures	140,235	104,185	36,050
Operating income (loss)	(185)	22,262	22,447
Nonoperating revenues:			
Interest earned	185	210	25
Expenditures over revenues	\$ -	22,472	\$ 22,472
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		-	
Net pension liability		17,142	
Net OPEB liability		13,312	
Deferred outflows		(8,547)	
Deferred inflows		(19,447)	
Increase in compensated absences payable		(1,774)	
Change in net position (full accrual)		\$ 23,158	



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 Roanoke Rapids Graded School District
Roanoke Rapids, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roanoke Rapids Graded School District, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Roanoke Rapids Graded School District, North Carolina's basic financial statements and have issued our report thereon dated September 4, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 Roanoke Rapids Graded School District'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

*September 4, 2018
West End, 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 OMB Uniform Guidance and
the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Roanoke Rapids Graded School District
Roanoke Rapids, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Roanoke Rapids Graded School District, North Carolina'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 Board's major federal programs for the year ended June 30, 2018. The Roanoke Rapids Graded School District'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 Roanoke Rapids Graded School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Roanoke Rapids Graded School District'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 on the Roanoke Rapids Graded School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Roanoke Rapids Graded School District complied, in all material respects, with the 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, 2018.

Report on Internal Control Over Compliance

Management of the Roanoke Rapids Graded School District 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, we considered the Roanoke Rapids Graded School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Roanoke Rapids Graded School District'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 deficiencies, 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

*September 4, 2018
West End, 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 Roanoke Rapids Graded School District
Roanoke Rapids, North Carolina

Report on Compliance for Each Major State Program

We have audited Roanoke Rapids Graded School District, North Carolina'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 the Board's major State program for the year ended June 30, 2018. The Roanoke Rapids Graded School District's major State program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Roanoke Rapids Graded School District'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 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) 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 Roanoke Rapids Graded School District'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 Roanoke Rapids Graded School District's compliance.

Opinion on Each Major State Program

In our opinion, the Roanoke Rapids Graded School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Roanoke Rapids Graded School District 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 Roanoke Rapids Graded School District'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 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 Roanoke Rapids Graded School District'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 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 deficiencies, 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

*September 4, 2018
West End, North Carolina*

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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

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

Identification of major federal programs:

CFDA Numbers Names of Federal Programs or Clusters

	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Seamless Summer Program

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

Auditee qualified as low-risk auditee? *Yes*

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses None Reported

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

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

Identification of major State program:

Program Name

State Public School Fund
Career and Technical Education – State Months of Employment

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$25,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$25,000 or more were noted.

**ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018**

There were no audit findings reported in the prior year.

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 98,119
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		230,905
National School Lunch Program	10.555		725,667
After School Snack Program	10.555		10,580
Seamless Summer Program	10.555		112,361
Cash Assistance Subtotal			<u>1,079,513</u>
Total Child Nutrition Cluster			<u>1,177,632</u>
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	1,148,205
Supporting Effective Instruction	84.367	PRC 103	107,323
Language Acquisition Grant	84.365	PRC 104	10,212
Student Support and Academic Enrichment	84.424	PRC 108	15,080
Rural and Low Income Schools	84.358	PRC 109	66,122
21st Century Community Learning Centers	84.287C	PRC 110	26,049
Special Education Cluster:			
Grants to States - IDEA, Part B (611)	84.027	PRC 060	529,397
Coordinated Early Intervening Services	84.027	PRC 070	48,527
Special Needs Targeted Assistance	84.027	PRC 118	2,713
Risk Pool	84.027	PRC 114	6,350
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	12,698
Preschool Targeted Assistance	84.173	PRC 119	3,890
Total Special Education Cluster			<u>603,575</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	3,487

ROANOKE RAPIDS GRADED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>38,542</u>
Total U.S. Department of Education			<u>2,018,595</u>
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	None		<u>63,070</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resources and Services Administration</u>			
Direct Program: Head Start	93.600		<u>102,000</u>
Total Federal Assistance			<u>3,361,297</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund			17,375,748
Career and Technical Education:			
State Months of Employment		PRC 013	1,154,222
Program Support Funds		PRC 014	101,837
Driver Training		PRC 012	54,445
School Technology Fund		PRC 015	33,815
Passed-through Halifax County: Public School Capital Fund - Lottery			<u>122,649</u>
Total N.C. Department of Public Instruction			<u>18,842,716</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>2,843</u>
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development:			
NC Pre-Kindergarten Program			308,721
State School Nurse Initiative			<u>150,000</u>
Total NC Department of Health and Human Services			<u>458,721</u>
Total State Assistance			<u>19,304,280</u>
Total Federal and State Assistance			<u>\$ 22,665,577</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Roanoke Rapids Graded School District under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. 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 Roanoke Rapids Graded School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Roanoke Rapids Graded School District.

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.

Roanoke Rapids Graded School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program