

**TRANSYLVANIA COUNTY BOARD  
OF EDUCATION**

**BREVARD, NORTH CAROLINA**

**REPORT ON COMPLIANCE**

**FOR THE YEAR ENDED JUNE 30, 2016**

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
BREVARD, NORTH CAROLINA**

**REPORT ON COMPLIANCE  
JUNE 30, 2016**

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**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 AUDITOR'S REPORT**

To the Board of Education  
Transylvania County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina, as of and for the year ended June 30, 2016 (not presented here), and the related notes to the financial statements, which collectively comprises the Transylvania County Board of Education's basic financial statements, and have issued our report thereon dated November 11, 2016.

**Internal Control Over Financial Reporting**

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

*Carlson & Anderson, Inc.*

Brevard, North Carolina  
November 11, 2016

89 NORTH CALDWELL STREET • BREVARD, NC 28712

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

ET. Carland, CPA  
Trish Check, CPA  
George B. Lee, CPA  
Harold C. Reid, CPA

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Transylvania County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Transylvania County Board of Education, 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 Transylvania County Board of Education, North Carolina's major federal programs for the year ended June 30, 2016. The Transylvania County Board of Education, North Carolina's major federal programs are identified in the summary of auditor's 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Transylvania County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Transylvania County Board of Education, North Carolina's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Transylvania County Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Transylvania County Board of Education, North Carolina 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 Transylvania County Board of Education, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Transylvania County Board of Education, North Carolina'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. 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.

## **Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education, North Carolina's basic financial statements. We issued our report thereon dated November 11, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transylvania County Board of Education, North Carolina's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Carlson & Anderson, Inc.*

Brevard, North Carolina  
November 11, 2016

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Transylvania County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Transylvania County Board of Education, 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 each of the Transylvania County Board of Education, North Carolina's major state programs for the year ended June 30, 2016. The Transylvania County Board of Education, North Carolina's major state programs are identified in the summary of auditor's 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 Transylvania County Board of Education, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Transylvania County Board of Education, North Carolina'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 Transylvania County Board of Education, North Carolina's compliance.

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

In our opinion, the Transylvania County Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Transylvania County Board of Education, North Carolina 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 Transylvania County Board of Education, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Transylvania County Board of Education, North Carolina's internal control over compliance.

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

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

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

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education, North Carolina's basic financial statements. We issued our report thereon dated November 11, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transylvania County Board of Education, North Carolina's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Carland & Aderson, Inc.*

Brevard, North Carolina  
November 11, 2016

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**I. Summary of Auditor's Results**

**Financial Statements**

- A. An unmodified opinion was issued on the financial statements of the Transylvania County Board of Education.
- B. The audit of the basic financial statements disclosed no material weaknesses over financial reporting or significant deficiencies in internal control.
- C. The audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.

**Federal Awards**

- A. The audit of compliance with the types of compliance requirements applicable to the Board's major federal programs disclosed no material weaknesses or significant deficiencies in internal control over major federal programs.
- B. An unmodified opinion was issued on the Transylvania County Board of Education's compliance with the types of compliance requirements applicable to its major federal programs.
- C. The audit disclosed no audit finding which relate to federal awards that are required to be reported in accordance with 2 CFR 200.561(a).
- D. Major federal programs for the Transylvania County Board of Education for the fiscal year ended June 30, 2016 are:

<b>Program Name</b>	<u>CFDA</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

- E. The threshold for determining Type A programs for the Transylvania County Board of Education is \$750,000.
- F. Transylvania County Board of Education qualified as a low risk auditee under Uniform Guidance.

**State Awards**

- A. The audit of compliance with the types of compliance requirements applicable to the Board's major state programs disclosed no material weaknesses or significant deficiencies in internal control over major state programs.
- B. An unmodified opinion was issued on the Transylvania County Board of Education's compliance with the types of compliance requirements applicable to its major state programs.
- C. The audit disclosed no audit finding which relate to state awards that are required to be reported in accordance with the State Single Audit Implementation Act.
- D. Major State programs for the Transylvania County Board of Education for the fiscal year ended June 30, 2016 are:

**Program Name**

State Public School Fund

Vocational Education

State Months of Employment

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**II. Findings Related to the Audit of the Basic Financial Statements of the Transylvania County Board of Education**

The Transylvania County Board of Education had no findings or questioned costs related to the audit of the Basic Financial Statements for the fiscal year ended June 30, 2016.

**III. Findings and Questioned Costs related to the Audit of Federal and State Awards**

The Transylvania County Board of Education had no findings or questioned costs related to the audit of federal or state awards for the fiscal year ended June 30, 2016.

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

A Corrective Action Plan has already been implemented by the Transylvania County Board of Education for all prior year findings.

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

The Transylvania County Board of Public Education had no findings or questioned costs related to the audit of federal and state awards for the previous three fiscal years.

**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U. S. Department of Agriculture</u>			
<u>Child Nutrition Cluster</u>			
Non-cash assistance (commodities) :			
Passed-through N.C. Department of Agriculture:			
National School Lunch Program	10.555	N/A	\$ <u>117,227</u>
Cash assistance:			
Passed-through N.C. Department of Public Instruction:			
School Breakfast Program	10.553	N/A	\$ 427,016
National School Lunch Program	10.555	N/A	788,887
Passed-through the N.C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559	N/A	<u>65,452</u>
Total Cash Assistance			\$ <u>1,281,355</u>
Total Child Nutrition Cluster			\$ <u>1,398,582</u>
Total U. S. Department of Agriculture			\$ <u>1,398,582</u>
 <u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	\$ 1,500,295
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105	<u>126,223</u>
Total Title I Grants to Local Educational Agencies (Title I)			\$ <u>1,626,518</u>
<u>Special Education Cluster</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	\$ 746,777
Special Education - Grants to States (IDEA, Preschool) - Preschool Handicapped	84.173	PRC 049	58,582
- Risk Pool	84.027A	PRC 114	30,947
- Special Needs Targeted Assistance	84.027	PRC 118	14,039
- Preschool Targeted Assistance	84.173A	PRC 119	<u>1,480</u>
Total Special Education Cluster			\$ <u>851,825</u>
<u>Education for Homeless Children and Youth Cluster</u>			
Education for Homeless Children and Youth	84.196	PRC 026	\$ <u>20,894</u>
Total Education for Homeless Children and Youth Cluster			\$ <u>20,894</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	\$ 51,767
IDEA VI-B Special Education State Improvement Grant	84.343A	PRC 082	1,945
Rural Education	84.358	PRC 109	102,545
Improving Teacher Quality State Grants	84.367	PRC 103	163,187
Title III - Language Acquisition	84.365A	PRC 111	<u>911</u>
Total U. S. Department of Education			\$ <u>2,819,592</u>



**TRANSYLVANIA COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

U.S. Department of Labor

Employment and Training Administration

Passed through the N.C. Department of Public Instruction:

Workforce Grant	17,259	PRC 303	\$ <u>81,577</u>
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Total Federal Assistance			\$ <u>4,299,751</u>
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**State Grants:**

Cash Assistance:

N.C. Department of Public Instruction:

State Public School Fund	N/A	N/A	\$ 18,576,048
Driver Training-SPSF	N/A	PRC 012	60,471
School Technology Fund - SPSF	N/A	PRC 015	25,865
Vocational Education:			
-State Months of Employment	N/A	PRC 013	1,314,375
- Program Support Funds	N/A	PRC 014	65,564
State Kindergarten Breakfast	N/A	N/A	7,303

Non-Cash Assistance:

N.C. Department of Public Instruction:

School Buses Appropriation			72,292
Textbooks			<u>49,157</u>
Total State Assistance			\$ <u>20,171,075</u>
Total Federal and State Assistance			\$ <u><u>24,470,826</u></u>

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

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Transylvania County Board of Education, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Transylvania County Board of Education, North Carolina it is not intended to and does not present the financial position, changes in net position or cash flows of the Transylvania County Board of Education, North Carolina.

**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 limited as the Transylvania County Board of Education, North Carolina has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.