

**TRANSYLVANIA COUNTY
BOARD OF EDUCATION
Brevard, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2023*

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
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INDEPENDENT AUDITORS' REPORT

To the Transylvania County Board of Education
Brevard, North Carolina

Opinions

We have audited accompanying 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, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise of the Transylvania County Board of Education's basic financial statements as listed in the table of contents.

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 Transylvania County Board of Education as of June 30, 2023, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, Federal Grants Fund, and Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Transylvania County Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Transylvania County Board of Education's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Transylvania County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Transylvania County Board of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liabilities and the Schedule of Board Contributions on pages 50 to 55, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Transylvania County Board of Education's basic financial statements. The individual fund budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund budgetary schedules and 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of Transylvania County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Transylvania County Board of Education's 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 Transylvania County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 14, 2023
Elon, North Carolina
(336) 380-4123

TRANSYLVANIA COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Transylvania County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2023. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- For the eighth consecutive year, the Board experienced a decrease in certified ADM from the prior year due to a decrease in birth rates and public education market factors. The decrease from 2021-22 to 2022-23 was 30 students. This decrease resulted in a loss of state dollars in several major categories.
- Employer benefit costs continue to increase resulting in a greater portion of existing funds be consumed by these expenses. This equates to fewer dollars being available for all non-payroll expenses such as supplies, materials, equipment, and other operating expenses. Local current expense funding remained mostly flat from 2021-22 to 2022-23, increasing by \$40 per student.
- Numerous employees across the district continue to seek outside funding, partnerships, and grants for many initiatives that have helped our school system grow and meet the needs and challenges of our students. Many programs available to our students would not be possible without additional monies from these outside sources.

Overview of the Financial Statements

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

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

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

The second type of 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

TRANSYLVANIA COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the Board 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Transylvania County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Federal Grants Fund, the Other Special Revenue Fund, the Individual Schools Fund and the Capital Outlay Fund.

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

The governmental fund statements are shown as Exhibits 3, 4, and 5 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 Transylvania County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund.

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

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of the parties outside the government. Transylvania County Schools has one fiduciary fund, the Private Purpose Trust Fund. Since the resources of the Custodial Funds are not available to support government programs, they are excluded from the government-wide statements.

The fiduciary fund statements are shown as Exhibits 9 and 10 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 \$7,817,497 as of June 30, 2023. Other than unrestricted net position, the largest component of net position is net investment in capital assets of \$37,365,457.

Following is a summary of the statement of Net Position:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|------------------------|--------------------------|---------------------|--------------------------|------------------------|
| | 6/30/2023 | 6/30/2022 | 6/30/2023 | 6/30/2022 | 6/30/2023 | 6/30/2022 |
| Current assets | \$ 7,534,021 | \$ 5,616,107 | \$ 1,446,309 | \$ 1,426,532 | \$ 8,980,330 | \$ 7,042,639 |
| Capital assets | 37,025,511 | 38,266,840 | 365,796 | 267,238 | 37,391,307 | 38,534,078 |
| Total assets | <u>44,559,532</u> | <u>43,882,947</u> | <u>1,812,105</u> | <u>1,693,770</u> | <u>46,371,637</u> | <u>45,576,717</u> |
| Deferred outflow s of resources | <u>22,636,390</u> | <u>12,124,397</u> | <u>610,321</u> | <u>374,613</u> | <u>23,246,711</u> | <u>12,499,010</u> |
| Current liabilities | 752,813 | 453,923 | 48,979 | 75,921 | 801,792 | 529,844 |
| Long-term liabilities | <u>57,405,952</u> | <u>46,809,484</u> | <u>1,530,895</u> | <u>1,753,364</u> | <u>58,936,847</u> | <u>48,562,848</u> |
| Total liabilities | <u>58,158,765</u> | <u>47,263,407</u> | <u>1,579,874</u> | <u>1,829,285</u> | <u>59,738,639</u> | <u>49,092,692</u> |
| Deferred inflow s of resources | <u>17,232,582</u> | <u>21,697,062</u> | <u>464,624</u> | <u>846,755</u> | <u>17,697,206</u> | <u>22,543,817</u> |
| Net investment in capital assets | 36,999,661 | 38,240,280 | 365,796 | 267,238 | 37,365,457 | 38,507,518 |
| Restricted net position | 1,752,003 | 1,614,801 | - | 1,302 | 1,752,003 | 1,616,103 |
| Unrestricted net position | <u>(46,947,089)</u> | <u>(52,808,206)</u> | <u>12,132</u> | <u>(876,197)</u> | <u>(46,934,957)</u> | <u>(53,684,403)</u> |
| Total net assets | <u>\$ (8,195,425)</u> | <u>\$ (12,953,125)</u> | <u>\$ 377,928</u> | <u>\$ (607,657)</u> | <u>\$ (7,817,497)</u> | <u>\$ (13,560,782)</u> |

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

Note that net position of governmental activities increased by approximately \$4.8 million during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Transylvania County carries the offsetting debt.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|------------------------|--------------------------|---------------------|--------------------------|------------------------|
| | 6/30/23 | 6/30/22 | 6/30/23 | 6/30/22 | 6/30/23 | 6/30/22 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,572,336 | \$ 1,685,269 | \$ 418,698 | \$ 125,571 | \$ 1,991,034 | \$ 1,810,840 |
| Operating grants and contributions | 32,004,816 | 32,402,521 | 1,805,112 | 2,467,802 | 33,809,928 | 34,870,323 |
| Capital grants and contributions | 78,998 | - | 49,500 | - | 128,498 | - |
| General revenues: | | | | | | |
| Other revenues | 17,862,190 | 16,069,289 | 38,691 | 56,232 | 17,900,881 | 16,125,521 |
| Total revenues | <u>51,518,340</u> | <u>50,157,079</u> | <u>2,312,001</u> | <u>2,649,605</u> | <u>53,830,341</u> | <u>52,806,684</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 36,042,841 | 33,069,155 | - | - | 36,042,841 | 33,069,155 |
| System-wide support services | 9,201,042 | 7,412,816 | - | - | 9,201,042 | 7,412,816 |
| Ancillary services | 106,773 | 86,721 | - | - | 106,773 | 86,721 |
| Non-programmed charges | 1,025,108 | 1,448,493 | - | - | 1,025,108 | 1,448,493 |
| Depreciation | 20,132 | - | - | - | 20,132 | - |
| Business-type activities: | | | | | | |
| School food service | - | - | 1,691,160 | 2,227,827 | 1,691,160 | 2,227,827 |
| Total expenses | <u>46,395,896</u> | <u>42,017,185</u> | <u>1,691,160</u> | <u>2,227,827</u> | <u>48,087,056</u> | <u>44,245,012</u> |
| Transfers | (364,744) | (560,523) | 364,744 | 560,523 | - | - |
| Increase (decrease) in | | | | | | |
| net position | 4,757,700 | 7,579,371 | 985,585 | 982,301 | 5,743,285 | 8,561,672 |
| Beginning net position, as restated | (12,953,125) | (20,532,496) | (607,657) | (1,589,958) | (13,560,782) | (22,122,454) |
| Ending net position | <u>\$ (8,195,425)</u> | <u>\$ (12,953,125)</u> | <u>\$ 377,928</u> | <u>\$ (607,657)</u> | <u>\$ (7,817,497)</u> | <u>\$ (13,560,782)</u> |

Total governmental activities generated revenues of \$51.5 million while expenses in this category totaled \$46.4 million for the year ended June 30, 2023, resulting in an increase in net position of \$4.8 million (including net transfers to business-type activities of \$364,744). Comparatively, revenues were \$50.2 million while expenses totaled \$42.0 million for the year ended June 30, 2022, resulting in an increase in net position of \$7.6 million.

The Board's primary sources of revenues were funding from the State of North Carolina, Transylvania County, and the United States Government, which respectively comprised 54%, 11% and 29% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 78% of our total expenditures during the most recent fiscal year. Of the remaining 22% of our total expenditures, 20% was attributable to system-wide support services.

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

Our business-type activities generated revenues of \$2.3 million, while expenses in this category totaled \$1.7 million for the year ended June 30, 2023. For the year, net position increased by \$985,585 (including net transfers in of \$364,744). Comparatively, revenues were \$2.6 million and expenses totaled \$2.2 million for the year ended June 30, 2022, resulting in an increase in net position of \$982,301 (including net transfers of \$560,523).

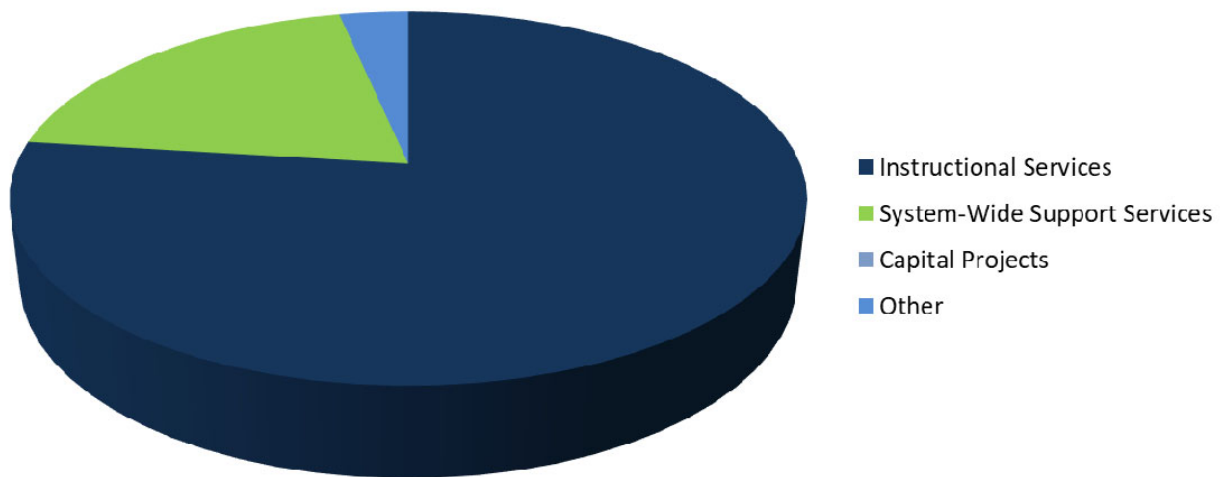
Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$6.8 million at June 30, 2023, an increase of \$1.6 million from the amount reported at June 30, 2022. The Board's General Fund reported an increase in fund balance for the year of \$47,131.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these funds are expended in the year received.

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$985,585 for the fiscal year ended June 30, 2023.

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

General Fund Budgetary Highlights

Over the course of the year, the Board made minor revisions to the budget to account for changes in revenue and expense expectations. Revisions to the budget for the year ended June 30, 2023 were primarily due to additional funds received by the district.

Capital Assets

Capital assets decreased by \$1,142,771 from the previous year. Capital assets decreased due to depreciation expense exceeding capital expenditures for the year.

| Table 3 | | | | | | |
|-------------------------------------|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|
| Summary of Capital Assets | | | | | | |
| As of June 30, 2023 and 2022 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/2023 | 6/30/2022 | 6/30/2023 | 6/30/2022 | 6/30/2023 | 6/30/2022 |
| Land | \$ 12,284,916 | \$ 12,284,916 | \$ - | \$ - | \$ 12,284,916 | \$ 12,284,916 |
| Construction in progress | 3,471,500 | 3,471,500 | - | - | 3,471,500 | 3,471,500 |
| Buildings and improvements | 15,845,532 | 16,978,523 | - | - | 15,845,532 | 16,978,523 |
| Equipment and furniture | 697,665 | 683,762 | 277,831 | 252,757 | 975,496 | 936,519 |
| Vehicles | 4,725,898 | 4,848,139 | 87,965 | 14,481 | 4,813,863 | 4,862,620 |
| Total | <u>\$ 37,025,511</u> | <u>\$ 38,266,840</u> | <u>\$ 365,796</u> | <u>\$ 267,238</u> | <u>\$ 37,391,307</u> | <u>\$ 38,534,078</u> |

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

As with most rural school districts in North Carolina, Transylvania County Schools has continued to experience declining enrollment over the past several years. The increase in Federal Funds related to the Coronavirus has provided additional funding and made up 13.5% of the 2022-23 budget. The district is planning ahead for the expiration of Federal funds in 2024. The resulting decrease in funding along with state mandated raises and economic inflation will necessitate reductions in all areas. The Board and Senior Leadership have worked diligently to identify programs and positions which can be reduced or eliminated, resulting in minimal student impact. This will again be the case as the 2023-24 budget is finalized and Transylvania County Schools experiences another decrease in allotted ADM.

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

Requests for Information

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

Gabi Juba, Chief Financial Officer
Transylvania County Board of Education
225 Rosenwald Lane
Brevard, NC 28712

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,251,982 | \$ 1,267,551 | \$ 8,519,533 |
| Due from other governments | 73,838 | 79,875 | 153,713 |
| Receivables (net) | 208,201 | - | 208,201 |
| Inventories | - | 98,883 | 98,883 |
| Capital assets: | | | |
| Land and construction in progress | 15,756,416 | - | 15,756,416 |
| Other capital assets, net of depreciation | 21,269,095 | 365,796 | 21,634,891 |
| Total capital assets | 37,025,511 | 365,796 | 37,391,307 |
| Total assets | 44,559,532 | 1,812,105 | 46,371,637 |
| DEFERRED OUTFLOWS OF RESOURCES | 22,636,390 | 610,321 | 23,246,711 |
| LIABILITIES | | | |
| Bank overdraft | 82,682 | - | 82,682 |
| Accounts payable and accrued expenses | 670,131 | 21,012 | 691,143 |
| Unearned revenue | - | 27,967 | 27,967 |
| Long-term liabilities: | | | |
| Net pension liability | 23,167,468 | 624,640 | 23,792,108 |
| Net OPEB liability | 31,607,479 | 852,199 | 32,459,678 |
| Due within one year | 1,271,963 | 32,520 | 1,304,483 |
| Due in more than one year | 1,359,042 | 21,536 | 1,380,578 |
| Total liabilities | 58,158,765 | 1,579,874 | 59,738,639 |
| DEFERRED INFLOWS OF RESOURCES | 17,232,582 | 464,624 | 17,697,206 |
| NET POSITION | | | |
| Net investment in capital assets | 36,999,661 | 365,796 | 37,365,457 |
| Restricted for: | | | |
| Individual school activities | 1,162,099 | - | 1,162,099 |
| Stabilization by State statute | 208,201 | - | 208,201 |
| School Capital Outlay | 381,703 | - | 381,703 |
| Unrestricted | (46,947,089) | 12,132 | (46,934,957) |
| Total net position | \$ (8,195,425) | \$ 377,928 | \$ (7,817,497) |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional services: | | | | | | | |
| Regular instructional | \$ 20,973,193 | \$ 178,409 | \$ 17,132,074 | \$ - | \$ (3,662,710) | \$ - | \$ (3,662,710) |
| Special populations | 4,760,842 | - | 4,669,441 | - | (91,401) | - | (91,401) |
| Alternative programs | 2,429,872 | - | 1,796,403 | - | (633,469) | - | (633,469) |
| School leadership | 2,759,046 | - | 1,775,551 | - | (983,495) | - | (983,495) |
| Co-curricular services | 1,567,316 | 1,393,927 | - | - | (173,389) | - | (173,389) |
| School-based support | 3,552,572 | - | 2,204,404 | - | (1,348,168) | - | (1,348,168) |
| System-wide support services | | | | | | | |
| Support and development | 654,872 | - | 300,159 | - | (354,713) | - | (354,713) |
| Special population support and development | 86,487 | - | 1,097 | - | (85,390) | - | (85,390) |
| Alternative programs and services support and development | 113 | - | - | - | (113) | - | (113) |
| Technology support | 258,192 | - | 69,614 | - | (188,578) | - | (188,578) |
| Operational support | 6,814,608 | - | 3,008,063 | 78,998 | (3,727,547) | - | (3,727,547) |
| Financial and human resource services | 615 | - | 375,773 | - | 375,158 | - | 375,158 |
| System-wide pupil support | 725,030 | - | - | - | (725,030) | - | (725,030) |
| Policy, leadership and public relations | 661,125 | - | 332,039 | - | (329,086) | - | (329,086) |
| Ancillary services | 106,773 | - | 31,130 | - | (75,643) | - | (75,643) |
| Non-programmed charges | 1,025,108 | - | 309,068 | - | (716,040) | - | (716,040) |
| Unallocated depreciation expense** | 20,132 | - | - | - | (20,132) | - | (20,132) |
| Total governmental activities | 46,395,896 | 1,572,336 | 32,004,816 | 78,998 | (12,739,746) | - | (12,739,746) |
| Business-type activities: | | | | | | | |
| School food service | 1,691,160 | 418,698 | 1,805,112 | 49,500 | - | 582,150 | 582,150 |
| Total primary government | \$ 48,087,056 | \$ 1,991,034 | \$ 33,809,928 | \$ 128,498 | (12,739,746) | 582,150 | (12,157,596) |
| General revenues: | | | | | | | |
| Unrestricted county appropriations - operating | | | | | 13,086,152 | - | 13,086,152 |
| Unrestricted county appropriations - capital | | | | | 2,012,462 | - | 2,012,462 |
| Unrestricted Federal grants - operating | | | | | 739,966 | - | 739,966 |
| Investment earnings, unrestricted | | | | | 59,177 | 1,311 | 60,488 |
| Miscellaneous, unrestricted | | | | | 1,964,433 | 37,380 | 2,001,813 |
| Transfers | | | | | (364,744) | 364,744 | - |
| Total general revenues and transfers | | | | | 17,497,446 | 403,435 | 17,900,881 |
| Change in net position | | | | | 4,757,700 | 985,585 | 5,743,285 |
| Net position-beginning | | | | | (12,081,288) | (566,824) | (12,648,112) |
| Restatement | | | | | (871,837) | (40,833) | (912,670) |
| Net position - beginning, as restated | | | | | (12,953,125) | (607,657) | (13,560,782) |
| Net position-ending | | | | | \$ (8,195,425) | \$ 377,928 | \$ (7,817,497) |

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

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

Exhibit 3

| | Major Funds | | | | | | Total Governmental Funds |
|--|---------------------|------------------------|-----------------------|-------------------|------------------|--------------------------|--------------------------------|
| | General | State Public School | Individual Schools | Capital Outlay | Federal Grants | Other Special Revenue | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 2,937,019 | \$ - | \$ 1,162,099 | \$ 550,212 | \$ - | \$ 2,602,652 | \$ 7,251,982 |
| Due from other governments | - | - | - | - | 73,838 | - | 73,838 |
| Due from other funds | - | 198,775 | - | - | 13,297 | - | 212,072 |
| Receivables (net) | 55,000 | - | - | - | - | 153,201 | 208,201 |
| Total assets | <u>\$ 2,992,019</u> | <u>\$ 198,775</u> | <u>\$ 1,162,099</u> | <u>\$ 550,212</u> | <u>\$ 87,135</u> | <u>\$ 2,755,853</u> | <u>\$ 7,746,093</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Bank overdraft | \$ - | \$ 82,682 | \$ - | \$ - | \$ - | \$ - | \$ 82,682 |
| Accounts payable and accrued liabilities | 225,818 | 116,093 | - | 168,509 | 87,135 | 72,576 | 670,131 |
| Due to other funds | 212,072 | - | - | - | - | - | 212,072 |
| Total liabilities | <u>437,890</u> | <u>198,775</u> | <u>-</u> | <u>168,509</u> | <u>87,135</u> | <u>72,576</u> | <u>964,885</u> |
| Fund balances: | | | | | | | |
| Restricted: | | | | | | | |
| Stabilization by State statute | 55,000 | - | - | - | - | 153,201 | 208,201 |
| Individual schools | - | - | 1,162,099 | - | - | - | 1,162,099 |
| School capital outlay | - | - | - | 381,703 | - | - | 381,703 |
| Assigned: | | | | | | | |
| Special revenues | - | - | - | - | - | 2,530,076 | 2,530,076 |
| Unassigned | 2,499,129 | - | - | - | - | - | 2,499,129 |
| Total fund balances | <u>2,554,129</u> | <u>-</u> | <u>1,162,099</u> | <u>381,703</u> | <u>-</u> | <u>2,683,277</u> | <u>6,781,208</u> |
| Total liabilities and fund balances | <u>\$ 2,992,019</u> | <u>\$ 198,775</u> | <u>\$ 1,162,099</u> | <u>\$ 550,212</u> | <u>\$ 87,135</u> | <u>\$ 2,755,853</u> | |

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

| | |
|---|-----------------------|
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 37,025,511 |
| Deferred outflows of resources related to pensions | 14,736,353 |
| Deferred outflows of resources related to OPEB | 7,900,037 |
| Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds | (2,631,005) |
| Net pension liability | (23,167,468) |
| Net OPEB liability | (31,607,479) |
| Deferred inflows of resources related to pensions | (520,401) |
| Deferred inflows of resources related to OPEB | (16,712,181) |
| Net position of governmental activities | <u>\$ (8,195,425)</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4

| | Major Funds | | | | | | Total Governmental Funds |
|--|---------------------|------------------------|-----------------------|-------------------|-------------------|--------------------------|--------------------------------|
| | General | State Public School | Individual Schools | Capital Outlay | Federal Grants | Other Special Revenue | |
| REVENUES | | | | | | | |
| State of North Carolina | \$ - | \$ 27,325,654 | \$ - | \$ 78,998 | \$ - | \$ 406,012 | \$ 27,810,664 |
| Transylvania County | 13,086,152 | - | - | 2,012,462 | - | - | 15,098,614 |
| U.S. Government | - | - | - | 62,602 | 4,793,906 | 739,966 | 5,596,474 |
| Other | 143,147 | - | 1,393,927 | 13,275 | - | 1,462,239 | 3,012,588 |
| Total revenues | <u>13,229,299</u> | <u>27,325,654</u> | <u>1,393,927</u> | <u>2,167,337</u> | <u>4,793,906</u> | <u>2,608,217</u> | <u>51,518,340</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Instructional services: | | | | | | | |
| Regular instructional | 4,517,902 | 16,012,605 | - | 95,663 | 1,119,469 | 108,429 | 21,854,068 |
| Special populations | 336,031 | 3,551,530 | - | - | 1,117,911 | 124,515 | 5,129,987 |
| Alternative programs | 220,661 | 445,589 | - | - | 1,350,814 | 541,903 | 2,558,967 |
| School leadership | 1,244,569 | 1,747,888 | - | - | 27,663 | - | 3,020,120 |
| Co-curricular services | 329,469 | - | 1,302,231 | 85,118 | - | - | 1,716,818 |
| School-based support | 924,018 | 1,741,121 | - | 509,114 | 463,283 | 218,690 | 3,856,226 |
| System-wide support services: | | | | | | | |
| Support and development | 416,811 | 295,313 | - | - | 4,846 | - | 716,970 |
| Special population support and development | 66,462 | - | - | - | 1,097 | 27,095 | 94,654 |
| Technology support | 182,815 | 67,989 | - | - | 1,625 | 3,141 | 255,570 |
| Operational support | 2,724,030 | 2,649,570 | - | 1,429,094 | 358,493 | - | 7,161,187 |
| Financial and human resource services | 418,415 | 370,904 | - | - | 4,869 | - | 794,188 |
| Accountability | 673 | - | - | - | - | - | 673 |
| Policy, leadership and public relations | 392,148 | 328,401 | - | - | 3,638 | - | 724,187 |
| Ancillary services | 5,793 | - | - | 49,500 | 31,130 | 30,258 | 116,681 |
| Non-programmed charges | 1,152,371 | - | - | - | 309,068 | - | 1,461,439 |
| Debt service: | | | | | | | |
| Principal payments | - | - | - | 78,998 | - | - | 78,998 |
| Total expenditures | <u>12,932,168</u> | <u>27,210,910</u> | <u>1,302,231</u> | <u>2,247,487</u> | <u>4,793,906</u> | <u>1,054,031</u> | <u>49,540,733</u> |
| Revenues over (under) expenditures | <u>297,131</u> | <u>114,744</u> | <u>91,696</u> | <u>(80,150)</u> | <u>-</u> | <u>1,554,186</u> | <u>1,977,607</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers to other funds | (250,000) | (114,744) | - | - | - | - | (364,744) |
| Net change in fund balance | 47,131 | - | 91,696 | (80,150) | - | 1,554,186 | 1,612,863 |
| Fund balances-beginning | 2,664,735 | - | 1,070,403 | 461,853 | - | 1,129,091 | 5,326,082 |
| Restatement | (157,737) | - | - | - | - | - | (157,737) |
| Fund balances-beginning, as restated | <u>2,506,998</u> | <u>-</u> | <u>1,070,403</u> | <u>461,853</u> | <u>-</u> | <u>1,129,091</u> | <u>5,168,345</u> |
| Fund balances-ending | <u>\$ 2,554,129</u> | <u>\$ -</u> | <u>\$ 1,162,099</u> | <u>\$ 381,703</u> | <u>\$ -</u> | <u>\$ 2,683,277</u> | <u>\$ 6,781,208</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4
(Continued)

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

| | |
|---|---------------------|
| Net changes in fund balances - total governmental funds | \$ 1,612,863 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | |
| Capital outlay | 188,479 |
| Depreciation | (1,429,808) |
| Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities. | 4,407,599 |
| Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities. | 1,772,676 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| OPEB nonemployer contributions | 239,948 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position: | |
| Repayment on long-term debt | 78,998 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Pension expense | (5,046,297) |
| Net OPEB expense | 2,900,026 |
| Net change in compensated absences | 33,216 |
| Total changes in net position of governmental activities | <u>\$ 4,757,700</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023

Exhibit 5

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Transylvania County | 13,196,152 | 13,086,152 | 13,086,152 | - |
| U.S. Government | - | - | - | - |
| Other | - | 113,000 | 143,147 | 30,147 |
| Total revenues | 13,196,152 | 13,199,152 | 13,229,299 | 30,147 |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | | | | |
| Regular instructional | 4,383,877 | 4,520,519 | 4,517,902 | 2,617 |
| Special populations | 296,071 | 352,007 | 336,031 | 15,976 |
| Alternative programs | 84,541 | 211,254 | 220,661 | (9,407) |
| School leadership | 1,272,031 | 1,233,988 | 1,244,569 | (10,581) |
| Co-curricular services | 357,208 | 329,469 | 329,469 | - |
| School-based support | 1,095,690 | 1,094,357 | 924,018 | 170,339 |
| System-wide support services | | | | |
| Support and development | 450,538 | 457,226 | 416,811 | 40,415 |
| Special population support and development | 65,424 | 66,462 | 66,462 | - |
| Technology support | 111,021 | 182,815 | 182,815 | - |
| Operational support | 2,852,945 | 2,603,308 | 2,724,030 | (120,722) |
| Financial and human resource services | 573,495 | 472,973 | 418,415 | 54,558 |
| Accountability | 8,038 | 673 | 673 | - |
| Policy, leadership and public relations | 347,757 | 379,358 | 392,148 | (12,790) |
| Ancillary services | 9,065 | 6,292 | 5,793 | 499 |
| Non-programmed charges | 1,412,171 | 1,162,171 | 1,152,371 | 9,800 |
| Total expenditures | 13,319,872 | 13,072,872 | 12,932,168 | 140,704 |
| Revenues over (under) expenditures | (123,720) | 126,280 | 297,131 | 170,851 |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | - | (250,000) | (250,000) | - |
| Revenues over (under) expenditures and other uses | (123,720) | (123,720) | 47,131 | 170,851 |
| Appropriated fund balance | 123,720 | 123,720 | - | (123,720) |
| Revenue and appropriated fund balance over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | 47,131 | <u>\$ 47,131</u> |
| Fund balances, beginning of year, as restated | | | 2,506,998 | |
| Fund balances, end of year | | | <u>\$ 2,554,129</u> | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE
For the Year Ended June 30, 2023

Exhibit 5 (continued)

| | State Public School Fund | | | Variance with Final Budget - Positive (Negative) |
|---|--------------------------|-------------------|-------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues: | | | | |
| State of North Carolina | \$ 26,333,554 | \$ 27,342,183 | \$ 27,325,654 | \$ (16,529) |
| Transylvania County | - | - | - | - |
| U.S. Government | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | <u>26,333,554</u> | <u>27,342,183</u> | <u>27,325,654</u> | <u>(16,529)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | | | | |
| Regular instructional | 17,202,339 | 15,863,919 | 16,012,605 | (148,686) |
| Special populations | 3,105,179 | 3,638,758 | 3,551,530 | 87,228 |
| Alternative programs | 767,578 | 486,985 | 445,589 | 41,396 |
| School leadership | 1,492,391 | 1,770,982 | 1,747,888 | 23,094 |
| Co-curricular services | - | - | - | - |
| School-based support | 1,225,763 | 1,754,459 | 1,741,121 | 13,338 |
| System-wide support services | | | | |
| Support and development | 284,283 | 295,313 | 295,313 | - |
| Special population support and development | 777 | - | - | - |
| Technology support | 3,292 | 67,989 | 67,989 | - |
| Operational support | 1,661,049 | 2,649,728 | 2,649,570 | 158 |
| Financial and human resource services | 221,681 | 370,904 | 370,904 | - |
| Accountability | - | - | - | - |
| Policy, leadership and public relations | 270,461 | 328,402 | 328,401 | 1 |
| Ancillary services | 98,761 | - | - | - |
| Total expenditures | <u>26,333,554</u> | <u>27,227,439</u> | <u>27,210,910</u> | <u>16,529</u> |
| Revenues over (under) expenditures | - | 114,744 | 114,744 | - |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | - | (114,744) | (114,744) | - |
| Revenues over (under) expenditures and other | - | - | - | - |
| Appropriated fund balance | - | - | - | - |
| Revenue and appropriated fund balance over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balances, beginning of year | | | <u>-</u> | |
| Fund balances, end of year | | | <u>\$ -</u> | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE
For the Year Ended June 30, 2023

Exhibit 5 (continued)

| | Federal Grants Fund | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-------------------|------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Transylvania County | - | - | - | - |
| U.S. Government | 8,589,890 | 10,125,978 | 4,793,906 | (5,332,072) |
| Other | - | - | - | - |
| Total revenues | <u>8,589,890</u> | <u>10,125,978</u> | <u>4,793,906</u> | <u>(5,332,072)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | | | | |
| Regular instructional | 4,255,387 | 2,248,796 | 1,119,469 | 1,129,327 |
| Special populations | 868,267 | 1,437,951 | 1,117,911 | 320,040 |
| Alternative programs | 663,771 | 1,902,434 | 1,350,814 | 551,620 |
| School leadership | 1,181 | 28,475 | 27,663 | 812 |
| Co-curricular services | - | - | - | - |
| School-based support | 78,166 | 959,434 | 463,283 | 496,151 |
| System-wide support services | | | | |
| Support and development | 74,108 | 4,874 | 4,846 | 28 |
| Special population support and development | - | 1,090 | 1,097 | (7) |
| Technology support | - | 1,625 | 1,625 | - |
| Operational support | 2,425,473 | 2,462,777 | 358,493 | 2,104,284 |
| Financial and human resource services | - | 4,859 | 4,869 | (10) |
| Accountability | - | - | - | - |
| Policy, leadership and public relations | - | 3,633 | 3,638 | (5) |
| Ancillary services | 30,186 | 49,867 | 31,130 | 18,737 |
| Non-programmed charges | 193,351 | 1,020,163 | 309,068 | 711,095 |
| Total expenditures | <u>8,589,890</u> | <u>10,125,978</u> | <u>4,793,906</u> | <u>5,332,072</u> |
| Revenues over (under) expenditures | - | - | - | - |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | - | - | - | - |
| Revenues over (under) expenditures and other | - | - | - | - |
| Appropriated fund balance | - | - | - | - |
| Revenue and appropriated fund balance over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balances, beginning of year | | | - | |
| Fund balances, end of year | | | <u>\$ -</u> | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE
For the Year Ended June 30, 2023

Exhibit 5 (continued)

| | Other Special Revenue Fund | | | |
|---|-----------------------------------|------------------|---------------------|---|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues: | | | | |
| State of North Carolina | \$ 566,069 | \$ 541,764 | \$ 406,012 | \$ (135,752) |
| Transylvania County | 5,842 | - | - | - |
| U.S. Government | 456,989 | 85,339 | 739,966 | 654,627 |
| Other | - | 384,552 | 1,462,239 | 1,077,687 |
| Total revenues | <u>1,028,900</u> | <u>1,011,655</u> | <u>2,608,217</u> | <u>1,596,562</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | | | | |
| Regular instructional | 2,075 | 101,256 | 108,429 | (7,173) |
| Special populations | 281,183 | 285,273 | 124,515 | 160,758 |
| Alternative programs | 610,155 | 535,503 | 541,903 | (6,400) |
| School leadership | - | - | - | - |
| Co-curricular services | - | - | - | - |
| School-based support | 107,351 | 266,368 | 218,690 | 47,678 |
| System-wide support services | | | | |
| Support and development | - | - | - | - |
| Special population support and development | 30,211 | 27,095 | 27,095 | - |
| Technology support | - | 3,125 | 3,141 | (16) |
| Operational support | - | - | - | - |
| Financial and human resource services | - | - | - | - |
| Accountability | - | - | - | - |
| Policy, leadership and public relations | - | - | - | - |
| Ancillary services | - | 27,200 | 30,258 | (3,058) |
| Non-programmed charges | - | - | - | - |
| Total expenditures | <u>1,030,975</u> | <u>1,245,820</u> | <u>1,054,031</u> | <u>191,789</u> |
| Revenues over (under) expenditures | (2,075) | (234,165) | 1,554,186 | 1,788,351 |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | - | - | - | - |
| Revenues over (under) expenditures and other uses | (2,075) | (234,165) | 1,554,186 | 1,788,351 |
| Appropriated fund balance | <u>2,075</u> | <u>234,165</u> | <u>-</u> | <u>(234,165)</u> |
| Revenue and appropriated fund balance over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | 1,554,186 | <u>\$ 1,554,186</u> |
| Fund balances, beginning of year | | | <u>1,129,091</u> | |
| Fund balances, end of year | | | <u>\$ 2,683,277</u> | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2023

Exhibit 6

| | <u>Enterprise Fund</u> |
|---------------------------------------|----------------------------|
| | <u>Major Fund</u> |
| | <u>School Food Service</u> |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,267,551 |
| Due from other governments | 79,875 |
| Inventories | 98,883 |
| Total current assets | <u>1,446,309</u> |
| Noncurrent assets: | |
| Capital assets, net | <u>365,796</u> |
| Total assets | <u>1,812,105</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>610,321</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 21,012 |
| Compensated absences | 32,520 |
| Unavailable revenue | 27,967 |
| Total current liabilities | <u>81,499</u> |
| Noncurrent liabilities: | |
| Net pension liability | 624,640 |
| Net OPEB liability | 852,199 |
| Compensated absences | 21,536 |
| Total liabilities | <u>1,579,874</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>464,624</u> |
| NET POSITION | |
| Net investment in capital assets | 365,796 |
| Unrestricted | 12,132 |
| Total net position | <u>\$ 377,928</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
For the Year Ended June 30, 2023

Exhibit 7

| | <u>Enterprise Fund</u> |
|--|----------------------------|
| | <u>Major Fund</u> |
| | <u>School Food Service</u> |
| OPERATING REVENUES | |
| Food sales | \$ 418,698 |
| OPERATING EXPENSES | |
| Food cost | 1,116,584 |
| Salaries and benefits | 443,135 |
| Indirect costs | 106,408 |
| Materials and supplies | 2,221 |
| Contracted services | 30,069 |
| Noncapital equipment | 8,209 |
| Repairs and maintenance | 22,520 |
| Depreciation | 62,520 |
| Travel | 1,596 |
| Other | 4,306 |
| Total operating expenses | <u>1,797,568</u> |
| Operating income (loss) | <u>(1,378,870)</u> |
| NONOPERATING REVENUES | |
| Federal reimbursements | 1,674,079 |
| Federal commodities | 120,780 |
| State reimbursements | 10,253 |
| Interest earned | 1,311 |
| Indirect costs not paid | 106,408 |
| Gain on sale of capital assets | 36,021 |
| Other | 1,359 |
| Total nonoperating revenues | <u>1,950,211</u> |
| Income (loss) before transfers and capital contributions | 571,341 |
| Capital contribution from the Capital Outlay Fund | 49,500 |
| Operating transfer from the General Fund | 250,000 |
| Operating transfer from the State Pubic School Fund | <u>114,744</u> |
| Change in net position | 985,585 |
| Total net position - beginning | (566,824) |
| Restatement | (40,833) |
| Total net position - beginning, as restated | <u>(607,657)</u> |
| Total net position - ending | <u>\$ 377,928</u> |

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

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TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2023

Exhibit 8

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| | <u>Major Fund</u> |
| | <u>School Food Service</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 418,618 |
| Cash paid for goods and services | (1,040,170) |
| Cash paid to employees for services | <u>(944,992)</u> |
| Net cash provided (used) by operating activities | <u>(1,566,544)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Federal reimbursements | 1,647,073 |
| State reimbursements | 10,253 |
| Due to other funds | (38,444) |
| Other revenues | <u>1,359</u> |
| Net cash provided by noncapital financing activities | <u>1,620,241</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (112,766) |
| Cash proceeds on disposal | <u>37,209</u> |
| Net cash used by capital and related financing activities | <u>(75,557)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments and other | <u>1,311</u> |
| Net increase (decrease) in cash and cash equivalents | (20,549) |
| Balances-beginning of the year | <u>1,288,100</u> |
| Balances-end of the year | <u>\$ 1,267,551</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2023

Exhibit 8
(Continued)

| | |
|---|-----------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | |
| Operating income (loss) | \$ (1,378,870) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 62,520 |
| Donated commodities consumed | 120,780 |
| Transfers from other funds | 364,744 |
| Indirect costs not paid | 106,408 |
| Changes in assets, deferred outflows of resources and liabilities: | |
| (Increase) decrease in accounts receivable | 183 |
| (Increase) decrease in inventory | 23,638 |
| Increase (decrease) in accounts payable | 917 |
| (Increase) decrease in net OPEB asset | 1,302 |
| (Increase) decrease in deferred outflows | (235,708) |
| Increase (decrease) in net pension liability | 357,664 |
| Increase (decrease) in OPEB liability | (609,490) |
| Increase (decrease) in deferred inflows | (382,131) |
| Increase (decrease) in unavailable revenues | (264) |
| Increase (decrease) in compensated absences | 1,762 |
| | <u>(187,675)</u> |
| Total adjustments | <u>(187,675)</u> |
| Net cash provided (used) by operating activities | <u>\$ (1,566,545)</u> |

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

The State Public School Fund paid salaries and benefits of \$114,744 to personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and as an operating expense on Exhibit 7.

The School Nutrition Fund received \$49,500 of capital assets as a capital contribution from the Capital Outlay

The General Fund transferred \$250,000 to the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in on Exhibit 7.

Indirect costs of \$106,408 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibits 7.

The School Nutrition Fund received donated commodities with a value of \$120,780 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
June 30, 2023

Exhibit 9

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | <u>\$ 359,392</u> |
| NET POSITION | |
| Assets held in trust for private purpose | <u>\$ 359,392</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
For the Year Ended June 30, 2023

Exhibit 10

| | <u>Private Purpose Trust</u> |
|------------------------|----------------------------------|
| ADDITIONS: | |
| Contributions | \$ 50,000 |
| Interest | 2,754 |
| Total additions | <u>52,754</u> |
| DEDUCTIONS: | |
| Scholarships awarded | <u>45,250</u> |
| Change in net position | 7,504 |
| Beginning net position | <u>351,888</u> |
| Ending net position | <u><u>\$ 359,392</u></u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Transylvania County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Transylvania County, 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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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. This fund is the "Local Current Expense Fund", which is mandated by state law (G.S. 115C-426).

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Federal Grants Fund. The Federal Grants Fund includes appropriations from the federal government, generally the U.S. Department of Education, which are passed-through the North Carolina Department of Public Instruction for the current operating expenditures of the school system.

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

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 Transylvania 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 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.

The Board reports the following fiduciary fund:

Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for scholarship money under control of the Board for the benefit of students in the district.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary 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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. The Board has authorized the Superintendent to transfer appropriations within a fund under the following conditions:

- The Superintendent may transfer amounts within a fund that do not exceed a cumulative total of plus or minus ten percent (10%) between functions.

Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several immaterial 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, Liabilities, 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. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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

The Board's capital assets are recorded at original cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 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 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.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities, such as student desks, are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40 |
| Equipment and furniture | 5 - 12 |
| Vehicles | 7 |

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

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. 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 will not be recognized as revenue until then. The Board has several items that meet this criterion - unearned grant revenue in the General Fund and pension and OPEB 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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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, 2023 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, net of related debt; 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 four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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.

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 \$(14,976,633) consists of several elements as follows:

| <u>Description</u> | <u>Amount</u> |
|--|------------------------|
| 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) | \$ 74,306,708 |
| Less Accumulated Depreciation | <u>37,281,197</u> |
| Net capital assets | 37,025,511 |
| | |
| Pension related deferred outflows of resources | 14,736,353 |
| OPEB related deferred outflows of resources | 7,900,037 |
| | |
| 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: | |
| Installment financing | (25,850) |
| Compensated absences | (2,605,155) |
| Net pension liability | (23,167,468) |
| Net OPEB liability | (31,607,479) |
| Deferred inflows of resources related to pensions | (520,401) |
| Deferred inflows of resources related to OPEB | <u>(16,712,181)</u> |
| | |
| Total adjustment | <u>\$ (14,976,633)</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 \$3,144,837 as follows:

| Description | Amount |
|---|---------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities. | \$ 188,479 |
| Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements. | (1,429,808) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 4,407,599 |
| Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities | 1,772,676 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| OPEB nonemployer contributions | 239,948 |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements. | 78,998 |
| 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 | (5,046,297) |
| Net OPEB expense | 2,900,026 |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources. | <u>33,216</u> |
| Total adjustment | <u>\$ 3,144,837</u> |

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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2023, the Board reported expenditures that violated State law [G.S. 115C-441] due to actual expenditures exceeding the budget within the General Fund, State Public School Fund, Federal Grants Fund, School Food Service, and Other Special Revenue Fund which is in violation of North Carolina General Statutes. Expenditures in excess of budgeted amounts can be seen in the accompanying budget-to-actual financial statements.

NOTE 3 - 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, 2023, the Board had deposits with banks and savings and loans with a carrying amount of \$8,412,892 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$8,566,490 and \$(82,682), respectively. Of these balances, \$1,127,234 was covered by federal depository insurance and \$7,356,574 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2023, the Board had \$466,033 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is unrated and had a weighted average of maturity of 1.30 years at June 30, 2023. The Board has no policy for managing interest risk or credit risk.

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2. Accounts Receivable

Receivables at the government-wide level at June 30, 2023 are as follows:

| | Due from (to) other funds (Internal Balances) | Due from other governments | Other |
|-------------------------------|--|----------------------------------|-------------------|
| Governmental activities: | | | |
| General Fund | \$ (212,072) | \$ - | \$ 55,000 |
| Other governmental activities | 212,072 | 73,838 | 153,201 |
| Total | <u>\$ -</u> | <u>\$ 73,838</u> | <u>\$ 208,201</u> |
| Business-type activities: | | | |
| School Food Service | <u>\$ -</u> | <u>\$ 79,875</u> | <u>\$ -</u> |

Due from other governments consists of the following:

| | | |
|---------------------------|------------------|-------------------------------------|
| Governmental activities: | | |
| Federal Grants Fund | <u>\$ 73,838</u> | NC Department of Public Instruction |
| Business-type activities: | | |
| School Food Service Fund | <u>\$ 79,875</u> | USDA grant reimbursement |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
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3. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Beginning Balances | Increases | Retirements and transfers | Ending Balances |
|--|-----------------------|------------------|------------------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 12,284,916 | \$ - | \$ - | \$ 12,284,916 |
| Construction in progress | 3,471,500 | - | - | 3,471,500 |
| Total capital assets not being depreciated | <u>15,756,416</u> | <u>-</u> | <u>-</u> | <u>15,756,416</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 52,829,912 | - | - | 52,829,912 |
| Furniture and equipment | 683,762 | 34,035 | - | 717,797 |
| Vehicles | 4,848,139 | 154,444 | - | 5,002,583 |
| Total capital assets being depreciated | <u>58,361,813</u> | <u>188,479</u> | <u>-</u> | <u>58,550,292</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 31,308,376 | 1,132,991 | - | 32,441,367 |
| Furniture and equipment | 515,555 | 20,132 | - | 535,687 |
| Vehicles | 4,027,458 | 276,685 | - | 4,304,143 |
| Total accumulated depreciation | <u>35,851,389</u> | <u>1,429,808</u> | <u>-</u> | <u>37,281,197</u> |
| Total capital assets being depreciated, net | <u>22,510,424</u> | | | <u>21,269,095</u> |
| Governmental activity capital assets, net | <u>\$ 38,266,840</u> | | | <u>\$ 37,025,511</u> |
| | | | | |
| | Beginning Balances | Increases | Decreases | Ending Balances |
| Business-type activities: | | | | |
| School Food Service Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 897,798 | \$ 45,319 | \$ 41,242 | \$ 901,875 |
| Vehicles | 77,708 | 116,947 | 26,787 | 167,868 |
| Total capital assets being depreciated | <u>975,506</u> | <u>162,266</u> | <u>68,029</u> | <u>1,069,743</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | 645,041 | 60,299 | 40,054 | 665,286 |
| Vehicles | 63,227 | 2,221 | 26,787 | 38,661 |
| Total accumulated depreciation | <u>708,268</u> | <u>62,520</u> | <u>66,841</u> | <u>703,947</u> |
| School Food Service capital assets, net: | <u>\$ 267,238</u> | | | <u>\$ 365,796</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
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Depreciation was charged to governmental functions as follows:

| | |
|------------------------------|---------------------|
| Instructional services | \$ 1,132,991 |
| System-wide support services | 276,685 |
| Unallocated depreciation | 20,132 |
| Total | <u>\$ 1,429,808</u> |

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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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, 2023, was 17.38% 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 \$4,526,436 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Board reported a liability of \$23,792,108 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021, the Board's proportion was .16% and .15%, respectively.

For the year ended June 30, 2023, the Board recognized pension expense of (\$5,103,186). At June 30, 2023, 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 | \$ 103,592 | \$ 324,290 |
| Changes of assumptions | 1,877,107 | - |
| Net difference between projected and actual earnings on pension plan investments | 7,814,282 | - |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 812,256 | 210,142 |
| Board contributions subsequent to the measurement date | 4,526,436 | - |
| Total | <u>\$ 15,133,673</u> | <u>\$ 534,432</u> |

\$4,526,436 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|----------------------|
| 2024 | \$ 2,730,304 |
| 2025 | 2,505,642 |
| 2026 | 1,090,912 |
| 2027 | 3,745,948 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ 10,072,805</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.25% to 8.05%, including inflation and productivity factor |
| Investment rate of return | 6.50%, 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, 2021 actuarial valuation were based on the actuarial experience study for the prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. 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, 2023 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 2.50%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability reported at June 30, 2023 and 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | <u>1% Decrease (5.50%)</u> | <u>Current Discount Rate (6.50%)</u> | <u>1% Increase (7.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| Board's proportionate share of the net pension liability (asset) | \$ 42,065,658 | \$ 23,792,108 | \$ 8,708,753 |

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

b. Other Postemployment Benefits

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, Article 1 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of

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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 ACFR, 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 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, 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

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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 6.89% of covered payroll which amounted to \$1,794,427. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$246,417.

At June 30, 2023, Board reported a liability of \$32,417,870 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021, the Boards proportion was 0.14% and .13%, respectively.

\$1,794,427 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|----------------------------|------------------------|
| Year ended June 30: | |
| 2024 | \$ (4,324,815) |
| 2025 | (2,635,241) |
| 2026 | (2,652,790) |
| 2027 | (1,340,564) |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ (10,953,410)</u> |

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

Healthcare cost trend rates:

| | |
|---------------------------------|--|
| Medical | 5.00-6.00% |
| Prescription drug | 5.00-9.50% |
| Administrative costs | 3.00% |
| Post-retirement mortality rates | Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019 |

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2023 and 2022 were 3.54% and 2.16%, respectively. 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

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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 (2.54 percent) or 1-percentage point higher (4.54 percent) than the current discount rate:

| | <u>1% Decrease (2.54%)</u> | <u>Current Discount Rate (3.54%)</u> | <u>1% Increase (4.54%)</u> |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB liability | \$ 38,184,516 | \$ 32,417,870 | \$ 27,708,086 |

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 healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates (6.50% Medical, 7.25% Rx, 3.00% Administrative Expenses)</u> | <u>1% Increase in Trend Rates</u> |
|--------------------|---------------------------------------|---|---------------------------------------|
| Net OPEB liability | \$ 26,685,093 | \$ 32,417,870 | \$ 39,828,304 |

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

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 ACFR, 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'

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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 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, 2023, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$26,044 for the year ended June 30, 2023.

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, 2023, Board reported an OPEB liability of \$41,808 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB asset was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021, the Boards proportion was .14% and .13%, respectively.

\$26,044 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | | |
|----------------------------|-------|------------------|
| Year ended June 30: | | |
| 2024 | \$ | 21,149 |
| 2025 | | 24,190 |
| 2026 | | 17,225 |
| 2027 | | 13,179 |
| 2028 | | 2,290 |
| Thereafter | | 5,170 |
| | Total | <u>\$ 83,203</u> |

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

| | |
|---------------------------|---|
| Inflation | 2.50% |
| Salary increases | 3.25% to 8.05%, including a 3.25% inflation and productivity factor |
| Investment rate of return | 3.00%, net of OPEB plan investment expense, including inflation |

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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 (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

| | <u>1% Decrease</u> <u>(2.00%)</u> | <u>Current Discount Rate</u> <u>(3.00%)</u> | <u>1% Increase</u> <u>(4.00%)</u> |
|--------------------|--------------------------------------|--|--------------------------------------|
| Net OPEB liability | \$ 51,481 | \$ 41,808 | \$ 32,111 |

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 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, 2022. 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, 2015 through December 31, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 is 1.3%.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and pension expense:

| | <u>RHBF</u> | <u>DIPNC</u> | <u>Total</u> |
|--|----------------------|-------------------|----------------------|
| OPEB expense | \$ 3,682,508 | \$ (59,542) | \$ 3,622,966 |
| OPEB liability (asset) | 32,417,870 | 41,808 | 32,459,678 |
| Proportionate share of the net OPEB liability (asset) | 0.137% | 0.141% | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | \$ 314,735 | \$ 46,863 | \$ 361,598 |
| Changes of assumptions | 2,595,472 | 2,687 | 2,598,159 |
| Net difference between projected and actual earnings on plan investments | 280,725 | 44,220 | 324,945 |
| Changes in proportion and defferences between Board contributions and proportionate share of contributions | 3,004,312 | 3,553 | 3,007,865 |
| Board contributions subsequent to the measurement date | <u>1,794,427</u> | <u>26,044</u> | <u>1,820,471</u> |
| Total Deferred Outflows of Resources | <u>\$ 7,989,671</u> | <u>\$ 123,367</u> | <u>\$ 8,113,038</u> |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | \$ 89,704 | \$ - | \$ 89,704 |
| Changes of assumptions | 14,754,136 | 7,745 | 14,761,881 |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | <u>2,304,814</u> | <u>6,375</u> | <u>2,311,189</u> |
| Total Deferred Inflows of Resources | <u>\$ 17,148,654</u> | <u>\$ 14,120</u> | <u>\$ 17,162,774</u> |

2. Accounts Payable

Accounts payable as of June 30, 2023 are as follows:

| | <u>Vendors</u> |
|---------------------------------|-------------------|
| Governmental Activities: | |
| General Fund | \$ 225,818 |
| Other Governmental | 444,313 |
| Total - Governmental Activities | <u>\$ 670,131</u> |
| Business-type Activities | |
| School Food Service Fund | <u>\$ 21,012</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Deferred Inflows of resources

The balance in deferred inflows of resources at year-end is composed of the following:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in proportion and differences between Board contributions and proportionate share of contributions | \$ 3,820,121 | \$ 2,521,331 |
| Changes in assumptions | 4,475,266 | 14,761,881 |
| Difference between projected and actual earnings on plan investments | 8,139,227 | - |
| Board contributions subsequent to the measurement date | 6,346,907 | - |
| Difference between expected and actual experience | <u>465,190</u> | <u>413,994</u> |
| Total | <u>\$ 23,246,711</u> | <u>\$ 17,697,206</u> |

3. Unavailable Revenues

The balance in unavailable revenues at June 30, 2023 is composed of the following elements:

| | <u>Unavailable Revenue</u> |
|---|--------------------------------|
| Prepaid lunch balances (School Food Service Fund) | <u>\$ 27,967</u> |

4. 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 protects itself from potential loss through commercial insurance.

The Board maintains general liability insurance coverage of \$1 million per occurrence with a \$3 million aggregate. They also maintain worker's compensation, employee benefit, health student, sexual misconduct and molestation, and school district & educator's legal coverage each of \$1 million per accident. The state provides worker's compensation for employees to the extent they are paid from state funds. The Board participates in the Public School Insurance Fund (the Fund), a voluntary, self-funded risk control and risk-financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake. The Board does not have flood insurance in case of natural disaster.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the state administered by Blue Cross and Blue Shield of North Carolina. The Board pays the full cost of coverage for employees if enrolled in the 70/30 plan and partial for those enrolled in the 80/20 plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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.

5. Long-Term Obligations

a. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party financing arrangements. The Board has entered into such contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. As of June 30, 2023, the Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts require annual payments of \$25,850.

The future minimum payments of the installment purchases as of June 30, 2023 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> |
|-----------------------------|------------------|
| 2024 | <u>\$ 25,850</u> |

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

b. 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, 2023:

| | Balance July 1, 2022 as restated | Increases | Decreases | Balance June 30, 2023 | Current Maturities |
|---------------------------|--|----------------------|---------------------|-----------------------------|-----------------------|
| Governmental activities: | | | | | |
| Direct placement | | | | | |
| installment purchases | \$ 104,848 | \$ - | \$ 78,998 | \$ 25,850 | \$ 25,850 |
| Net pension liability | 6,556,510 | 16,610,958 | - | 23,167,468 | - |
| Net OPEB liability | 37,535,605 | - | 5,928,126 | 31,607,479 | - |
| Compensated absences | 2,638,371 | 2,355,464 | 2,388,680 | 2,605,155 | 1,246,113 |
| Total | <u>\$ 46,835,334</u> | <u>\$ 18,966,422</u> | <u>\$ 8,395,804</u> | <u>\$ 57,405,952</u> | <u>\$ 1,271,963</u> |
| Business-type activities: | | | | | |
| Net pension liability | \$ 266,976 | \$ 357,664 | \$ - | \$ 624,640 | \$ - |
| Net OPEB liability | 1,461,689 | - | 609,490 | 852,199 | - |
| Compensated absences | 52,294 | 83,387 | 81,625 | 54,056 | 32,520 |
| Total | <u>\$ 1,780,959</u> | <u>\$ 441,051</u> | <u>\$ 691,115</u> | <u>\$ 1,530,895</u> | <u>\$ 32,520</u> |

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

6. Interfund Balances and Activity

a. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2023 consist of the following:

From the State Public School Fund to the School Food Service Fund
for administrative costs \$ 114,744

From the General Fund to the School Food Service Fund
for administrative costs \$ 250,000

b. Interfund Balances

The composition of interfund balances as of June 30, 2023 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|-------------------|
| State Public School Fund | General Fund | <u>\$ 198,775</u> |
| Federal Grants Fund | General Fund | <u>\$ 13,297</u> |

These items occurred in the normal operating cycle of the Board. These amounts are expected to be paid in the following fiscal year.

TRANSYLVANIA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

7. Fund Balance

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

| | |
|-----------------------------------|---------------------|
| Total fund balance - General Fund | \$ 2,554,129 |
| Less: | |
| Stabilization by State statute | <u>55,000</u> |
| Remaining fund balance | <u>\$ 2,499,129</u> |

NOTE 4 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2023, the board reported prior period adjustments for the General Fund, School Food Service Fund, governmental activities, and business-type activities. Accounts payable in the amount of \$157,737 in the General Fund was determined to be understated as of June 30, 2022. The correction of this error decreased fund balance for the General Fund by \$157,737. Furthermore, certain liabilities in the School Food Service Fund and business type activities were determined to be understated by \$40,833. Of this amount, \$12,602 was due to the annual leave liability being understated, and \$28,231 was due to unearned revenues being understated. The correction of these errors decreased the net position for the School Food Service Fund and net position of the business-type activities by \$40,833. Lastly, certain liabilities in the governmental activities were determined to be understated by \$871,837. Of this amount, \$635,812 was due to the annual leave liability being understated, \$78,288 was due to the installment purchase obligation for school buses being understated, and \$157,737 was due to the General Fund accounts payable being understated. The correction of these errors decreased governmental activities' net position as of June 30, 2022.

NOTE 5 - 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.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
*Last Ten Fiscal Years**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net pension liability (asset) | 0.160% | 0.146% | 0.150% | 0.149% | 0.152% |
| Board's proportionate share of the net pension liability (asset) | \$ 23,792,108 | \$ 6,823,486 | \$ 18,112,122 | \$ 15,418,775 | \$ 15,156,154 |
| Board's covered-employee payroll | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 | \$ 21,916,412 |
| Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 91.96% | 29.46% | 78.29% | 68.49% | 69.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.14% | 94.86% | 92.01% | 91.89% | 89.51% |

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net pension liability (asset) | 0.154% | 0.157% | 0.155% | 0.151% | 0.152% |
| Board's proportionate share of the net pension liability (asset) | \$ 12,216,656 | \$ 14,460,249 | \$ 5,720,900 | \$ 1,773,286 | \$ 9,246,162 |
| Board's covered-employee payroll | \$ 21,342,353 | \$ 21,136,984 | \$ 21,213,316 | \$ 20,330,813 | \$ 19,974,710 |
| Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 57.24% | 68.41% | 26.97% | 8.72% | 46.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.32% | 94.64% | 98.24% | 90.60% | 90.60% |

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

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 4,526,436 | \$ 4,238,209 | \$ 3,423,761 | \$ 3,000,714 | \$ 2,766,858 |
| Contributions in relation to the contractually required contribution | <u>4,526,436</u> | <u>4,238,209</u> | <u>3,423,761</u> | <u>3,000,714</u> | <u>2,766,858</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 26,043,935 | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 |
| Contributions as a percentage of covered-employee payroll | 17.38% | 16.38% | 14.78% | 12.97% | 12.29% |

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 2,363,589 | \$ 2,129,967 | \$ 1,934,034 | \$ 1,941,018 | \$ 1,773,286 |
| Contributions in relation to the contractually required contribution | <u>2,363,589</u> | <u>2,129,967</u> | <u>1,934,034</u> | <u>1,941,018</u> | <u>1,773,286</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 21,916,412 | \$ 21,342,353 | \$ 21,136,984 | \$ 21,213,316 | \$ 20,330,813 |
| Contributions as a percentage of covered-employee payroll | 10.78% | 9.98% | 9.15% | 9.15% | 8.72% |

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Seven Fiscal Years**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net OPEB liability (asset) | 0.137% | 0.126% | 0.620% | 0.646% | 0.654% |
| Board's proportionate share of the net OPEB liability (asset) | \$ 32,417,870 | \$ 38,997,294 | \$ 36,208,317 | \$ 41,509,900 | \$ 38,855,529 |
| Board's covered-employee payroll | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 | \$ 21,916,412 |
| Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 125.29% | 168.35% | 156.50% | 184.38% | 177.29% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 10.58% | 7.72% | 4.40% | 3.52% | 3.52% |

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| Board's proportion of the net OPEB liability (asset) | 0.654% | 0.625% |
| Board's proportionate share of the net OPEB liability (asset) | \$ 45,915,902 | \$ 59,847,902 |
| Board's covered-employee payroll | \$ 21,342,353 | \$ 21,136,984 |
| Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 215.14% | 283.14% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.41% | 2.41% |

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

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Seven Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,794,427 | \$ 1,627,403 | \$ 1,547,410 | \$ 1,496,886 | \$ 1,411,570 |
| Contributions in relation to the contractually required contribution | <u>1,794,427</u> | <u>1,627,403</u> | <u>1,547,410</u> | <u>1,496,886</u> | <u>1,411,570</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 26,043,935 | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 |
| Contributions as a percentage of covered-employee payroll | 6.89% | 6.29% | 6.68% | 6.47% | 6.27% |

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Contractually required contribution | \$ 1,325,943 | \$ 1,239,991 |
| Contributions in relation to the contractually required contribution | <u>1,325,943</u> | <u>1,239,991</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 21,916,412 | \$ 21,342,353 |
| Contributions as a percentage of covered-employee payroll | 6.05% | 5.81% |

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Seven Fiscal Years**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net OPEB liability/asset | 0.141% | 0.129% | 0.131% | 0.131% | 0.135% |
| Board's proportionate share of the net OPEB liability (asset) | \$ 41,808 | \$ (20,991) | \$ (64,370) | \$ (56,462) | \$ (40,904) |
| Board's covered payroll | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 | \$ 21,916,412 |
| Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll | 0.16% | 0.09% | 0.28% | 0.25% | 0.19% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 90.34% | 105.18% | 116.47% | 116.37% | 116.23% |

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| Board's proportion of the net OPEB liability/asset | 0.136% | 0.140% |
| Board's proportionate share of the net OPEB liability (asset) | \$ (83,050) | \$ (86,990) |
| Board's covered payroll | \$ 21,342,353 | \$ 21,136,984 |
| Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll | 0.39% | 0.41% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 116.06% | 117.06% |

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

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Seven Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 26,044 | \$ 23,286 | \$ 20,848 | \$ 23,136 | \$ 31,518 |
| Contributions in relation to the contractually required contribution | <u>26,044</u> | <u>23,286</u> | <u>20,848</u> | <u>23,136</u> | <u>31,518</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 26,043,935 | \$ 25,873,421 | \$ 23,164,826 | \$ 23,135,803 | \$ 22,513,082 |
| Contributions as a percentage of covered-employee payroll | 0.10% | 0.09% | 0.09% | 0.10% | 0.14% |

| | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|
| Contractually required contribution | \$ 30,683 | \$ 81,101 |
| Contributions in relation to the contractually required contribution | <u>30,683</u> | <u>81,101</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 21,916,412 | \$ 21,342,353 |
| Contributions as a percentage of covered-employee payroll | 0.14% | 0.38% |

This schedule is required supplementary information.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit A-1

| | Budget | Actual | Positive (Negative) Variance |
|---|-------------------|---------------------|------------------------------------|
| Revenues: | | | |
| Transylvania County: | | | |
| County appropriations | \$ 13,086,152 | \$ 13,086,152 | \$ - |
| Other: | | | |
| Fines and forfeitures | 110,000 | 139,565 | 29,565 |
| Other | 3,000 | 90 | (2,910) |
| Interest earned on investments | - | 3,492 | 3,492 |
| Total | <u>113,000</u> | <u>143,147</u> | <u>30,147</u> |
| Total revenues | <u>13,199,152</u> | <u>13,229,299</u> | <u>30,147</u> |
| Expenditures: | | | |
| Instructional services | | | |
| Regular instructional | 4,520,519 | 4,517,902 | 2,617 |
| Special populations | 352,007 | 336,031 | 15,976 |
| Alternative programs | 211,254 | 220,661 | (9,407) |
| School leadership | 1,233,988 | 1,244,569 | (10,581) |
| Co-curricular services | 329,469 | 329,469 | - |
| School-based support | 1,094,357 | 924,018 | 170,339 |
| System-wide support services | | | |
| Support and development | 457,226 | 416,811 | 40,415 |
| Special population support and development | 66,462 | 66,462 | - |
| Operational support | 182,815 | 182,815 | - |
| Financial and human resource services | 2,603,308 | 2,724,030 | (120,722) |
| Accountability | 472,973 | 418,415 | 54,558 |
| Systemwide pupil support | 673 | 673 | - |
| Other | 379,358 | 392,148 | (12,790) |
| Ancillary services | 6,292 | 5,793 | 499 |
| Non-programmed charges | <u>1,162,171</u> | <u>1,152,371</u> | <u>9,800</u> |
| Total expenditures | <u>13,072,872</u> | <u>12,932,168</u> | <u>140,704</u> |
| Revenues over (under) expenditures | 126,280 | 297,131 | 170,851 |
| Other financing uses: | | | |
| Transfers from other fund | <u>(250,000)</u> | <u>(250,000)</u> | <u>-</u> |
| Appropriated fund balance | <u>123,720</u> | <u>-</u> | <u>(123,720)</u> |
| Revenues over (under) expenditures and other uses | <u>\$ -</u> | <u>47,131</u> | <u>\$ 47,131</u> |
| Fund balances: | | | |
| Beginning of year, July 1 , as restated | | <u>2,506,998</u> | |
| End of year, June 30 | | <u>\$ 2,554,129</u> | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2023

Exhibit B-1

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|------------|------------------------------------|
| Revenues: | | | |
| U.S. Government | | | |
| FEMA disaster grant | \$ - | \$ 62,602 | \$ 62,602 |
| State of North Carolina: | | | |
| State appropriations-buses | 200,000 | 78,998 | (121,002) |
| Transylvania County | | | |
| County appropriations | 2,862,071 | 2,012,462 | (849,609) |
| Other: | | | |
| Other | - | 13,275 | 13,275 |
| Total revenues | 3,062,071 | 2,167,337 | (957,336) |
| Expenditures: | | | |
| Instructional services | | | |
| Regular instructional | 115,876 | 95,663 | 20,213 |
| Co-curricular services | 91,395 | 85,118 | 6,277 |
| School-based support | 537,701 | 509,114 | 28,587 |
| System-wide support services | | | |
| Operational support | 3,661,850 | 1,429,094 | 2,232,756 |
| Policy, leadership and public relations | 3,000 | - | 3,000 |
| Debt service: | | | |
| Principal payments | 78,998 | 78,998 | - |
| Total expenditures | 4,488,820 | 2,197,987 | 2,290,833 |
| Revenues over (under) expenditures | (1,426,749) | (30,650) | 1,396,099 |
| OTHER FINANCING SOURCES | | | |
| Transfers to other funds | (49,500) | (49,500) | - |
| Revenues and other sources over (under) expenditures | (1,476,249) | (80,150) | 1,396,099 |
| Appropriated fund balance | 1,476,249 | - | (1,476,249) |
| Revenues other sources and appropriated fund balance over (under) expenditures | \$ - | (80,150) | \$ (80,150) |
| Fund balances: | | | |
| Beginning of year, July 1 | | 461,853 | |
| End of year, June 30 | | \$ 381,703 | |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2023

Exhibit C-1

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|-------------|------------------------------------|
| Operating revenues: | | | |
| Food sales | \$ 597,355 | \$ 418,617 | \$ (178,738) |
| Operating expenditures: | | | |
| Business support services | | | |
| Food cost | | 1,092,946 | |
| Salaries and benefits | | 1,311,038 | |
| Indirect costs | | 106,408 | |
| Materials and supplies | | 2,221 | |
| Contracted services | | 30,069 | |
| Noncapital equipment | | 8,209 | |
| Repairs and maintenance | | 22,520 | |
| Travel | | 1,596 | |
| Other | | 4,306 | |
| Total business support services | 2,030,178 | 2,579,313 | (549,135) |
| Capital outlay | - | 112,766 | (112,766) |
| Total operating expenditures | 2,030,178 | 2,692,079 | (661,901) |
| Operating loss | (1,432,823) | (2,273,462) | (840,639) |
| Nonoperating revenues: | | | |
| Federal reimbursements | | 1,674,079 | |
| Federal commodities | | 120,780 | |
| State reimbursements | | 10,253 | |
| Gain on sale of capital assets | | 36,021 | |
| Interest earned | | 1,311 | |
| Indirect Cost Allocated | | 106,408 | |
| Other nonoperating revenues | | 1,359 | |
| Donated capital assets | | 49,500 | |
| Total nonoperating revenues | 1,432,823 | 1,999,711 | 566,888 |
| Revenues over (under) expenditures before other financing sources | - | (273,751) | (273,751) |
| Transfers from other funds | - | 364,744 | 364,744 |
| Revenues and other sources over (under) expenditures | \$ - | 90,993 | \$ 90,993 |

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL NUTRITION FUND
For the Year Ended June 30, 2023

Exhibit C-1
(Continued)

Reconciliation of modified accrual to full accrual basis:

Reconciling items:

| | |
|---|--------------------------|
| Depreciation | (62,520) |
| Capital outlay | 112,766 |
| Increase (decrease) in accounts receivable | (183) |
| Increase (decrease) in inventory | (23,638) |
| (Increase) decrease in unavailable revenues | 264 |
| (Increase) decrease in compensated absences | (1,762) |
| Net pension liability | (357,664) |
| Net OPEB liability | 609,490 |
| Deferred outflows - pension and OPEB | 235,708 |
| Deferred inflows - pension and OPEB | 382,131 |
| Change in net position | <u><u>\$ 985,585</u></u> |

Compliance Section

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 Transylvania County Board of Education
Brevard, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 14, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 23-01 and 23-02 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Transylvania County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Transylvania County Board of Education's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Transylvania County Board of Education's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Anderson Smith & Wike PLLC

November 14, 2023
Elon, North Carolina

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Transylvania County Board of Education
Brevard, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Transylvania County Board of Education's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Transylvania County Board of Education's major federal programs for the year ended June 30, 2023. Transylvania County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Transylvania County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Transylvania County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Transylvania County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Transylvania County Board of Education federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Transylvania County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Transylvania County Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Transylvania County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Transylvania County Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Transylvania County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

*November 14, 2023
Elon, North Carolina*

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Transylvania County Board of Education
Brevard, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Transylvania County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Transylvania County Board of Education's major state programs for the year ended June 30, 2023. The Transylvania County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Transylvania County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

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. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Transylvania County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Transylvania County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Transylvania County Board of Education's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Transylvania County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Transylvania County Board of Education's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Transylvania County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Transylvania County Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Transylvania County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

November 14, 2023
Elon, North Carolina

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes

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 noted

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:

| AL Numbers | Names of Federal Program or Cluster |
|-------------------|---|
| | Special Education Cluster: |
| 84.027 | Special Education – Grants to States |
| 84.027 | Special Education – Special Risk Pool |
| 84.027 | Special Education – Targeted Assistance |
| 84.173 | Special Education – Targeted Assistance for Preschool |
| 84.173 | Special Education – Preschool Grants |
| 84.027X | COVID-19 – ESSER III – ARP IDEA Grants to States |
| 84.173X | COVID-19 – ESSER III – ARP IDEA Preschool Grants |
| 84.425 | COVID 19 – Education Stabilization Fund |

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2023**

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

Auditee qualified as low-risk auditee? Yes

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 noted

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 programs:

Program Name

State Public School Fund

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

Section II. Financial Statement Findings

Finding 23-01

SIGNIFICANT DEFICIENCY

Prior Period Adjustments

Criteria: Accurate records relating to the reporting of the Board's liabilities are required in order for an entity to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: The Board recorded prior period adjustments during the current year to correct prior year errors relating to liabilities in the General Fund, School Food Service Fund, governmental activities and business-type activities.

Effect: Liabilities were incorrectly reported in the prior year financial statements.

Cause: Oversight.

Identification of a repeat finding: This is not a repeat finding from the previous audit.

Recommendation: Management should closely review all liability account balances at year end to ensure they are accurately reported within the year-end financial statements.

Management Response: The Board agrees with this finding and recommendation.

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

Finding 23-02

SIGNIFICANT DEFICIENCY

Budgeting

Criteria: State law requires that expenditures do not exceed amounts appropriated.

Condition: The District does not have internal controls in place to appropriately pre-audit and monitor expenditures as compared to the Board approved budget.

Effect: The District did not appropriately pre-audit expenditures, resulting in actual expenditures exceeding the budget within the General Fund, State Public School Fund, Federal Grants Fund, Other Special Revenue Fund, and School Food Service Fund which is in violation of North Carolina General Statutes.

Identification of a repeat finding: This is not a repeat finding from the previous audit.

Cause: There was a lack of oversight by management.

Recommendation: We recommend that management closely monitor expenditures as compared to the budget and take any needed budget amendments to the governing Board for approval.

Management Response: The Board agrees with this finding and recommendation.

Section III. Federal Award Findings and Questioned Costs

Finding: None reported

Section IV. State Award Findings and Questioned Costs

Finding: None reported



Section II. Financial Statement Findings

Finding 23-01

Name of Contact Person: Gabi Juba, Chief Finance Officer

Corrective Action Plan: Management will implement controls and procedures to ensure accurate financial reporting.

Proposed Completion Date: Immediately

Finding 23-02

Name of Contact Person: Gabi Juba, Chief Finance Officer

Corrective Action Plan: Management will implement controls and procedures to ensure that there are no expenditures in excess of the budget.

Proposed Completion Date: Immediately

Section III. Federal Award Findings and Questioned Costs

Finding: None reported

Section IV. State Award Findings and Questioned Costs

Finding: None reported

**TRANSYLVANIA COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2023**

No findings reported in the prior year audit.

TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>Assistance</u> <u>Listing Number</u> | <u>State /</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u> | <u>Expenditures</u> |
|---|--|--|---------------------|
| Federal Grants: | | | |
| Cash Assistance: | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Food and Nutrition Service | | | |
| Child Nutrition Cluster: | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Noncash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | PRC 035 | \$ <u>120,780</u> |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | PRC 035 | 452,255 |
| Supply Chain Assistance Grant | 10.555 | PRC 035 | 95,512 |
| Fresh Fruit and Vegetable Program | 10.582 | PRC 035 | 97,010 |
| National School Lunch Program | 10.555 | PRC 035 | 878,163 |
| Summer Food Service Program for Children | 10.559 | PRC 035 | <u>82,296</u> |
| Cash Assistance Subtotal | | | <u>1,605,236</u> |
| Total Child Nutrition Cluster | | | <u>1,726,016</u> |
| Passed-through the N.C. Department of Health and Human Services: | | | |
| Child and Adult Care Food Program | 10.558 | | <u>68,843</u> |
| Passed through the N.C. Department of Agriculture & Consumer Services | | | |
| Local Food for Schools Program | 10.185 | | <u>12,331</u> |
| Total U.S. Department of Agriculture | | | <u>1,807,190</u> |
| <u>U.S. Department of Education</u> | | | |
| Office of Elementary and Secondary Education | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Education Consolidation and Improvement Act of 1981 | | | |
| Improving America School Act of 1994 (IASA) | | | |
| Title I, Grants to Local Educational Agencies | | | |
| Educationally Deprived Children | 84.010 | PRC 050, 105, & 115 | 1,063,996 |
| Student Support and Academic Enrichment Program | 84.424 | PRC 108 | 67,644 |
| English Language Acquisition Grants | 84.365 | PRC 104, 111 | 10,169 |
| Education for Homeless Children and Youth | 84.196 | PRC 026 | 20,399 |
| Improving Teacher Quality State Grant | 84.367 | PRC 103 | 139,666 |
| COVID-19 - Education Stabilization Fund | | | |
| CARES Act: | | | |
| ESSER I - K-12 Emergency Relief Fund | 84.425D | PRC 163 | 1,194 |
| ESSER I - Exceptional Children Grants | 84.425D | PRC 167 | 8,620 |
| GEER I - Supplemental Instructional Services | 84.425C | PRC 170 | 42,240 |
| CRRSA: | | | |
| ESSER II - K-12 Emergency Relief Fund | 84.425D | PRC 171 | 391,766 |
| ESSER II - School Nutrition COVID Support | 84.425D | PRC 174 | 11,449 |
| ESSER II - Learning Loss Funding | 84.425D | PRC 176 | 49,552 |
| ESSER II - Summer Career Accelerator Program | 84.425D | PRC 177 | 9,442 |
| ARP: | | | |
| ESSER III - K-12 Emergency Relief Fund | 84.425D | PRC 181 | 1,706,473 |

**TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023**

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal Assistance Listing Number</u> | <u>State / Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|---|--|--|-------------------------|
| COVID-19 - Education Stabilization Fund (Continued) | | | |
| ESSER III - Homeless I | 84.425W | PRC 183 | 56,054 |
| ESSER III - Homeless II | 84.425W | PRC 184 | 45,682 |
| ESSER III - Summer Career Acceleratory Programs | 84.425U | PRC 188 | 404 |
| ESSER III - Math Enrichment Programs | 84.425U | PRC 189 | 8,018 |
| ESSER III - Cybersecurity & Suicide Prevention Grant | 84.425U | PRC 192 | 30,739 |
| ESSER III - Gaggle Grants | 84.425U | PRC 193 | 10,645 |
| ESSER III - CTE-Hospitality – LEAs and charters | 84.425U | PRC 194 | 5,350 |
| Total COVID-19 - Education Stabilization Fund | | | <u>2,377,628</u> |
| Office of Special Education and Rehabilitative Services | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Special Education Cluster: | | | |
| Individuals with Disabilities Education Act | | | |
| Special Education - Grants to States | 84.027 | PRC 060 | 804,865 |
| Special Education - Targeted Assistance | 84.027 | PRC 118 | 6,081 |
| COVID-19 - ESSER III - ARP IDEA Grant to States | 84.027 | PRC 185 | 172,398 |
| Special Education - Preschool Grants | 84.173 | PRC 049 | 45,789 |
| COVID-19 - ESSER III - ARP IDEA Preschool Grants | 84.173 | PRC 186 | 23,495 |
| Total Special Education Cluster | | | <u>1,052,628</u> |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Carl D. Perkins Vocational and Applied Technology | | | |
| Education Act Amendments of 1990 | | | |
| Basic Grants to States | | | |
| Program Development | 84.048 | PRC 017 | 61,776 |
| Total U.S. Department of Education | | | <u>4,793,906</u> |
| Other Federal Assistance: | | | |
| <u>U.S. Federal Communications Commission</u> | | | |
| Direct Program: | | | |
| Emergency Connectivity Fund | 32.009 | | <u>727,635</u> |
| U.S. Department of Homeland Security | | | |
| Passed through N.C. Department of Crime Control and Public Safety | | | |
| FEMA Disaster Grants - Public Assistance | 97.036 | | <u>62,602</u> |
| Total Federal Assistance | | | <u>7,391,333</u> |

**TRANSYLVANIA COUNTY BOARD OF EDUCATION, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2023**

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal Assistance Listing Number</u> | <u>State / Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|---|--|--|---------------------------------|
| State Grants: | | | |
| Cash Assistance: | | | |
| <u>N.C. Department of Public Instruction:</u> | | | |
| State Public School Fund | | | 25,539,942 |
| Career and Technical Education | | | |
| State Months of Employment | | PRC 013 | 1,514,310 |
| Program Support Funds | | PRC 014 | 165,954 |
| Driver Training | | PRC 012 | 65,276 |
| School Technology Fund | | PRC 015 | 38,253 |
| Textbooks (noncash) | | | 1,919 |
| Appropriations for School Buses (non-cash assistance) | | | <u>78,998</u> |
| Total N.C. Department of Public Instruction | | | <u>27,404,652</u> |
| <u>N.C. Department of Agriculture</u> | | | |
| State Reduced Breakfast Program | | | 3,920 |
| State Reduced Lunch Program | | | <u>6,333</u> |
| | | | <u>10,253</u> |
| <u>N.C. Department of Health and Human Services</u> | | | |
| N.C. Pre-Kindergarten Program | | | <u>406,012</u> |
| Total State Assistance | | | <u>27,820,917</u> |
| Total Federal and State Assistance | | | <u>\$ 35,212,250</u> |

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Transylvania County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. 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 Transylvania County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Transylvania County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Clusters

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