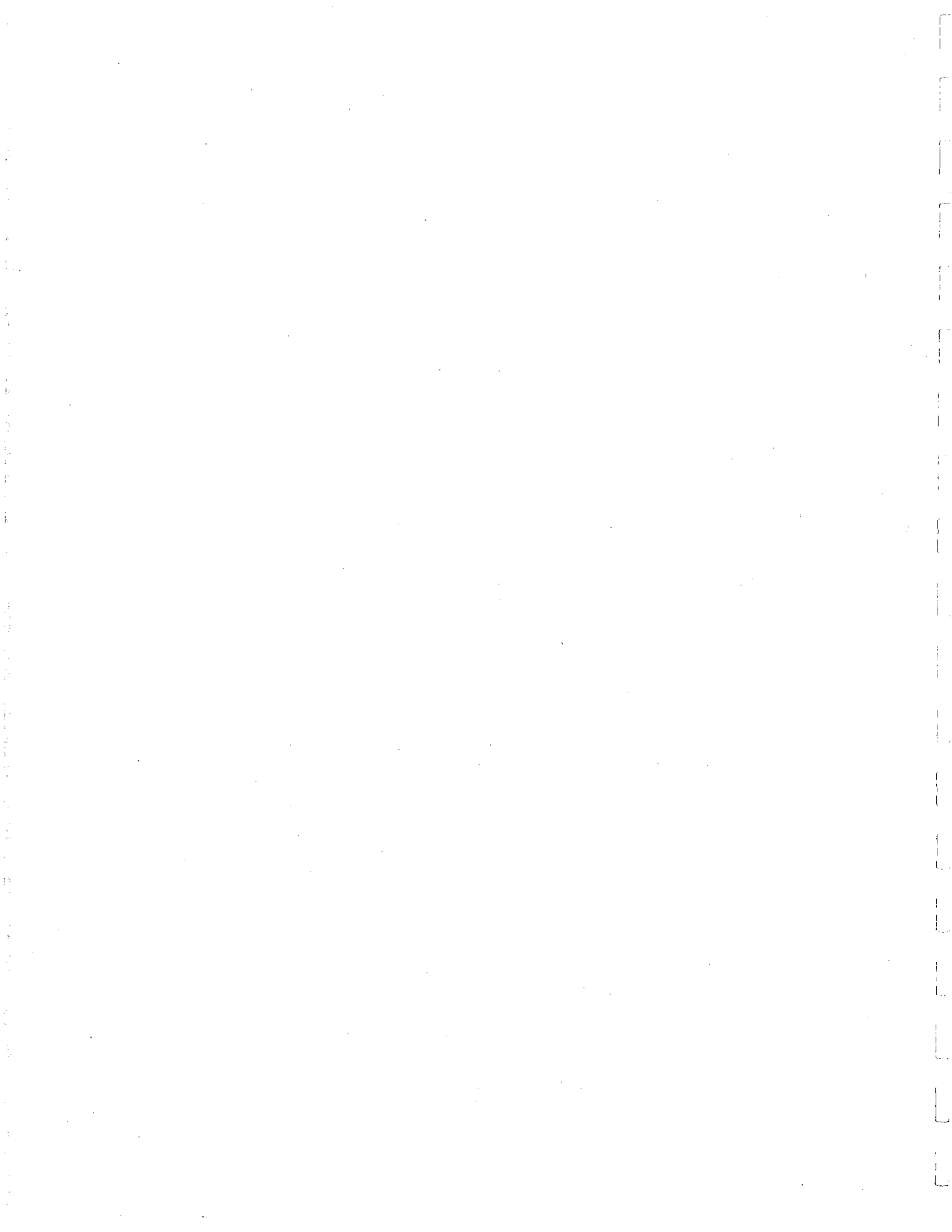


**MCDOWELL COUNTY BOARD OF EDUCATION
MARION, NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Boggs, Crump & Brown, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Morganton, NC



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JUNE 30, 2019**

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Independent Auditor's Report

To the Board of Education
McDowell County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McDowell County Board of Education, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the McDowell County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the McDowell County Board of Education, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Federal Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages four through twelve and the Schedules of the Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of Board Contributions on pages 52 to 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and state awards are fairly stated in all material respects, in relation to the 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 25, 2019 on our consideration of McDowell County's Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the McDowell County Board of Education's internal control over financial reporting and compliance.

Boggs Crump & Brown, P.A.
Boggs, Crump & Brown, P.A.
Certified Public Accountants

November 25, 2019
Morganton, North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McDowell 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, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The 2018-2019 year proved to be a very challenging one as a result of state economic conditions.
- Student enrollment decreased from the previous year. Decreasing from 6,091 to 5,943.
- The liabilities of the Board exceeded assets at the close of the fiscal year by \$ (34,161,929).
- The Board's total net position increased by \$ 4,398,145 during fiscal year end June 30, 2019.
- As of June 30, 2019, the Board's General Fund reported total fund balance of \$ 5,976,356 a decrease of \$(64,404) from the previous year.
- Business Type Activities, the School Food Service and Child Care Funds, reported an increase in net position of \$142,145 for the fiscal year ending June 30, 2019.

Overview of the Financial Statements

The audited financial statements of the McDowell 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 statements for governmental funds and for enterprise funds.

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide* statements. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position and Statement of Activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified between current and long-term. 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 set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in

the government wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the Board's net position and how they have changed. Net position - the difference between the Board's assets and liabilities - is one way to measure the unit's financial health or position.

- ▶ Over time, increases or decreases in the Board's net position is 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 and childcare services are 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.

McDowell County Board has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things - how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader

determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General fund, the State Public School Fund, the Individual Schools Funds, the Capital Outlay Fund, and the Federal Grants Fund.

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. McDowell County Board of Education has two proprietary funds - both enterprise funds - the School Food Service Fund and the Child Care Fund.

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$(34,161,929) as of June 30, 2019.

Following is a summary of the Statement of Net Position:

**Figure 1
Condensed Statement of Net Position
as of June 30, 2019**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current assets	\$ 9,936,651	\$10,160,891	\$ 814,215	\$ 719,729	\$ 10,750,866	\$ 10,880,620
Capital assets	<u>64,766,427</u>	<u>63,556,561</u>	<u>133,365</u>	<u>157,221</u>	<u>64,899,792</u>	<u>63,713,782</u>
Total assets	<u>74,703,078</u>	<u>73,717,452</u>	<u>947,580</u>	<u>876,950</u>	<u>75,650,658</u>	<u>74,594,402</u>
Pension deferred outflows of resources	13,235,406	9,751,363	423,424	311,966	13,658,830	10,063,329
Deferred outflows of resources	2,792,854	2,615,176	89,301	85,205	2,882,155	2,700,381
Current liabilities	4,332,677	4,749,709	138,756	127,955	4,471,433	4,877,664
Long-term liabilities	<u>85,097,129</u>	<u>91,196,159</u>	<u>2,704,208</u>	<u>2,890,682</u>	<u>87,801,337</u>	<u>94,086,841</u>
Total liabilities	<u>89,429,806</u>	<u>95,945,868</u>	<u>2,842,964</u>	<u>3,018,637</u>	<u>92,272,770</u>	<u>98,964,505</u>
Pension deferred inflows of resources	683,768	1,257,596	21,875	40,233	705,643	1,297,829
Deferred inflows of resources	32,345,897	24,864,660	1,029,262	791,192	33,375,159	25,655,852
Net investment in capital assets	64,766,427	63,195,817	133,365	157,221	64,899,792	63,353,038
Restricted for:						
Individual schools	855,857	814,089			855,857	814,089
School Capital Outlay	711,351	373,144			711,351	373,144
Stabilization by State Statute	101,187	10,882			101,187	10,882
DIPNC OPEB plan	64,214	129,514	2,054	4,143	66,268	133,657
Unrestricted net position (deficit)	<u>(98,227,169)</u>	<u>(100,507,579)</u>	<u>(2,569,215)</u>	<u>(2,737,305)</u>	<u>(100,796,384)</u>	<u>(103,244,884)</u>
Total net position (deficit)	<u>(\$31,728,133)</u>	<u>\$35,984,133</u>	<u>(\$2,433,796)</u>	<u>(\$2,575,941)</u>	<u>(\$ 34,161,929)</u>	<u>(\$38,560,074)</u>

Note that net position increased during the year indicating an improvement in the financial condition of the Board. The increase in net position for the current year was largely because of adjustments related to OPEB and pension entries and also an increase in the capital assets. Also, note that the Board carries capital assets for which McDowell County carries the offsetting debt.

The following table shows the revenues and expenses for the Board for the current fiscal year.

Figure 2
Condensed Statement of Activities
as of June 30, 2019

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 418,820	\$ 443,856	\$ 797,794	\$ 520,619	\$ 1,216,614	\$ 964,475
Operating grants and contributions	49,256,602	47,334,551	3,225,088	3,626,647	52,481,690	50,961,198
General revenue:						
Other revenues	<u>16,635,008</u>	<u>14,315,404</u>	<u>2,014</u>	<u>1,388</u>	<u>16,637,022</u>	<u>14,316,792</u>
Total revenues	<u>66,310,430</u>	<u>62,093,811</u>	<u>4,024,896</u>	<u>4,148,654</u>	<u>70,335,326</u>	<u>66,242,465</u>
Expenses:						
Governmental activities:						
Instructional services	47,684,770	49,504,847			47,684,770	49,504,847
System-wide support services	9,685,512	10,117,594			9,685,512	10,117,594
Ancillary services	2,082,487	2,169,016			2,082,487	2,169,016
Non-programmed charges	66,631	50,357			66,631	50,357
Unallocated depreciation expense	2,478,215	2,421,563			2,478,215	2,421,563
Business-type activities:						
School food service			3,938,503	5,142,433	3,938,503	4,142,433
Child care			<u>1,063</u>	<u>9,294</u>	<u>1,063</u>	<u>9,294</u>
Total expenses	<u>61,997,615</u>	<u>64,263,377</u>	<u>3,939,566</u>	<u>4,151,727</u>	<u>65,937,181</u>	<u>68,415,104</u>
Increase (decrease) in net assets before transfers	4,312,815	(2,169,566)	85,330	(3,073)	4,398,145	(2,172,639)
Transfers in (out)	<u>(56,815)</u>	<u>(73,666)</u>	<u>56,815</u>	<u>73,666</u>		
Increase (decrease) in net position	4,256,000	(2,243,232)	142,145	70,593	4,398,145	(2,172,639)
Net position, beginning	(35,984,133)	57,866,568	(2,575,941)	284,149	(38,560,074)	58,150,717
Net position, restatement		<u>(91,607,469)</u>		<u>(2,930,683)</u>		<u>(94,538,152)</u>
Ending net position (deficit)	<u>(\$31,728,133)</u>	<u>(\$35,984,133)</u>	<u>(\$2,433,796)</u>	<u>(\$2,575,941)</u>	<u>(\$34,161,929)</u>	<u>(\$38,560,074)</u>

Total governmental activities generated revenues of \$66,310,430 while expenses in this category totaled \$61,997,615. Comparatively, revenues were \$62,093,811 and expenses totaled \$64,263,377 for the year ended June 30, 2018. The increase in net position stands at \$4,256,000 at June 30, 2019 compared to a decrease in net position of (\$2,243,232) for fiscal year end June 30, 2018. Instructional service expenses comprised 76.9% of total governmental-type expenses as compared to 77% in fiscal year 2018. System-wide support services made up 15.6% of those expenses for 2019 and 15.7% for 2018. County funding comprised 16.7% of total government revenue for fiscal year end June 30, 2019 as compared to 16.9% in fiscal year end June 30, 2018, while unrestricted State funding added another 6.9% and 4.9% for fiscal years ending June 30, 2019 and 2018 respectively. Much of the remaining 76.4% of total governmental revenue consists of restricted State and Federal funding. Business-type activities generated revenue of \$4,024,896 and had expenses of \$3,939,566 as compared to revenues of \$4,148,654 and expenses of \$4,151,727 for the period ending June 30, 2018. Net position increased in the business-type activities by \$142,145 after transfers in from governmental activities of \$56,815 as compared to an increase in net position of \$70,593 after transfers in of \$73,666 for the period ending June 30, 2018.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of McDowell 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 \$7,766,157 a \$ 330,736 increase from last year. Fund balance of governmental funds decreased by \$(37,413) during fiscal 2018. The General Fund reported a decrease in fund balance of \$(64,404) as compared to a decrease of \$(83,381) in fiscal year end 2018.

Proprietary funds: The Board's Business-type Funds had an increase in net position of \$142,145 as compared to an increase of \$70,593 in fiscal year end 2018. The School Food Service Fund had an increase in net position of \$143,208 for fiscal year June 30, 2019 as compared to an increase of \$43,230 in fiscal 2018 and the Child Care Fund had a decrease in net position of \$(1,063) as compared to an increase of \$27,363 in fiscal 2018.

When analyzing the school districts financial reports, it is important to understand what type of costs are reported in each functional category. A brief description of each function category reported on the government-wide statement of activities and the fund statements follows:

Regular instructional services - The entire cost of regular classrooms are reported in this category, including teacher and teacher assistant salaries and benefits, instructional supplies, material, books and equipment.

Special population services - The cost of additional instructional services for students certified as exceptional children are reported in this category, including teacher and teacher assistant salaries and benefits, contracts with outside providers, instructional supplies, materials, books and equipment.

Alternative programs and services - The cost of activities designed to identify students likely to be unsuccessful in traditional classrooms and/or to drop out and to provide special alternative and/or additional learning opportunities for these at-risk students are recorded in this category. This includes costs of those individuals responsible for providing school curriculum development and coordination as well as lead teachers for alternative programs and services. Programs include summer school instruction, remediation, alcohol and drug prevention, extended day, services to help keep students in school, as well as alternative educational settings, instructional delivery models, and supporting services for identified students.

School leadership services - The cost of principals, assistant principals, school treasurers, school clerical support, supplies, materials and equipment are reported in this category.

Co-curricular services - The cost of extra-curricular programs, such as athletics, marching band, and after-school clubs, are reported in this category, including extra-duty pay and benefits to/for coaches/sponsors, contracts to lease facilities and equipment and for security and officials, instructional supplies, materials, books and equipment.

School based support services - The cost of other direct services to students, such as guidance services, educational media services, student accounting, health, safety and security support services, instructional technology services, and unallocated staff development are reported in this category.

Support and development services - Cost of activities to provide program leadership, support, and development services for regular curricular programs of instruction, JROTC, cultural arts, physical education, foreign language and technology curricular support and development services.

Special population support and development services - Costs of activities to provide program leadership, support, and development services primarily for identifying and serving students having special physical, emotional, or mental impediments to learning are recorded in this category. Also, included are support and development services for those students needing specialized services such as limited English proficiency and gifted education.

Alternative programs and services support and development - Costs of activities to provide program leadership, support, and development services for programs designed to identify students likely to be unsuccessful in traditional classrooms and/or to drop out and to provide special alternative and/or additional learning opportunities for these at risk students are recorded in this category. Programs include summer school instruction, remediation, alcohol and drug prevention, extended day, services to help keep students in school, as well as alternative educational settings, instructional delivery models, and supporting services for identified students.

Technology support services - Costs of central activities associated with implementing, supporting and maintaining the computer hardware, software, peripherals, technical infrastructure which provide technology system services to the school system as a whole. Also, included is the development and implementation of technological systems; and technology user support services for the school system.

Operational support services - Costs of activities for the operational support of the school system such as printing and copying services, communication services, utility services, transportation of students, facilities, planning and construction, custodial and housekeeping services, maintenance services, and warehouse and delivery services.

Financial and human resource services - costs of activities concerned with acquisition, management, reporting and protection of financial resources; and with recruitment, retention, placement, and development of human resources.

Accountability services - costs of activities concerned with the development, administration, reporting and analysis of student progress. This area includes the testing and reporting for student accountability and also the planning, research development and program evaluation costs of the school system.

System-wide pupil support services - Costs of activities that provide program leadership, support, and development services for system-wide pupil support activities for students in grades K-12. These areas include educational media support, student accounting support, guidance support, health support, safety and security support, and instructional technology support system-wide services.

Policy, leadership and public relations services - Costs of activities concerned with the overall general administration of and executive responsibility for the entire school system. These costs include costs of activities of the elected body (Board of Education), legal services, audit services, costs of activities performed by the superintendent, associate superintendents and other system-wide leadership positions generally directing and managing all affairs of the school system.

General Fund Budgetary Highlights

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

Capital Assets

Capital assets increased by \$1,186,010 (or 1.9%) from the previous year. Depreciation for the total primary government totaled \$2,714,889 while additions from capital expenditures totaled \$3,900,898. The following is a summary of the capital assets, net of depreciation at year-end.

**Table 3
Summary of Capital Assets
as of June 30, 2019**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 2,679,789	2,679,788	\$	\$	\$ 2,679,788	\$ 2,679,788
Construction in progress	3,482,197	510,334			3,482,197	510,334
Buildings	56,520,359	58,288,408			56,520,359	58,288,408
Equipment and furniture	726,744	816,650	102,923	122,974	829,667	939,624
Vehicles	<u>1,357,339</u>	<u>1,261,381</u>	<u>30,442</u>	<u>34,247</u>	<u>1,387,781</u>	<u>1,295,628</u>
Total	<u>\$64,766,427</u>	<u>\$63,556,561</u>	<u>\$ 133,365</u>	<u>\$157,221</u>	<u>\$64,899,792</u>	<u>\$63,713,782</u>

More detailed information concerning capital assets is available in the notes to the financial statements.

Debt Outstanding

During the year the Board's outstanding debt decreased by \$241,265 due to payments made on installment financing for school buses. The Board is limited by North Carolina statues with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

More detailed information concerning long term obligations is available in the notes to the financial statements.

Economic Factors

The Board anticipates an increased need in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the school district.

- ▶ The County unemployment rate for June 2019 was 4.3%. The State rate was 4.2%.

Requests for Information

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

Suzanne Rampey, CPA, Finance Officer
 McDowell County Board of Education
 334 South Main Street
 Marion, North Carolina 28752

MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,300,521	\$ 570,841	\$ 8,871,362
Due from other governments	1,540,839	72,549	1,613,388
Receivables - Net	31,077	35,798	66,875
Net OPEB asset	64,214	2,054	66,268
Inventories		132,973	132,973
Total current assets	9,936,651	814,215	10,750,866
Capital assets (Note 1):			
Land and construction in progress	6,161,985		6,161,985
Other capital assets, net of depreciation	58,604,442	133,365	58,737,807
Total capital assets	64,766,427	133,365	64,899,792
Total assets	74,703,078	947,580	75,650,658
PENSION DEFERRED OUTFLOWS OF RESOURCES	13,235,406	423,424	13,658,830
DEFERRED OUTFLOWS OF RESOURCES	2,792,854	89,301	2,882,155
LIABILITIES			
Accounts payable and accrued expenses	36,815	-	36,815
Accrued salaries and wages payable	1,607,740	29,644	1,637,384
Due to other governments	288,563	-	288,563
Unearned revenue		24,044	24,044
Liabilities due within one year	2,399,559	85,068	2,484,627
Total current liabilities	4,332,677	138,756	4,471,433
Long-term liabilities:			
Net pension liability	24,054,952	769,560	24,824,512
Net OPEB liability	60,473,349	1,934,648	62,407,997
Due in more than one year	568,828	-	568,828
Total liabilities	89,429,806	2,842,964	92,272,770
PENSION DEFERRED INFLOWS OF RESOURCES	683,768	21,875	705,643
DEFERRED INFLOWS OF RESOURCES	32,345,897	1,029,262	33,375,159
NET POSITION			
Net investment in capital assets	64,766,427	133,365	64,899,792
Restricted for:			
Individual schools	855,857		855,857
School Capital Outlay	711,351		711,351
Stabilization by State Statute	101,187		101,187
DIPNC OPEB plan	64,214	2,054	66,268
Unrestricted	(98,227,169)	(2,569,215)	(100,796,384)
Total net position	\$ (31,728,133)	\$ (2,433,796)	\$ (34,161,929)

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

MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
Instructional services:				
Regular Instructional	\$27,615,423		\$ 25,001,568	
Special Populations	6,384,615		6,019,733	
Alternative Programs	4,269,814	100,775	4,221,542	
School Leadership	3,504,474		2,472,205	
Co-Curricular	2,256,683	308,045	1,752,985	
School-Based Support	3,653,761		2,763,466	
System-wide support services:				
Support and Development	475,414		410,494	
Special Population Support and Development	182,955		193,502	
Alternative Programs and Services				
Support and Development	313,911		170,128	
Technology Support	469,230		90,826	
Operational Support	6,533,484		3,251,755	
Financial and Human Resource	990,020		305,337	
Accountability	154,818		39,681	
System-wide Pupil Support	11,721			
Policy, Leadership, and Public Relations	553,959		205,813	
Ancillary services	2,082,487		2,185,580	
Non-programmed charges	66,631		181,987	
Unallocated depreciation expense**	2,478,215			
Total governmental activities	61,997,615	408,820	49,266,602	-
Business-type activities:				
School food service	3,938,503	797,794	3,225,088	
Child care	1,063	-		
Total business-type activities	3,939,566	797,794	3,225,088	-
Total primary government	\$65,937,181	\$ 1,206,614	\$ 52,491,690	\$ -

General revenues:
 Unrestricted county appropriations - operating
 Unrestricted county appropriations - capital
 Unrestricted State grants - operating
 Unrestricted State grants - capital
 Investment earnings, unrestricted
 Miscellaneous, unrestricted
 Transfers

Total general revenues

Changes in net position

Net position, beginning, previously reported

Net position - ending

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

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business- type Activities	Total
\$ (2,613,855)	\$ -	\$ (2,613,855)
(364,882)		(364,882)
52,503		52,503
(1,032,269)		(1,032,269)
(195,653)		(195,653)
(890,295)		(890,295)
(64,920)		(64,920)
10,547		10,547
(143,783)		(143,783)
(378,404)		(378,404)
(3,281,729)		(3,281,729)
(684,683)		(684,683)
(115,137)		(115,137)
(11,721)		(11,721)
(348,146)		(348,146)
103,093		103,093
115,356		115,356
(2,478,215)		(2,478,215)
<u>(12,322,193)</u>		<u>(12,322,193)</u>
	84,379	84,379
	(1,063)	(1,063)
	<u>83,316</u>	<u>83,316</u>
<u>(12,322,193)</u>	<u>83,316</u>	<u>(12,238,877)</u>
8,864,738		8,864,738
2,196,631		2,196,631
2,413,529		2,413,529
2,186,453		2,186,453
66,426	2,014	68,440
907,231		907,231
(56,815)	56,815	-
<u>16,578,193</u>	<u>58,829</u>	<u>16,637,022</u>
4,256,000	142,145	4,398,145
(35,984,133)	(2,575,941)	(38,560,074)
<u>\$ (31,728,133)</u>	<u>\$ (2,433,796)</u>	<u>\$ (34,161,929)</u>

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	MAJOR FUNDS				Non-major Fund	Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants	Individual Schools	
ASSETS						
Cash and cash equivalents	\$ 6,273,484	\$ 180,672	\$ 711,351	\$ 279,157	\$ 855,857	\$ 8,300,521
Due from other governments	80,336	1,378,301		82,202		1,540,839
Receivables (Net)	20,851			10,226		31,077
Total assets	\$ 6,374,671	\$ 1,558,973	\$ 711,351	\$ 371,585	\$ 855,857	\$ 9,872,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 36,815			\$ -		\$ 36,815
Accrued salaries and benefits payable	150,523	1,378,351		78,866		1,607,740
Due to other funds						-
Due to other governments	37,815	180,622		70,126		288,563
Total liabilities	225,153	1,558,973	-	148,992	-	1,933,118
Deferred inflows of resources	173,162					173,162
Fund balances:						
Restricted:						
Stabilization by State Statute	101,187					101,187
School Capital Outlay Individual Schools			711,351		855,857	711,351 855,857
Assigned:						
Subsequent years expenditure	400,000					400,000
Special Revenue				222,593		222,593
Unassigned	5,475,169					5,475,169
Total fund balances	5,976,356	-	711,351	222,593	855,857	7,766,157
Total liabilities, deferred inflows and fund balances	\$ 6,374,671	\$ 1,558,973	\$ 711,351	\$ 371,585	\$ 855,857	

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

Net OPEB asset	64,214
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	64,766,427
Deferred outflows of resources related to pensions	13,235,406
Deferred outflows of resources related to OPEB	2,792,854
Some liabilities, including compensated absences and installment purchase debt, are not due and payable in the current period and therefore are not reported in the funds.	(2,968,387)
Net pension liability	(24,054,952)
Net OPEB liability	(60,473,349)
Deferred inflows of resources related to OPEB	(32,172,735)
Deferred inflows of resources related to pensions	(683,768)
Net position of government activities	(\$31,728,133)

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

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**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>MAJOR FUNDS</u>				<u>Non-major Fund Individual Schools</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Capital Outlay</u>	<u>Federal Grants</u>		
REVENUES						
State of North Carolina	\$ 1,296,156	\$ 42,224,638	\$ 2,186,453	\$ 174,036	\$ -	\$ 45,881,283
McDowell County	8,864,738		2,196,631			11,061,369
U.S. Government	132,384			5,828,836		5,961,220
Contributions and donations	108,862				1,752,985	1,861,847
Other	1,198,791		1,967	162,254	309,606	1,672,618
Total revenues	11,600,931	42,224,638	4,385,051	6,165,126	2,062,591	66,438,337
EXPENDITURES						
Current:						
Instructional services:						
Regular Instructional	2,902,577	25,398,772		393,229		28,694,578
Special Populations	642,251	4,651,269		1,368,464		6,661,984
Alternative Programs	1,492,702	1,245,200		1,775,542		4,513,444
School Leadership	886,153	2,778,749		-		3,664,902
Co-Curricular	247,880				2,020,823	2,268,703
School-Based Support	621,228	3,143,857		67,320		3,832,405
System-wide support services:						
Support and Development	86,288	410,494		-		496,782
Special Population Support and Development	1,791	156,965		36,537		195,293
Alternative Programs & Services Support and Development	206,719	4,372		107,383		318,474
Technology Support	177,906	314,511		-		492,417
Operational Support	3,484,669	3,158,515		92,617		6,735,801
Financial and Human Resource Accountability	456,785	562,276				1,019,061
	68,833	92,136				160,969
System-wide Pupil Support	11,721					11,721
Policy, Leadership, and Public Relations	308,278	250,509		13,460		572,247
Community Services	-			2,170,437		2,170,437
Nutrition Services	188					188
Non-programmed charges	69,366	198		124,974		194,538
Debt Service:						
Principal				241,265		241,265
Capital outlay:						
Real property and buildings				3,537,223		3,537,223
Furniture and equipment				147,309		147,309
Vehicles				121,047		121,047
Total expenditures	11,665,335	42,167,823	4,046,844	6,149,963	2,020,823	66,050,788
Excess (deficiency) of revenues over expenditures	(64,404)	56,815	338,207	15,163	41,768	387,549
OTHER FINANCING SOURCES (USES)						
Installment purchase obligations issued						-
Transfers to other funds		(56,815)				(56,815)
Total other financing sources (uses)	-	(56,815)	-	-	-	(56,815)
Net changes in fund balance	(64,404)	-	338,207	15,163	41,768	330,734
Fund balances - beginning	6,040,760		373,144	207,430	814,089	7,435,423
Fund balances - ending	\$ 5,976,356	\$ -	\$ 711,351	\$ 222,593	\$ 855,857	\$ 7,766,157

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

MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Net changes in fund balances - total governmental funds	\$	330,734
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>		
		1,209,866
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		4,360,209
<p>Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities</p>		
		2,274,122
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:</p>		
Repayment of long-term debt		241,265
<p>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.</p>		
OPEB expense		1,101,601
Pension expense		(5,178,457)
Compensated absences		(83,340)
		4,256,000
Total changes in net position of governmental activities	\$	4,256,000

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

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina		\$ 1,402,962	\$ 1,296,156	\$ (106,806)
McDowell County	8,864,738	8,864,738	8,864,738	-
U.S. Government		136,591	132,384	(4,207)
Other	385,552	1,245,749	1,307,653	61,904
Total Revenues	9,250,290	11,650,040	11,600,931	(49,109)
Expenditures:				
Current:				
Instructional services:				
Regular Instructional	5,985,431	3,077,401	2,902,577	174,824
Special Populations	17,252	693,648	642,251	51,397
Alternative Programs	8,821	1,554,631	1,492,702	61,929
School Leadership	176,974	910,495	886,153	24,342
Co-Curricular	103,750	260,400	247,880	12,520
School-Based Support	70,760	627,421	621,228	6,193
System-wide support services:				
Support and Development		97,000	86,288	10,712
Special Population Support and Development		2,000	1,791	209
Alternative Programs and Services Support and Development		233,264	206,719	26,545
Technology Support	51,639	181,639	177,906	3,733
Operational Support	3,225,461	3,484,939	3,484,669	270
Financial and Human Resource		491,722	456,785	34,937
Accountability		77,000	68,833	8,167
System-wide Pupil Support Services		15,000	11,721	3,279
Policy, Leadership, and Public Relations		308,278	308,278	-
Ancillary services	202	202	188	14
Non-programmed charges	60,000	85,000	69,366	15,634
Total expenditures	9,700,290	12,100,040	11,665,335	434,705
Revenues over (under) expenditures	(450,000)	(450,000)	(64,404)	385,596
Other financing sources (uses):				
Transfers to other funds		-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and other sources over (under) expenditures	(450,000)	(450,000)	(64,404)	385,596
Fund balances, beginning of year	450,000	450,000	6,040,760	5,590,760
Fund balances, end of year	\$ -	\$ -	\$ 5,976,356	\$ 5,976,356

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

State Public School Fund				Federal Grant Fund			
Original	Final	Actual Amounts	Variance With Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance With Final Budget - Positive (Negative)
\$ 39,462,964	\$ 42,776,856	\$ 42,224,638	\$ (552,218)	\$ 175,500	\$ 175,500	\$ 174,036	\$ (1,464)
				5,489,734	6,697,341	5,828,836	(868,505)
				157,626	157,626	162,254	4,628
39,462,964	42,776,856	42,224,638	(552,218)	5,822,860	7,030,467	6,165,126	(865,341)
25,901,176	25,437,458	25,398,772	38,686	292,934	423,642	393,229	30,413
4,448,389	4,674,393	4,651,269	23,124	1,199,131	1,582,103	1,368,464	213,639
-	1,265,609	1,245,200	20,409	1,636,871	2,228,151	1,775,542	452,609
1,786,147	2,782,915	2,778,749	4,166				-
3,367,115	3,155,681	3,143,857	11,824	63,237	114,666	67,320	47,346
421,977	438,602	410,494	28,108		-	-	-
	160,283	156,965	3,318	35,068	36,565	36,537	28
	10,000	4,372	5,628	142,873	142,873	107,383	35,490
-	320,937	314,511	6,426				-
2,758,741	3,178,062	3,158,515	19,547	75,113	92,856	92,617	239
	565,568	562,276	3,292				-
	100,000	92,136	7,864				-
779,419	609,421	250,509	358,912		15,000	13,460	1,540
	198	198	-	2,241,049	2,241,049	2,170,437	70,612
				136,584	153,562	124,974	28,588
39,462,964	42,699,127	42,167,823	531,304	5,822,860	7,030,467	6,149,963	880,504
-	77,729	56,815	(20,914)	-	-	15,163	15,163
	(77,729)	(56,815)	20,914				-
-	(77,729)	(56,815)	20,914	-	-	-	-
-	-	-	-	-	-	15,163	15,163
-	-	-	-	-	-	207,430	207,430
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,593	222,593

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Enterprise Fund		Total
	Major Fund	Non-Major	
	School Food Service	Fund Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 567,642	\$ 3,199	\$ 570,841
Due From Other Governments	72,549		72,549
Inventories	132,973		132,973
OPEB asset	2,013	41	2,054
Accounts Receivable	32,335	3,463	35,798
Total current assets	807,512	6,703	814,215
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	133,365		133,365
Total noncurrent assets	133,365		133,365
Total assets	\$ 940,877	\$ 6,703	\$ 947,580
DEFERRED OUTFLOWS OF RESOURCES	\$ 87,515	\$ 1,786	\$ 89,301
PENSION DEFERRED OUTFLOWS OF RESOURCES	414,956	8,468	423,424
LIABILITIES			
Current liabilities:			
Accounts Payable			-
Accrued Salaries and Benefits	29,644		29,644
Due to other funds		-	-
Compensated absences	81,702	3,366	85,068
Unearned Revenue	24,044		24,044
Total current liabilities	135,390	3,366	138,756
Noncurrent liabilities:			
Net pension liability	754,169	15,391	769,560
Net OPEB liability	1,895,955	38,693	1,934,648
Compensated absences			-
Total noncurrent liabilities	2,650,124	54,084	2,704,208
Total liabilities	2,785,514	57,450	2,842,964
DEFERRED INFLOWS OF RESOURCES	1,008,677	20,585	1,029,262
PENSION DEFERRED INFLOWS OF RESOURCES	21,377	498	21,875
NET POSITION			
Net investment in capital assets	133,365		133,365
DIPNC OPEB plan	2,013	41	2,054
Unrestricted	(2,507,598)	(61,617)	(2,569,215)
Total net position	\$ (2,372,220)	\$ (61,576)	\$ (2,433,796)

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

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Fund		
	Major Fund	Non-Major	
	School Food Service	Fund Child Care	Total
OPERATING REVENUES			
Food sales	\$ 797,794	\$ -	\$ 797,794
Child care fees		-	-
Total operating revenues	797,794	-	797,794
OPERATING EXPENSES			
Food cost:			
Purchase of food	1,335,676		1,335,676
Donated commodities	237,786		237,786
Salaries and benefits	1,880,342	1,063	1,881,405
Indirect costs	258,971		258,971
Materials and supplies	118,353	-	118,353
Repairs and maintenance	28,294		28,294
Depreciation	23,857		23,857
Noncapital Equipment	23,915		23,915
Purchased services	26,358		26,358
Gas/Fuel	4,951		4,951
Total operating expenses	3,938,503	1,063	3,939,566
Operating (loss)	(3,140,709)	(1,063)	(3,141,772)
NONOPERATING REVENUES (EXPENSES)			
Federal grant-school lunch and breakfast	2,503,936		2,503,936
Federal grant - summer feeding	53,006		53,006
Federal commodities	237,786		237,786
Federal fresh fruit & vegetables	157,367		157,367
State reduced breakfast	14,022		14,022
Interest earned	2,014		2,014
Indirect costs not paid	258,971		258,971
Total nonoperating revenue	3,227,102	-	3,227,102
Income (Loss) before transfers	86,393	(1,063)	(3,141,772)
Transfers from other funds	56,815	-	56,815
Change in net position	143,208	(1,063)	142,145
Total net position, beginning	(2,515,428)	(60,513)	(2,575,941)
Total net position - ending	\$ (2,372,220)	\$ (61,576)	\$ (2,433,796)

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

MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Enterprise Fund		
	Major Fund	Non-Major	Total
	School Food Service	Fund Child Care	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 813,969		\$ 813,969
Cash paid for goods and services	(1,565,115)	(3,463)	(1,568,578)
Cash paid to employees for services	(1,897,172)	(2,606)	(1,899,778)
Net cash used by operating activities	(2,648,318)	(6,069)	(2,654,387)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and state reimbursements	2,728,331		2,728,331
Net cash provided by noncapital financing activities	2,728,331	-	2,728,331
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-		-
Net cash (used) by capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,014		2,014
Net increase (decrease) in cash and cash equivalents	82,027	(6,069)	75,958
Cash - beginning of year	485,615	9,268	494,883
Cash - end of year	\$ 567,642	\$ 3,199	\$ 570,841
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ (3,140,709)	\$ (1,063)	\$ (3,141,772)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	23,856		23,856
Donated commodities consumed	237,786		237,786
Salaries paid by special revenue fund	56,815		56,815
Indirect costs not paid	258,971		258,971
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(27,064)	(3,463)	(30,527)
(Increase) decrease in inventory	(27,568)		(27,568)
(Increase) decrease in due from other governments	37,478		37,478
(Increase) decrease in net OPEB asset	2,047	42	2,089
Increase (decrease) in net OPEB liability	(335,522)	(6,847)	(342,369)
Increase(decrease) in pension liability	152,777	3,118	155,895
(Increase)decrease in deferred outflows	(113,244)	(2,310)	(115,554)
Increase(Decrease) in deferred inflows	215,258	4,454	219,712
Increase (decrease) in unearned revenue	5,762		5,762
Increase (decrease) in accrued salaries	802		802
Increase (decrease) in long-term liabilities	4,237	-	4,237
Total adjustments	492,391	(5,006)	487,385
Net cash (used) by operating activities	\$ (2,648,318)	\$ (6,069)	\$ (2,654,387)

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

**MCDOWELL COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Noncash investing, capital and financing activities:

The State Public School Fund paid salaries and benefits of \$ 56,815 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

Indirect costs of \$258,971 that would be due to the General Fund were not paid. These unpaid costs are reflected as non-operating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$237,786 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$237,786 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

**MCDOWELL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

I. Summary of Significant Accounting Policies

The accounting policies of McDowell 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 McDowell 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 McDowell County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426]. The General Fund consists of the Local Current Expense Fund (Fund 2) and Fund 8 (Other Special Revenue Fund) which is maintained separate from Fund 2 by the Board of Education pursuant to N.C.G.S. 115C-426.

I. Summary of Significant Accounting Policies - (Cont'd)

B. Basis of Presentation - (Cont'd)

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.

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 McDowell County appropriations, restricted sales tax moneys, proceeds of McDowell County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

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

The Board reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

Government 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 are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

I. Summary of Significant Accounting Policies - (Cont'd)

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys between functions within the purpose level. Amendments are required for any revisions that alter total expenditures of any fund or that change purpose level appropriations. All amendments must be approved by the governing board. Amendments which alter the county appropriations or transfer monies to or from Capital Project Fund also require the approval of the McDowell County Board of Commissioners. 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. The primary revenue sources of the Board are the State of North Carolina, the Federal government and McDowell County appropriations. Unexpended allocations from the State of North Carolina revert back to the State at the end of the fiscal year.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF 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.

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

1. Deposits and Investment - (Cont'd):

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

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1987 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. 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.

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

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

4. Capital Assets-(Cont'd):

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

	<u>Years</u>
Buildings	40
Equipment and furniture	10
Vehicles	6
Computer equipment	3

Land and construction in progress are not depreciated.

Depreciation for building and equipment 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 so 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 so will not be recognized as revenue until then. The Board has several items that meet this criterion - unavailable 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.

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. In addition to the maximum 30 days, noncertified support personnel were awarded an additional 10 days in fiscal years ended June 30, 2003 and June 30, 2004 and an additional 5 days in fiscal year ended June 30, 2006 for a possible accumulation of 55 days as of June 30, 2019. 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, 2019 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.

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

7. Compensated Absences-(Cont'd):

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 are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five 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:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for School Capital Outlay - portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

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

Committed Fund Balance - portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

8. Net Position/Fund Balances - (Cont'd)

Fund Balance - (Cont'd)

Assigned fund balance - portion of fund balance that McDowell County Board of Education intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to modify appropriations between functions, sub-functions and objects of expenditure within a purpose within a fund.

Special revenue- portion of fund balance that will be used by special revenue fund activities, as determined by the governing body.

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 these purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

McDowell County Board of Education has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources firstly from revenues restricted as to use and secondly from general unrestricted revenues. 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

1. 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 (\$39,494,290) consists of several elements as follows:

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

9. Reconciliation of Government-wide and Fund Financial Statements - (Cont'd)

<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)	\$140,031,115
Less Accumulated Depreciation	<u>(75,264,688)</u>
Net capital assets	64,766,427
Net OPEB asset	64,214
Pension related deferred outflows of resources	13,235,406
OPEB related deferral outflows of resources	2,792,854
Liabilities that, because they are not due and payable in payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Net OPEB liability	\$ (60,473,349)
Net pension liability	(24,054,952)
Deferred inflows of resources related to pensions	(683,768)
Deferred inflows of resources related to OPEB	(32,172,735)
Installment Financing	(119,479)
Compensated absences	<u>(2,648,908)</u>
Total adjustment	<u>(\$ 39,494,290)</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance 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 balance - 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 \$3,925,266 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 3,900,898
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,691,032)

I. Summary of Significant Accounting Policies - (Cont'd)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Cont'd)

9. Reconciliation of Government-wide and Fund Financial Statements - (Cont'd)

Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.

\$ 241,265

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.

4,360,209

Contributions to the OPEB plans in current fiscal year are not included on the Statement of Activities.

2,274,122

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
OPEB Expense

(5,178,457)
1,101,601

Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.

(83,340)

Total adjustment

\$ 3,925,266

10. Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), 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.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All of the deposits of the Board 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 Board'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, 2019, the Board had deposits with banks with a carrying amount of \$ 5,058,054 and with the State Treasurer of \$244,741. The bank balances with the financial institutions and the State Treasurer were \$5,247,866 and \$792,788 respectively. Of these balances, \$295,001 was covered by federal depository insurance and \$5,745,653 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2019, the Board of Education had \$3,568,567 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2019. The Board has no policy for managing interest rate risk or credit risk.

II. Detail Notes on All Funds - (Cont'd)

A. Assets - (Cont'd)

3. Receivables

Receivables at the government-wide level at June 30, 2019 were as follows:

	<u>Due from other governments</u>	<u>Other</u>
Governmental activities:		
General Fund	\$ 80,366	\$20,851
Other governmental	<u>1,460,503</u>	<u>10,226</u>
Total governmental activities	<u>\$1,540,839</u>	<u>\$31,077</u>
Business-type activities:		
School Food Service	\$ 72,549	\$32,335
Child Care	<u>-</u>	<u>3,463</u>
Total Business-Type activities	<u>\$ 72,549</u>	<u>\$35,798</u>

Due from other governments consists of the following:

Governmental activities:

General Fund	\$ 80,336	Various State and Federal Grant funds Operating funds from DPI Federal grant funds
State Public School Fund	1,378,301	
Federal Grant Fund	<u>82,202</u>	
Total	<u>\$1,540,839</u>	

Business Activities

School Food Service	<u>\$ 72,549</u>	Federal funds
Total	<u>\$ 72,549</u>	

II. Detail Notes on All Funds - (Cont'd)

A. Assets - (Cont'd)

4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Reclass- ifications</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$2,679,789	\$	\$	\$	\$ 2,679,789
Construction in progress	<u>510,333</u>	<u>(84,391)</u>	<u>3,056,254</u>		<u>3,482,196</u>
Total capital assets not being depreciated	<u>3,190,122</u>	<u>\$(84,391)</u>	<u>\$3,056,254</u>	<u>\$</u>	<u>6,161,985</u>
Capital assets being depreciated:					
Buildings and improvements	121,965,178	\$84,391	\$ 506,169	\$	122,555,738
Equipment and furniture	2,823,338		29,700		2,853,038
Vehicles	<u>8,291,838</u>		<u>308,775</u>	<u>(140,259)</u>	<u>8,460,354</u>
Total capital assets being depreciated	<u>133,080,354</u>	<u>\$84,391</u>	<u>\$ 844,644</u>	<u>\$(140,259)</u>	<u>133,869,130</u>
Less accumulated depreciation for:					
Buildings and improvements	63,676,770		\$2,358,609	\$	66,035,379
Equipment and furniture	2,006,688		119,606		2,126,294
Vehicles	<u>7,030,457</u>		<u>212,817</u>	<u>(140,259)</u>	<u>7,103,015</u>
Total accumulated depreciation	<u>72,713,915</u>		<u>\$2,691,032</u>	<u>\$(140,259)</u>	<u>75,264,688</u>
Total capital assets being depreciated, net	<u>60,366,439</u>				<u>58,604,442</u>
Governmental activity capital assets, net	<u>\$63,556,561</u>				<u>\$ 64,766,427</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated					
Furniture and equipment	\$ 952,231		\$	\$	\$ 952,231
Vehicles	<u>146,245</u>				<u>146,245</u>
Total capital assets being depreciated	<u>1,098,476</u>		<u>\$</u>	<u>\$</u>	<u>1,098,476</u>
Less accumulated depreciation for:					
Furniture and equipment	829,257		\$ 20,052	\$	\$ 849,308
Vehicles	<u>111,998</u>		<u>3,805</u>		<u>115,803</u>
Total accumulated depreciation	<u>941,255</u>		<u>\$ 23,857</u>	<u>\$</u>	<u>965,111</u>
Total capital assets being depreciated, net	<u>157,221</u>				<u>133,365</u>
Business-type activities capital assets, net	<u>\$ 157,221</u>				<u>\$ 133,365</u>

II. Detail Notes on All Funds - (Cont'd)

A. Assets - (Cont'd)

4. Capital Assets - (Cont'd)

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 2,478,215
Operational support services	<u>212,817</u>
Total	<u>\$ 2,691,032</u>

Construction Commitments

McDowell County has active construction projects as of June 30, 2019 for the benefit of the McDowell County Board of Education. At year end, the County's commitments with contractors for additions is as follows:

<u>Project</u>	<u>Remaining Commitment</u>
East McDowell Middle- Roof	\$ 48,704
Old Fort Elementary	<u>16,236,654</u>
Total	<u>\$16,285,358</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Postemployment Obligations - (Cont'd)

a. Teachers' and State Employees' Retirement System - (Cont'd)

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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). 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 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contribution. 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2019, was 12.29% 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 \$ 4,499,702 for the year ended June 30, 2019.

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.

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Postemployment Obligations - (Cont-d)

a. Teachers' and State Employees' Retirement System - (Cont-d)

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

At June 30, 2019, the Board reported a liability of \$24,824,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and at June 30, 2017, the Board's proportion was .24934% and .24949%.

For the year ended June 30, 2019, the Board recognized pension expense of \$5,340,887. At June 30, 2019, the Board reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 1,811,709	\$ 249,131
Changes of assumptions	4,981,641	
Net difference between projected and actual earnings on pension plan investments	2,365,778	
Changes in proportion and differences between Board contributors and proportionate share of contributions		456,512
Board contributions subsequent to the measurement date	<u>4,499,702</u>	<u> </u>
	<u>\$13,658,830</u>	<u>\$ 705,643</u>

\$4,499,702 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 5,018,482
2021	3,102,624
2022	375,822
2023	(43,443)
	<u>\$8,453,485</u>

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Postemployment Obligations - (Cont'd)

a. Teachers' and State Employees' Retirement System - (Cont'd)

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

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

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

The assumptions used for the December 31, 2017 actuarial valuation are based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016.

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

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

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

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Postemployment Obligations - (Cont-d)

a. Teachers' and State Employees' Retirement System - (Cont-d)

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

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

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

	1% Decrease <u>(6.20%)</u>	Discount Rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 47,344,552	\$24,824,512	\$ 5,927,969

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

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Postemployment Obligations - (Cont-d)

b. Other Post-employment Benefits

1. Healthcare Benefits

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

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

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

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selection 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 for 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.

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

1. Healthcare Benefits - (Cont'd)

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF, assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.27% of covered payroll which amounted to \$ 2,295,617.

At June 30, 2019, Board reported liability of \$62,407,997 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 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, 2019 and June 30, 2018, the Board's proportion was .21907% and .224% respectively.

\$2,295,617 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (7,550,604)
2021	(7,550,604)
2022	(7,550,604)
2023	(7,543,931)
2024	(2,651,448)

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

1. Healthcare Benefits - (Cont'd)

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

Inflation	2.75%
	3.50-8.10%, include 3.5% inflation and productivity factor
Salary Increases	
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate- medical	5.00-6.5%
Healthcare cost trend rate- prescription drug	5.00-7.25%
Healthcare cost trend rate- Medicare advantage	4.00-5.00%
Healthcare cost trend rate- administrative	3.0%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

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

	1% decrease (2.58%)	Discount Rate (3.87%)	1% Increase (4.58%)
Net OPEB liability	\$73,735,679	\$62,407,997	\$53,327,646

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

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

1. Healthcare Benefits - (Cont'd)

Healthcare Trend Rates

	1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00- 6.25%, Medicare Advantage- 3.00- 4.00%, Administrative- 2.00%)	(Medical- 5.00- 6.50%, Pharmacy- 5.00-7.25%, Medicare Advantage- 4.00-5.00%, Administrative- 3.00%)	1% increase (Medical- 6.00-7.50%, Pharmacy- 6.00- 8.25%, Medicare Advantage- 5.00- 6.00%, Administrative- 4.00%)
Net OPEB liability	\$51,484,973	\$62,407,997	\$76,747,789

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

2. Disability Benefits

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

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

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

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

2. Disability Benefits - (Cont'd)

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 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, 2019, employers made a statutory contribution of .14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$51,258 for the year ended June 30, 2019.

The contributions cannot be separated between the amounts that relate to other post employment 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.

OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2019, Board reported an asset of \$66,268 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. The total OPEB asset was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Boards present value of future salary, actuarially determined. At June 30, 2019 and June 30, 2018, the Board's proportion was .21816% and .21868% respectively.

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

2. Disability Benefits - (Cont'd)

\$51,258 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30

2020	\$ 44,844
2021	44,839
2022	31,898
2023	24,600
2024	17,174
Thereafter	<u>17,167</u>
Total	<u>\$180,522</u>

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

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

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

	<u>1% Decrease</u> <u>(2.75%)</u>	<u>Discount Rate</u> <u>(3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
Net OPEB asset	\$ 50,777	\$ 66,268	\$ 81,129

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 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, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

2. Disability Benefits - (Cont'd)

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

Asset Class	Long-Term Expected	
	<u>Target Allocation</u>	<u>Real Rate of Return</u>
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	<u>6%</u>	4.0%
Total	<u>100%</u>	

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

1. Pension Plan and Other Post-employment Obligations - (Cont'd)

b. Other Post-employment Benefits - (Cont'd)

2. Disability Benefits - (Cont'd)

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:

	RHBFB	DIPNC	Total
OPEB Expense	(1,136,843)	4,779	(1,132,064)
OPEB Liability (Asset)	62,407,997	(66,268)	62,341,729
Proportionate share of the net OPEB liability (asset)	0.21907%	0.21816%	
Deferred of Outflows of Resources:			
Differences between expected and actual experience	-	115,599	115,599
Changes of Assumptions	-	12,514	12,514
Net difference between projected and actual earnings on plan investments	6,712	51,610	58,322
Changes in proportion and differences between Board contributions and proportionate share of contributions	347,388	1,505	348,893
Board contributions subsequent to the measurement date	2,295,617	51,258	2,346,875
Deferred of Inflows of Resources:			
Differences between expected and actual experience	4,267,734	-	4,267,734
Changes of assumptions	27,036,585	-	27,036,585
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,896,970	707	1,897,677

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

2. Accounts Payable

Accounts payable as of June 30, 2019, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Due To Other Governments</u>
Governmental Activities:			
General	\$ 36,815	\$ 150,523	\$
Other Governmental	<u> </u>	<u>1,457,217</u>	<u>288,563</u>
Total governmental activities	<u>\$ 36,815</u>	<u>\$1,607,740</u>	<u>\$ 288,563</u>
Business-Type Activities:			
School Service Fund	\$ -	\$ 29,644	\$ -
Child Care Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-Type activities	<u>\$ -</u>	<u>\$ 29,644</u>	<u>\$ -</u>

3. Deferred Outflows and Deferred Inflows of Resources

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

	<u>Deferred Outflows Of Resource</u>	<u>Deferred Inflows Of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 348,845	\$ 2,354,189
Net difference between projected and actual earnings on plan investments	2,431,451	
Difference between expected and actual experience	1,890,662	4,516,866
Net difference between projected and actual earnings on plan investments		
Changes in Assumptions	5,023,452	27,036,585
Board Contributions subsequent to the measurement date	6,846,575	
Unavailable grant revenue (General Fund)	<u>173,162</u>	<u>173,162</u>
Total	<u>\$ 16,540,985</u>	<u>\$34,080,802</u>

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

4. Unearned Revenues

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

	<u>Unearned Revenue</u>
Pre-payments (School Food Service)	<u>\$ 24,044</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. Employees not paid through state funds are covered through a local policy. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G. S. 115C-442, the Board's employees who have custody of the Board's monies at any given time 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.

II. Detail Notes on All Funds - (Cont'd)

B. Liabilities - (Cont'd)

6. Contingent Liabilities

At June 30, 2019, the Board was not a defendant to any lawsuits.

7. Long-Term Obligations

a. Installment Purchase

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 monies 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 a special third party financing arrangement by Banc of America Public Capital Corp. at total payments less than the purchase price. The Board entered into installment purchase contracts to finance the purchase of school buses. The financing contracts require only principal payments of \$119,479 due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2019 including -0- of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Interest</u>
2020	<u>Principal</u>	<u>- 0 -</u>
	<u>\$ 119,479</u>	

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, 2019:

	<u>Balance</u> <u>(Restated)</u> <u>July 1,</u> <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2019</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Installment Purchases	\$ 360,744	\$	\$ 241,265	\$ 119,479	\$ 119,479
Compensated absences	2,765,568	2,363,420	2,280,080	2,848,908	2,280,080
Net pension liabilities	19,181,972	4,872,980		24,054,952	
Net OPEB liability	<u>71,175,140</u>		<u>10,701,791</u>	<u>60,473,349</u>	
Total	<u>\$ 93,483,424</u>	<u>\$ 7,236,400</u>	<u>\$ 13,223,136</u>	<u>\$ 87,496,688</u>	<u>\$ 2,399,559</u>
Business-type activities:					
Compensated absences	\$ 80,831	\$ 97,708	\$ 93,471	\$ 85,068	85,068
Net pension liabilities	613,665	155,895		769,560	
Net OPEB liability	<u>2,277,017</u>	<u>-</u>	<u>342,369</u>	<u>1,934,648</u>	
Total	<u>\$ 2,971,513</u>	<u>\$ 253,603</u>	<u>\$ 435,840</u>	<u>\$ 2,789,276</u>	<u>\$ 85,068</u>

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

II. Detail Notes on All Funds - (Cont'd)

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2019, consist of the following:

	<u>Amount</u>
From State Public School Fund to Child Nutrition Fund for salary and benefits.	<u>\$ 56,815</u>

D. Fund Balance

The Board of Education has a revenue spending policy that provides policy programs with multiple revenue sources. The Finance Officer will use resources from revenues restricted as to use first and secondly from general unrestricted revenues. 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.

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	\$ 5,976,356
Less:	
Appropriated Fund Balance in 2020 Budget	(400,000)
Stabilization by State Statute	<u>(101,187)</u>
Remaining Fund Balance	<u>\$ 5,475,169</u>

III. Summary Disclosure of Significant Contingencies/Commitments

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.

IV. Jointly Governed Organization

The board of trustees of McDowell Technical Community College is comprised of thirteen members. McDowell County Board of Education appoints four trustees, the McDowell County Board of Commissioners appoints four trustees, the governor appoints four trustees, and the president of the student body is an ex-officio non-voting member of the Board.

V. Subsequent Events

Management has evaluated subsequent events through November 25, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- Schedule of Proportionate Share of Net Pension Liability for Teachers' and State Employee Retirement System
- Schedule of Contributions to Teachers' and State Employee Retirement System
- Schedule of the Board's Proportionate Share of Net OPEB Liability Retiree Health Benefit Fund
- Schedule of Board Contributions Retiree Health Benefit Fund
- Schedule of Proportionate Share of Net OPEB Asset Disability Income Plan of North Carolina
- Schedule of Contributions Disability Income Plan of North Carolina

Note: These schedules are intended to show information for ten years. Additional years' information will be presented as it becomes available.

McDowell County Board of Education
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers State Employees Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.24934%	0.24949%	0.25729%	0.25832%	0.26000%	0.26000%
Board's proportionate share of the net pension liability (asset)	\$ 24,824,512	\$ 19,795,637	\$ 23,647,609	\$ 9,519,603	\$ 3,010,191	\$ 16,088,200
Board's covered-employee payroll	35,508,006	34,674,581	33,915,060	34,390,208	32,563,820	34,111,882
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.91%	57.09%	69.73%	27.68%	9.24%	47.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%	94.64%	98.24%	90.60%

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

McDowell County Board of Education
Schedule of Board Contributions
Teachers State Employees Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,499,702	\$ 3,827,763	\$ 3,460,523	\$ 3,103,228	\$ 3,146,705	\$ 2,829,796
Contributions in relation to the contractually required contribution	4,499,702	3,827,763	3,460,523	3,103,228	3,146,705	2,829,796
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 36,612,713	\$ 35,508,006	\$ 34,674,581	\$ 33,915,060	\$ 34,390,208	\$ 32,563,820
Contributions as a percentage of covered-employee payroll	12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

McDowell County Board of Education
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund
Last Three Fiscal Years

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.21907%		0.22400%		0.22260%
Board's proportionate share of the net OPEB liability (asset)	\$ 62,079,997	\$	73,452,157	\$	98,627,378
Board's covered payroll	\$ 35,508,006	\$	34,674,581	\$	33,915,060
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	174.83%		211.83%		285.50%
Plan Fiduciary net position as a percentage of the total OPEB liability	4.40%		3.52%		2.41%

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

McDowell County Board of Education
Schedules of Required Supplementary Information
Schedule of the Board Contributions
Retiree Health Benefit Fund
Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,295,617	\$ 2,148,234	\$ 2,015,601
Contributions in relation to the contractually required contribution	<u>2,295,617</u>	<u>2,148,234</u>	<u>\$ 2,015,601</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 36,612,713	\$ 35,508,006	\$ 34,674,581
Contributions as a percentage of the covered payroll	6.27%	6.05%	5.81%

McDowell County Board of Education
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
Last Three Fiscal Years

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Board's proportion of the net OPEB asset	0.2181600%		0.2186800%		0.22843%
Board's proportionate share of the net OPEB asset	\$ 63,268	\$	133,657	\$	141,855
Board's covered payroll	\$ 35,508,006	\$	34,674,581	\$	33,915,060
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.1780%		0.3850%		0.4180%
Plan Fiduciary net position as a percentage of the total OPEB asset	108.47%		116.23%		116.06%

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

McDowell County Board of Education
Schedules of Required Supplementary Information
Schedule of Contributions
Disability Income Plan of North Carolina
Last Three Fiscal Years

	2019	2018	2017
Contractually required contributions	\$ 51,258	\$ 49,711	\$ 131,763
Contributions in relation to the contractually required contribution	\$ 51,258	\$ 49,711	\$ 131,763
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Board's covered payroll	\$ 36,612,713	\$ 35,508,006	\$ 34,674,581
Contributions as a percentage of the covered payroll	0.14%	0.14%	0.38%

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

**MCDOWELL COUNTY BOARD OF EDUCATION
GENERAL FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)**

<u>REVENUES</u>	Local Current Expenses			2018
	Budget	2019 Actual	Variances	Actual
State of North Carolina:				
School Nurse	\$ 150,000	\$ 150,040	\$ 40	\$ 139,703
Smart Start	112,766	104,142	(8,624)	45,800
Community Based Alternatives	46,986	37,590	(9,396)	36,543
Family Resource Program	135,000	134,622	(378)	134,530
N.C. Pre-K Program	958,210	869,762	(88,448)	825,361
Agricultural Education Improvement	-	-	-	5,000
Learn and Earn	-	-	-	-
Total State of N.C.	1,402,962	1,296,156	(106,806)	1,186,937
McDowell County - Appropriation	8,493,508	8,493,508	-	8,374,281
McDowell County - Supplement	252,000	252,000	-	168,000
McDowell County - Penalties	18,707	18,707	-	27,105
McDowell County - Technology	-	-	-	100,000
Timber receipts	100,523	100,523	-	105,022
Total McDowell County	8,864,738	8,864,738	-	8,774,408
United States Government:				
ROTC	-	60,582	60,582	44,642
Juvenile Justice Delinquency Prevention	47,126	20,782	(26,344)	-
Gear Up	89,465	51,020	(38,445)	57,266
Total U.S. Government	136,591	132,384	(4,207)	101,908
Other:				
Sales Tax	50,000	52,489	2,489	51,676
Fines and Forfeitures	200,000	234,573	34,573	231,214
Interest Earned on Investments	20,000	62,878	42,878	43,358
Private Grants and Donations	137,201	108,862	(28,339)	143,859
Miscellaneous local revenue	68,393	51,881	(16,512)	45,702
Indirect Cost Allocations	100,000	127,907	27,907	99,082
Medicaid Reimbursement	553,415	568,288	14,873	374,045
Preschool Tuition	116,740	100,775	(15,965)	56,660
Total Other	1,245,749	1,307,653	61,904	1,045,596
Fund Balance Appropriated	450,000		(450,000)	
Total Revenue	12,100,040	11,600,931	(499,109)	11,108,849
<u>EXPENDITURES</u>				
INSTRUCTIONAL SERVICES:				
Regular:				
Salaries		1,759,896		1,544,414
Employee Benefits		518,598		466,778
Purchased Services		96,522		102,199
Supplies and Materials		527,561		362,450
Capital Outlay				
Total Regular Instructional Services	3,077,401	2,902,577	174,824	2,475,841

	Local Current Expenses			2018.
	Budget	2019 Actual	Variances	Actual
Instructional Programs (Cont'd):				
Special Populations:				
Salaries	\$	\$ 283,893	\$	\$ 283,254
Employee Benefits		103,240		108,650
Purchased Services		253,549		242,142
Supplies and Materials		1,569		4,696
Total Special Populations Services	693,648	642,251	51,397	638,742
Alternative Programs and Services:				
Salaries		840,125		724,102
Employee Benefits		309,624		257,105
Purchased Services		239,011		214,516
Supplies and Materials		103,942		85,277
Total Alternative Programs and Services	1,554,631	1,492,702	61,929	1,281,000
School Leadership Services:				
Salaries		625,767		615,160
Employee Benefits		223,153		221,823
Purchased Services		12,462		12,240
Supplies and Materials		24,771		29,902
Total School Leadership Services	910,495	886,153	24,342	879,125
Co-Curricular Services:				
Salaries		117,576		172,382
Employee Benefits		27,311		42,703
Purchased Services		1,025		21,145
Supplies and Materials		101,968		139,947
Capital Outlay				
Total Co-Curricular Services	260,400	247,880	12,520	376,177
School-Based Support Services:				
Salaries		427,725		319,608
Employee Benefits		149,092		112,612
Purchased Services		5,012		58,817
Supplies and Materials		39,399		37,131
Total School-Based Support Services	627,421	621,228	6,193	528,168
Total Instructional Programs	7,123,996	6,792,791	331,205	6,179,053
SYSTEM-WIDE SUPPORT SERVICES				
Support and Development Services:				
Salaries		17,066		15,007
Employee Benefits		5,997		5,622
Purchased Services		46,515		92,788
Supplies and Materials		16,710		16,072
Total Support and Development Services	97,000	86,288	10,712	129,489
Special Population Support and Development Services:				
Salaries		635		34,359
Employee Benefits		1,156		14,277
Purchased Services		-		59
Total Special Population Support And Development Services	2,000	1,791	209	48,695

	Local Current Expenses			2018 Actual
	Budget	2019 Actual	Variances	
Support Services (Continued):				
Alternative Programs and Services				
Support and Development Services:				
Salaries	\$	\$ 154,003	\$	\$ 122,989
Employee Benefits		50,309		38,189
Purchased Services		408		1,601
Supplies and Materials		1,999		835
Total Alternative Programs and Services	233,264	206,719	26,545	163,614
Technology Support Services:				
Salaries		93,659		124,498
Employee Benefits		33,344		42,052
Purchased Services		12,100		17,953
Supplies and Materials		38,803		53,289
Total Technology Support Services	181,639	177,906	3,733	237,792
Operational Support Services:				
Salaries		664,696		666,124
Employee Benefits		258,236		246,389
Purchased Services		1,353,510		1,250,529
Supplies and Materials		989,338		862,212
Capital Outlay		218,889		155,248
Total Operational Support Services	3,484,939	3,484,669	270	3,180,502
Financial and Human Resource Services:				
Salaries		41,802		112,579
Employee Benefits		170,307		168,925
Purchased Services		227,789		207,025
Supplies and Materials		16,887		54,605
Total Financial and Human Resource Services	491,722	456,785	34,937	543,134
Accountability Services:				
Salaries		47,287		7,697
Employee Benefits		15,790		2,473
Purchased Services		3,689		5,822
Supplies and Materials		2,067		81
Total Accountability Services	77,000	68,833	8,167	16,073
System-wide Pupil Support Services:				
Purchased Services		11,721		8,572
Total System-wide Pupil Support Services	15,000	11,721	3,279	8,572
Policy, Leadership and Public Relations Services:				
Salaries		55,150		54,300
Employee Benefits		5,913		5,933
Purchased Services		193,007		88,919
Supplies and Materials		54,208		46,070
Capital Outlay		-		425,942
Total Policy, Leadership and Public Relations Services	308,278	308,278	-	621,164
Total Supporting Services	4,890,842	4,802,990	87,852	4,949,035

	Local Current Expenses			2018
	Budget	2019 Actual	Variances	Actual
ANCILLARY SERVICES:				
Community Services:				
Salaries	\$	\$ -	\$	\$ 3,413
Employee Benefits		-		846
Supplies and Materials		-		249
Capital Outlay		-		3,297
Total Community Services	-	-	-	7,805
Nutrition Services:				
Salaries		162		167
Employee Benefits		26		25
Total Nutrition Services	202	188	14	192
Total Ancillary Services	202	188	14	7,997
Non-Programmed Charges:				
Payments to Charter Schools		69,366		56,145
Total Non-Programmed Charges	85,000	69,366	15,634	56,145
Total Expenditures	12,100,040	11,665,335	434,705	11,192,230
Excess of Revenue Over (Under) Expenditures	-	(64,404)	(64,404)	(83,381)
OTHER FINANCING SOURCES (USES):				
Operating Transfers (Out)	-	-	-	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	(64,404)	\$ (64,404)	(83,381)
Fund Balance - July 1, 2018		6,040,760		6,124,141
Fund Balance - June 30, 2019		\$ 5,976,356		\$ 6,040,760

**MCDOWELL COUNTY BOARD OF EDUCATION
STATE PUBLIC SCHOOL FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)**

	2019		Variance	2018
	Budget	Actual		Actual
REVENUES:				
State of North Carolina	\$ 42,776,856	\$ 42,224,638	\$ (552,218)	\$ 40,561,551
Total Revenues	42,776,856	42,224,638	(552,218)	40,561,551
EXPENDITURES:				
INSTRUCTIONAL SERVICES:				
Regular:				
Salaries		17,606,787		16,830,525
Employee Benefits		6,571,402		6,043,666
Purchased Services		414,484		412,718
Supplies and Materials		806,099		657,796
Total Regular Instructional Services	25,437,458	25,398,772	38,686	23,944,705
Special Populations:				
Salaries		3,295,176		3,231,976
Employee Benefits		1,230,669		1,149,069
Purchased Services		110,616		158,079
Supplies and Materials		14,808		14,606
Total Special Populations Services	4,674,393	4,651,269	23,124	4,553,730
Alternative Programs and Services:				
Salaries		877,358		1,092,984
Employee Benefits		313,439		372,285
Purchased Services		23,100		24,049
Supplies and Materials		31,303		78,973
Capital Outlay		-		-
Total Alternative Programs and Services	1,265,609	1,245,200	20,409	1,568,291
School Leadership Services:				
Salaries		2,040,878		1,825,862
Employee Benefits		736,880		611,146
Supplies and Materials		991		2,225
Total School Leadership Services	2,782,915	2,778,749	4,166	2,439,233
School-Based Support Services:				
Salaries		2,170,562		2,126,746
Employee Benefits		820,017		769,440
Purchased Services		149,105		162,152
Supplies and Materials		4,173		6,293
Total School-Based Support Services	3,155,681	3,143,857	11,824	3,064,631
Total Instructional Services	37,316,056	37,217,847	98,209	35,570,590

	2019			2018
	Budget	Actual	Variance	Actual
EXPENDITURES - (Cont'd):				
SYSTEM-WIDE SUPPORT SERVICES				
Support and Development Services:				
Salaries	\$	\$ 297,445	\$	\$ 295,878
Employee Benefits		102,685		95,123
Purchased Services		9,712		-
Supplies and Materials		652		321
Total Support and Development Services	438,602	410,494	28,108	391,322
Special Population Support and Development Services:				
Salaries		114,374		111,434
Employee Benefits		42,250		39,155
Purchased Services		341		-
Total Special Population Support And Development Services	160,283	156,965	3,318	150,589
Alternative Programs and Services Support and Development Services:				
Salaries		3,366		3,495
Employee Benefits		892		866
Purchased Services		114		14
Total Alternative Programs and Services Support and Development Services	10,000	4,372	5,628	4,375
Technology Support Services:				
Salaries		190,954		202,103
Employee Benefits		77,074		79,092
Purchased Services		4,251		9,741
Supplies and Materials		42,232		134,676
Total Technology Support Services	320,937	314,511	6,426	425,612
Operational Support Services:				
Salaries		2,158,486		2,093,534
Employee Benefits		807,512		751,618
Purchased Services		7,223		10,599
Supplies and Materials		185,195		266,076
Capital Outlay		99		-
Total Operational Support Services	3,178,062	3,158,515	19,547	3,121,827
Financial and Human Resource Services:				
Salaries		411,134		347,552
Employee Benefits		151,142		120,389
Total Financial and Human Resource Services	565,568	562,276	3,292	467,941
Accountability Services:				
Salaries		66,169		97,026
Employee Benefits		25,967		34,286
Total Accountability Services	100,000	92,136	7,864	131,312

	2019		2018
Budget	Actual	Variance	Actual
EXPENDITURES - (Cont'd):			
SYSTEM-WIDE SUPPORT SERVICES - (Cont'd)			
Policy, Leadership and Public Relations Services:			
Salaries	\$ 183,035	\$	\$ 179,562
Employee Benefits	67,474		65,165
 Total Policy, Leadership and Public Relations Services	 609,421	 250,509	 358,912
 Total System-Wide Support Services	 5,382,873	 4,949,778	 433,095
 Non-Programmed Charges:			
Other	198	198	-
 Total Non-Programmed Charges	 198	 198	 -
 Total Expenditures	 42,699,127	 42,167,823	 531,304
 Excess of Revenue Over (Under) Expenditures	 77,729	 56,815	 (20,914)
 OTHER FINANCING SOURCES (USES):			
Transfer to Child Nutrition Fund	(77,729)	(56,815)	20,914
 Revenues and Other Sources Over (Under) Expenditures and Other Uses	 -	 -	 -
 Fund Balance:			
Beginning of Year	-	-	-
 End of Year	 \$ -	 \$ -	 \$ -

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**MCDOWELL COUNTY BOARD OF EDUCATION
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	2019		Variance	2018
	Budget	Actual		Actual
Revenues:				
State of North Carolina:				
Public School Building Capital Fund - Lottery	\$ 308,599	\$ -	\$ (308,599)	\$ 448,920
Public School Building Capital Fund - Needs Based Lottery	15,000,000	1,918,425	(13,081,575)	241,265
State appropriations - buses	241,265	241,265	-	
N.C Department of Public Instruction - Other Vehicle Appropriation		26,763	26,763	
McDowell County:				
Restricted portion of sales tax	7,064,958	2,044,740	(5,020,218)	1,685,940
General County revenues	151,891	151,891	-	51,890
Interest earned on investments		1,967	1,967	2,099
Total Revenues	22,766,713	4,385,051	(18,381,662)	2,430,114
Expenditures:				
Capital Outlay:				
Instructional Services	151,891	147,309	4,582	
System-Wide Support Services	22,573,557	3,658,270	18,915,287	2,314,563
Debt Service:				
Principal	241,265	241,265		241,265
Total expenditures	22,966,713	4,046,844	18,919,869	2,555,828
Excess of revenues over (under) expenditures before other financing sources	(200,000)	338,207	538,207	(125,714)
Other financing sources:				
Installment purchase obligations issued	\$ -	-	-	-
Fund Balance Appropriated	200,000		(200,000)	
Excess of revenues and other sources over (under) expenditures	\$ -	338,207	\$ 338,207	(125,714)
Fund balance, beginning of year		373,144		498,858
Fund balance, end of year		\$ 711,351		\$ 373,144

**MCDOWELL COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT - FEDERAL GRANT FUND AND HEAD START PROGRAM
 DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Federal Grants Fund	Head Start Program	Combined Totals
REVENUES			
State of North Carolina		\$ 174,036	\$ 174,036
U.S. Government	3,979,526	1,849,310	5,828,836
Other		162,254	162,254
Total revenues	3,979,526	2,185,600	6,165,126
EXPENDITURES			
Current:			
Instructional services:			
Regular Instructional	393,229		393,229
Special Populations	1,368,464		1,368,464
Alternative Programs	1,775,542		1,775,542
School Leadership			
School-Based Support	67,320		67,320
System-wide support services:			
Support and Development	-		-
Special Population Support and Development	36,537		36,537
Alternative Programs and Services Support and Development	107,383		107,383
Technology Support			
Operational Support	92,617		92,617
Financial and Human Resource Policy, Leadership, and Public Relations	13,460		13,460
Ancillary services		2,170,437	2,170,437
Non-programmed charges	124,974		124,974
Total expenditures	3,979,526	2,170,437	6,149,963
Revenues (under) expenditures	-	15,163	15,163
Fund balances, beginning of year		207,430	207,430
Fund balances, end of year	\$ -	\$ 222,593	\$ 222,593

**MCDOWELL COUNTY BOARD OF EDUCATION
 DETAIL STATEMENT OF REVENUE AND EXPENDITURE
 BUDGET AND ACTUAL
 HEAD START PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)**

	2019		Variance Positive (Negative)	2018 Actual
	Budget	Actual		
REVENUE:				
Head Start Grants	\$ 1,907,923	\$ 1,849,310	\$ (58,613)	\$ 1,795,799
NC Pre K	175,500	174,036	(1,464)	168,855
Other Local Grants/Reimbursements	-	-	-	16,111
Local match	87,969	87,969	-	63,725
Paid Day Care	69,657	56,827	(12,830)	40,590
Paid Day Care - Parents	-	17,438	17,438	12,164
Appropriated Fund Balance	-	-	-	-
Interest Income	-	20	20	20
Total Revenue	2,241,049	2,185,600	(55,449)	2,097,264
EXPENDITURES:				
Head Start (PA22):				
Salaries	647,005	630,438	16,567	653,955
Fringe benefits	288,014	272,988	15,026	266,057
Occupancy	20,495	19,403	1,092	26,171
Staff travel	4,590	4,572	18	4,874
Seminars and Training	-	526	(526)	-
Nutrition and food	25,453	21,987	3,466	24,289
Administrative and Supplies	50,330	48,316	2,014	32,027
Other child services	37,017	31,968	5,049	26,868
Other parent services	4,805	3,749	1,056	2,448
Total	1,077,709	1,033,947	43,762	1,036,689
Head Start (PA25) - Federal:				
Parent Child Center				
Salaries	491,913	491,062	851	465,009
Fringe benefits	217,188	215,285	1,903	200,144
Occupancy	15,076	15,390	(314)	19,254
Staff travel	2,920	745	2,175	2,229
Seminars and Training	-	-	-	-
Nutrition and food	22,611	17,985	4,626	16,875
Administrative and Supplies	30,140	29,526	614	17,537
Other child services	11,485	11,320	165	7,054
Other parent services	1,847	1,846	1	1,195
Total	793,180	783,159	10,021	729,297
Head Start (PA21) - Federal				
Seminars and Training	18,234	14,713	3,521	11,372
Other	30	371	(341)	21
Total	18,264	15,084	3,180	11,393
Head Start Training Technical Assistance (PA20):				
Seminars and Training	18,741	18,742	(1)	18,376
Other	29	28	1	44
Total	18,770	18,770	-	18,420

	2019		Variance Positive (Negative)	2018 Actual
	Budget	Actual		
Paid Day Care:				
Salaries	\$ 158,267	\$ 162,951	\$ (4,684)	\$ 145,495
Fringe benefits	52,142	52,750	(608)	46,297
Occupancy	3,920	3,957	(37)	3,083
Contingencies	-	-	-	-
Staff travel	25	17	8	93
Nutrition and food	5,520	4,129	1,391	4,658
Administrative and Supplies	2,925	4,562	(1,637)	1,652
Other child services	-	123	(123)	-
Other parent services	-	-	-	210
Training	22,358	3,019	19,339	676
Total	245,157	231,508	13,649	202,164
In-Kind:				
Volunteers	79,124	79,124	-	61,766
Contributions	8,845	8,845	-	1,959
Total	87,969	87,969	-	63,725
Total expenditures	2,241,049	2,170,437	70,612	2,061,688
Excess of revenue over (under) expenditures	\$ -	\$ 15,163	\$ 15,163	\$ 35,576

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)**

	2019			2018
	Budget	Actual	Variance	Actual
Operating Revenues:				
Food sales	661,900	797,794	135,894	483,962
Other				
Total operating revenues	661,900	797,794	135,894	483,962
Operating Expenses:				
Business Support Services:				
Purchase of food		1,363,244		1,327,344
Donated commodities		237,786		280,260
Salaries and benefits		1,954,789		1,993,134
Materials and supplies		118,353		125,378
Repairs and maintenance		28,294		28,512
Capital Outlay		-		38,052
Noncapital Equipment		23,915		4,708
Purchased services		26,358		28,512
Gas/Fuel		4,951		3,385
Total business support services	3,857,400	3,757,690	99,710	3,829,285
Indirect Costs	282,000	258,971	23,029	241,802
Total operating expenses	4,139,400	4,016,661	122,739	4,071,087
Operating (Loss)	(3,477,500)	(3,218,867)	13,155	(3,587,125)
Nonoperating Revenues:				
Federal reimbursements	2,930,000	2,714,309	(215,691)	3,103,738
State Reimbursements	1,000	14,022	13,022	847
Federal commodities	250,000	237,786	(12,214)	280,260
Indirect costs not paid	220,000	258,971	38,971	241,802
Interest earned	1,500	2,014	514	1,388
Total nonoperating revenues	3,402,500	3,227,102	(175,398)	3,628,035
Excess of revenues over (under) expenditures before other financing sources	(75,000)	8,235	83,235	40,910
Other financing sources:				
Transfer from other funds	75,000	56,815	(18,185)	73,666
Fund Balance Appropriated				
Excess of revenues and other sources over (under) expenditures	\$ -	65,050	\$ 65,050	114,576
Reconciliation of Modified Accrual to Full Accrual Basis:				
Reconciling Items:				
Depreciation		(23,857)		(26,951)
Net OPEB asset		(2,047)		(4,252)
Deferred outflows		113,244		(43,731)
Deferred inflows		(215,258)		(769,933)
Net OPEB liability		335,522		648,905
Net pension liability		(152,777)		64,241
Capital Outlay		-		38,052
(Increase) decrease in accrued vacation pay		(4,237)		(10,369)
Pension expense				
Increase (decrease) in inventory		27,568		32,692
Net Income (Loss) (Full Accrual)	\$ 143,208		\$ 43,230	

**MCDOWELL COUNTY BOARD OF EDUCATION
CHILD CARE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)**

	Budget	2019 Actual	Variance	2018 Actual
Revenues:				
Child care fees	\$ -	\$ -	\$ -	\$ 36,657
Total revenues	-	-	-	36,657
Operating Expenditures:				
Regular community service:				
Salaries and benefits		2,606		29,947
Purchased services		-		-
Materials and supplies		-		53
Total operating expenditures	7,000	2,606	4,394	30,000
Excess of revenues over (under) expenditures before other financing sources	(7,000)	(2,606)	4,394	6,657
Other Financing Sources:				
Operating transfers - in		-		-
Fund Balance Appropriated	7,000		(7,000)	
Revenues and other financing sources over (under) expenditures	\$ -	(2,606)	\$ (2,606)	6,657
Reconciliation of Modified Accrual to Full Accrual Basis:				
Reconciling Items:				
Net OPEB asset		(42)		(84)
Deferred outflows		2,310		(35,923)
Deferred inflows		(4,454)		(12,084)
Net OPEB liability		6,847		13,243
Net pension liability		(3,118)		55,168
(Increase) decrease in Accrued Vacation Pay		-		386
Net Income (Full Accrual)		\$ (1,063)		\$ 27,363

COMPLIANCE SECTION

Boggs, Crump & Brown, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Education
McDowell County Board of Education
Marion, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McDowell County Board of Education, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the McDowell County Board of Education's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McDowell County Board of Education's financial statements are free from material misstatement, we performed test 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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Boggs Crump & Brown, P.A.
Boggs, Crump & Brown, P.A.
Certified Public Accountants

November 25, 2019
Morganton, North Carolina

Boggs, Crump & Brown, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditor's Report

To the Board of Education
McDowell County Board of Education
Marion, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the McDowell County Board of Education, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the McDowell County Board of Education's major federal programs for the year ended June 30, 2019. McDowell 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the McDowell 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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Boggs Crump & Brown, P.A.
Boggs, Crump & Brown, P.A.
Certified Public Accountants

November 25, 2019
Morganton, North Carolina

Boggs, Crump & Brown, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB UNIFORM GUIDANCE
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Independent Auditor's Report

To the Board of Education
McDowell County Board of Education
Marion, North Carolina

Report on Compliance for Each Major State Program

We have audited the McDowell County Board of Education, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the McDowell County Board of Education's major state programs for the year ended June 30, 2019. McDowell County Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the McDowell 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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Boggs Crump & Brown, P.A.
Boggs, Crump & Brown, P.A.
Certified Public Accountants

November 25, 2019
Morganton, North Carolina

MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results:

Financial Statements

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

Internal control over financial reporting:

- * Material weakness(es) identified? ___ yes x no
- * Significant deficiency(s) identified that are not considered to be material weaknesses ___ yes x none reported
- Noncompliance material to financial statements noted ___ yes x no

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? ___ yes x no
- * Significant deficiency(s) identified that are not considered to be material weaknesses ___ yes x none reported
- Noncompliance material to federal awards ___ yes x no

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

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

Identification of major federal programs:

CFDA Numbers Names of Federal Program or Cluster

Special Education Cluster:

- 84.027 Special Education - Grants to States (IDEA Part B) - Education of the Handicapped
- 84.173 Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped
- 84.027 Special Education - Risk Pool
- 84.027A Special Education - Special Needs Targeted Assistance
- 84.027A Special Education - Preschool Targeted Assistance
- 93.600 Headstart

MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results:

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified?

yes no

* Significant deficiency(s) identified
that are not considered to be
material weaknesses

yes none reported

Noncompliance material to State awards

yes no

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

yes no

Identification of major State programs:

Program Name

State Public School Fund
Public School Building Capital Fund

Section II. Financial Statement Findings:

None

Section III. Federal Awards Findings and Questioned Costs:

None

Section IV. State Awards Findings and Questioned Costs:

None

**MCDOWELL COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings:

None

Section III. Federal Awards Findings and Questioned Costs:

None

Section IV. State Awards Findings and Questioned Costs:

None

**MCDOWELL COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

The Organization believes that the following prior audit findings are no longer valid or do not warrant further action as all of the following have occurred:

- 1.) Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.
- 2.) The federal agency or pass-through entity is not currently following up with the auditee on the audit finding.
- 3.) A management decision was not issued.

Finding:	2015-01	Compliance with Session Law 2011-147
Status:	Corrected	

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Federal - State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
FEDERAL GRANTS:			
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
Title I, Grants to Local Education Agencies - (Title I, Part A of ESEA)	84.010	\$ 1,727,843	
Title I, Grants to Local Education Agencies - (Title I, Part A of ESEA) - School Improvement	84.010	7,137	
Title I, Grants to Local Education Agencies - (Title I, Part A of ESEA) - School Improvement Targeted	84.010	38,557	
Total Title I Grants to Local Educational Agencies(Title I)		<u>1,773,537</u>	
Education for Homeless Children and Youth	84.196	65,299	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	178,153	
Language Acquisition	84.229	83,627	
Rural Education Initiative	84.358-1	146,669	
Student Support and Academic Enrichment Program	84.424	91,556	
<u>Office of Special Education and Rehabilitation Services</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
<u>Special Education Cluster:</u>			
Individual With Disabilities Education Act			
Special Education- Grants to States (IDEA Part B)- Educaiton of Handicapped	84.027	1,329,428	
Special Education- Preschool Grants ((IDEA Preschool)-Preschool Handicapped	84.027	66,678	
Special Education- Risk Pool	84.027A	89,532	
Special Education-Special Needs Targeted Assistance	84.027A	25	
Special Education-Preschool Targeted Assistance	84.173	36,410	
Total Special Education Cluster		<u>1,522,073</u>	
Special Education - State Improvement	84.323	11,461	
Total Office of Special Education and Rehabilitation Services		<u>1,533,534</u>	
<u>Office of Vocation and Adult Education</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
<u>Carl D. Perkins Vocational and Applied Technology:</u>			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	107,151	
<u>Passed through University of North Carolina</u>			
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up)	84.334S	51,020	
Total U.S. Department of Education		<u>4,030,546</u>	
<u>U.S. Department of Agriculture</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	237,786	
Total Non-Cash Assistance		<u>237,786</u>	
<u>Cash Assistance</u>			
<u>Passed-through the N.C. Department of Public Instruction:</u>			
School Breakfast Program	10.553	841,410	
National School Lunch Program	10.555	1,662,526	
Summer Food Service Program for Children	10.559	53,006	
Total Cash Assistance		<u>2,556,942</u>	
Total Child Nutrition Cluster		<u>2,794,728</u>	
Fresh Fruits & Vegetables	10.582	157,367	
Total U.S. Department of Agriculture		<u>2,952,095</u>	

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Federal - State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
<u>Administration for Children and Families</u>			
<u>Direct Program:</u>			
Head Start	93.600	\$ 1,849,310	
 OTHER FEDERAL ASSISTANCE:			
<u>U.S. Department of Justice:</u>			
Passed-through the N.C. Department of Public Safety:			
Juvenile Justice Delinquency Prevention	16.540	20,782	
 <u>U.S. Department of Defense:</u>			
<u>Direct Program:</u>			
N.J.R.O.T.C.	12.000	60,582	
Total Federal Assistance		\$ 8,913,315	
 STATE GRANTS:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 39,665,522
School Technology Fund -SPSF			175,193
Driver Training - SPSF			99,869
Reduced Price Breakfast			14,022
<u>Vocational Education:</u>			
State Months of Employment			1,932,147
Program Support			351,907
Other Vehicle Appropriation			26,763
Total N.C. Department of Public Instruction			42,265,423
 <u>N.C. Department of Health and Human Resources:</u>			
Division of Child Development - Smart Start			104,142
Division of Child Development - NC Pre-Kindergarten Program			1,043,798
School Nurse Grant			150,040
Community Based Alternatives - Dropout Prevention			37,590
Family Resource Program			134,622
Total N.C. Department of Human Resources			1,470,192
 <u>Office of the Governor</u>			
Passed through McDowell County:			
Public School Building Capital Fund - Needs Based Lottery			1,918,425
 Non-Cash Assistance			
<u>N.C. Department of Public Instruction:</u>			
State appropriations - buses			241,265
Total State Assistance Programs			45,895,305

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the McDowell County board of Education under the programs of the federal government and the state of North Carolina for the year ended June 30, 2019. 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 McDowell County Schools it is not intended to and does not present the financial position, changes in net position or cash flows of McDowell County Schools.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited.

McDowell County Schools has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Cluster of Programs:

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

MCDOWELL COUNTY BOARD OF EDUCATION
 GASB 34 CALCULATION OF MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Type of Fund	Assets	Computes "X" if Meets		Liabilities	Computes "X" if Meets	
		10% Rule	5% Rule		10% Rule	5% Rule
General Fund	\$ 6,374,671	x	x	\$ 225,153	x	x
Special Revenue Funds:						
State Public School Fund	1,558,973	x	x	1,558,973	x	x
Federal Grants Fund	371,585			148,992		
Individual Schools	855,857		x	-		
Capital Projects Funds:						
Capital Outlay Fund	711,351			-		
Total Government Funds	<u>\$ 9,872,437</u>			<u>\$ 1,933,118</u>		
10% of Total Governmental Funds	<u>\$ 987,244</u>			<u>\$ 193,312</u>		
Enterprise Funds:						
Child Nutrition Fund	\$ 940,877	x	x	\$ 2,785,514	x	x
Child Care	6,703			57,450		
Total Enterprise Funds	<u>\$ 947,580</u>			<u>\$ 2,842,964</u>		
10% of Total Enterprise Funds	<u>\$ 94,758</u>			<u>\$ 284,296</u>		
Total Governmental and Enterprise Funds	<u>\$ 10,820,017</u>			<u>\$ 4,776,082</u>		
5% of Total Governmental and Enterprise Funds	<u>\$ 541,001</u>			<u>\$ 238,804</u>		

Revenue	Computes "X" if Meets		Expenditures/ Expenses	Computes "X" if Meets		Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both Columns, Then Fund is a Major Fund
	10% Rule	5% Rule		10% Rule	5% Rule	
\$ 11,600,931	x	x	\$ 11,665,335	x	x	Always Major
42,224,638	x	x	42,167,823	x	x	Major
6,165,126		x	6,149,963		x	Major - Discretion of Auditee
2,062,591			2,020,823			
<u>4,385,051</u>			<u>4,046,844</u>			Major - Discretion of Auditee
<u>\$ 66,438,337</u>			<u>\$ 66,050,788</u>			
<u>\$ 6,643,834</u>			<u>\$ 6,605,079</u>			
\$ -	x	x	\$ 3,938,503	x	x	Major
\$ -			1,063			
<u>\$ -</u>			<u>\$ 3,939,566</u>			
<u>\$ -</u>			<u>\$ 393,957</u>			
<u>\$ 66,438,337</u>			<u>\$ 69,990,354</u>			
<u>\$ 3,321,917</u>			<u>\$ 3,499,518</u>			

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SUPPLEMENTARY INFORMATION

MCDOWELL COUNTY BOARD OF EDUCATION
SPECIAL FUNDS OF INDIVIDUAL SCHOOLS
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

School	Cash Balance June 30, 2018	Receipts	Disbursements	Cash Balance June 30, 2019
Accelerated Education Center	\$ 21,936	\$ 30,111	\$ 25,840	\$ 26,207
Early College	62,717	191,482	200,246	53,953
Eastfield Elementary	23,412	39,571	37,484	25,499
East McDowell Middle	43,424	126,353	111,272	58,505
Glenwood Elementary	54,630	86,692	85,020	56,302
Marion Elementary.....	13,965	42,846	46,258	10,553
McDowell High	303,661	984,124	934,619	353,166
Nebo Elementary	59,887	116,551	132,800	43,638
North Cove Elementary	7,843	42,713	41,932	8,624
Old Fort Elementary	47,825	47,124	53,287	41,662
Pleasant Gardens Elementary	40,438	77,548	78,500	39,486
West Marion Elementary	15,968	76,776	86,672	6,072
West McDowell Middle	118,383	200,700	186,893	132,190
Totals	<u>\$ 814,089</u>	<u>\$ 2,062,591</u>	<u>\$ 2,020,823</u>	<u>\$ 855,857</u>

**EARLY COLLEGE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ (92)	\$ 6,635	\$ 6,105	\$ 23,634	\$ (10,986)
Lock fund	365	(365)	-	-	-
Postage	-	10	-	110	(100)
Fundraiser	4,499	(6,805)	8,467	5,009	1,152
Graduation	42	546	534	4,528	(3,406)
Yearbook	-	214	8,143	5,551	2,806
Eagle Fund	24	2,275	4,780	8,970	(1,891)
Field Trips	3,260	28,936	83,695	109,979	5,912
Calculator	4,046	534	3,135	2,568	5,147
Technology	2,578	299	3,127	1,567	4,437
Barbara Snyder Donations	11,690	(1,356)	9,689	1,274	18,749
Staff Development	87	-	-	45	42
Student accounts	656	29	2,977	1,253	2,409
Furniture and Equipment	-	-	-	182	(182)
Instructional Supplies	334	16	9,201	9,240	311
Library	147	3	16	110	56
Scholarships	5,959	-	1,500	-	7,459
PSAT/SAT Testing	(729)	136	98	-	(495)
Summer Bridge	16,248	(19,793)	16,005	2,507	9,953
Interact Club	791	40	2,019	1,816	1,034
Variety Show	6,138	(14,237)	13,964	2,256	3,609
Prom	941	352	3,645	4,970	(32)
Key Club	1,020	149	4,282	3,694	1,757
Other programs	4,713	2,382	10,100	10,983	6,212
Totals	\$ 62,717	\$ -	\$ 191,482	\$ 200,246	\$ 53,953

**MCDOWELL ACADEMY FOR INNOVATION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

<u>Fund</u>	<u>Cash Balance June 30, 2018</u>	<u>Transfers</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2019</u>
Parking Permits	\$ 532	\$ -	\$ 325	\$ 512	\$ 345
General	2,009	-	3,448	3,123	2,334
Furniture and Fixtures	-	-	-	-	-
Grants	10,575	-	-	-	10,575
Food Pantry	602	-	-	-	602
Vocational	5,140	-	-	-	5,140
Principal's Discretion/other	74	-	-	-	74
MTCC	-	-	20,000	20,000	-
Chromebooks	-	-	2,705	55	2,650
Field Trips	686	-	165	165	686
Saturday School	58	-	-	-	58
FBLA	148	-	-	-	148
Students	362	-	-	-	362
Other programs	1,750	-	3,468	1,985	3,233
	<u>\$ 21,936</u>	<u>\$ -</u>	<u>\$ 30,111</u>	<u>\$ 25,840</u>	<u>\$ 26,207</u>
Totals	<u>\$ 21,936</u>	<u>\$ -</u>	<u>\$ 30,111</u>	<u>\$ 25,840</u>	<u>\$ 26,207</u>

**EASTFIELD ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 10,127	\$ 530	\$ 9,973	\$ 17,527	\$ 3,103
Maintenance	-	-	-	-	-
Paper, pencils and copies	186	-	703	820	69
Bright Ideas Grant	41	-	-	-	41
Lowe's Grant	748	-	-	-	748
Lottery proceeds	-	-	10,000	-	10,000
Library/media	1,993	-	1,553	3,781	(235)
Yearbook	1,094	-	672	446	1,320
LIS	1,131	(465)	1,016	839	843
Counselor	56	-	-	-	56
Staff development	379	-	-	-	379
Classrooms	1,144	(2,350)	14,799	10,203	3,390
Afterschool	-	-	-	-	-
Hispanic festival	29	-	244	233	40
EF needs fund	4,126	(178)	387	855	3,480
Field Trips	1,380	2,463	54	2,409	1,488
Other programs	978	-	170	371	777
Totals	\$ 23,412	\$ -	\$ 39,571	\$ 37,484	\$ 25,499

**EAST MCDOWELL MIDDLE SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 6,769	\$ 333	\$ 5,017	\$ 7,768	4,351
Athletics	7,922	944	38,526	38,476	8,916
Student Council	-	-	-	-	-
Auditorium fund	-	-	-	-	-
Chromebooks	-	(14)	13,351	6,097	7,240
Maintenance	1,193	-	300	754	739
Chorus	53	-	-	-	53
TMH Club	15	-	-	-	15
Postage	892	-	613	500	1,005
Pictures	1,019	-	1,643	1,624	1,038
Cheerleaders	1,552	519	6,553	4,877	3,747
Academic competition	-	-	-	-	-
Local instructional supplies	5,357	1,500	6,408	8,144	5,121
Local capital outlay	-	-	-	-	-
Classrooms	-	-	-	-	-
Text book damage fees	-	-	-	-	-
Friendship fund	1,985	-	572	225	2,332
Yearbook	1,035	90	5,943	446	6,622
Principal Discretionary fund	-	-	-	-	-
Fundraiser	1,637	(1,500)	13,931	11,377	2,691
Booster Club	4,010	-	7,392	7,275	4,127
High performance	-	-	-	-	-
Field Trips	86	(11)	-	75	-
Band	1,173	-	5,586	6,300	459
Energy savings	-	-	-	-	-
Other programs	8,726	(1,861)	20,518	17,334	10,049
Totals	\$ 43,424	\$ -	\$ 126,353	\$ 111,272	\$ 58,505

**GLENWOOD ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 4,132	\$ (255)	\$ 11,260	\$ 12,270	\$ 2,867
Library	6,064	-	11,648	9,473	8,239
Paper, pencils and copies	116	-	-	-	116
Local instructional supplies	-	-	-	-	-
Maintenance	6	-	-	6	-
Telephone	294	-	-	20	274
Yearbook	3,735	(25)	3,449	3,480	3,679
Postage	1	-	-	-	1
PE	300	-	1,457	960	797
Ruritan	185	(101)	400	315	169
Beautification	12	-	-	-	12
Student Council	1,728	-	-	-	1,728
Principal's Discretion	14	-	-	-	14
Music	-	-	-	-	-
Variety show	18,730	-	-	-	18,730
Classrooms	1,132	510	17,093	18,114	621
Box Tops	195	-	1,176	1,073	298
Preschool/Afterschool	6,332	-	31,469	32,203	5,598
Parent involvement	-	-	-	-	-
PE/Cardiac pack	116	-	-	-	116
Playground	7,555	-	-	-	7,555
Technology	130	-	-	106	24
Glenwood Alumni	144	-	1,820	464	1,500
Giving Tree	1,595	-	1,225	1,293	1,527
Relay/American Heart	-	-	-	-	-
Other Programs	2,114	(129)	5,695	5,243	2,437
Totals	\$ 54,630	\$ -	\$ 86,692	\$ 85,020	\$ 56,302

**MARION ELEMENARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 4,746	\$ 225	\$ 7,771	\$ 10,887	\$ 1,855
Library	75	-	350	41	384
Non-Fixed assets	-	-	-	-	-
Local instructional supplies	-	-	-	-	-
Music	-	-	-	-	-
PE	-	-	-	-	-
Faculty fund	427	-	700	693	434
Teacher activity	3,405	(218)	23,794	23,046	3,935
Maintenance	-	-	-	-	-
Book fair	-	-	-	-	-
Jump Rope	139	-	-	-	139
Counselor's fund	467	-	766	762	471
AIG	611	-	-	444	167
Telephone	156	-	-	41	115
Yearbook	432	5	1,619	1,760	296
Student Council	-	-	-	-	-
PBIS	1,241	-	997	1,242	996
Afterschool program	-	-	-	-	-
Relay for Life	160	-	578	633	105
Lowe's Grant	1,622	-	-	286	1,336
Other programs	484	(12)	6,271	6,423	320
Totals	\$ 13,965	\$ -	\$ 42,846	\$ 46,258	\$ 10,553

**MCDOWELL HIGH SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 54,801	\$ (9,720)	\$ 216,807	\$ 176,741	\$ 85,147
Athletics	27,220	(2,058)	318,940	336,262	7,840
Academic instructional	6,212	-	7,214	5,600	7,826
Occupational instructional	68,477	179	80,941	71,603	77,994
Art department	21,183	500	111,112	59,580	73,215
Newspaper/yearbook	25,813	4,633	19,399	45,232	4,613
Library	1,039	-	487	1,050	476
Clubs	83,511	288	140,455	147,460	76,794
Other programs	15,405	6,178	88,769	91,091	19,261
Totals	<u>\$ 303,661</u>	<u>\$ -</u>	<u>\$ 984,124</u>	<u>\$ 934,619</u>	<u>\$ 353,166</u>

**NEBO ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 5,114	\$ 5,000	\$ 9,859	\$ 17,219	\$ 2,754
Telephone	-	-	-	-	-
Postage	-	-	-	-	-
Library	107	20	11,483	11,113	497
Yearbook	669	-	2,822	2,462	1,029
Facebook grant	163	-	-	-	163
Local instructional supplies	-	-	-	-	-
Teacher Help Fund	24	105	295	424	-
Interest	-	-	-	-	-
Beautification	-	-	-	-	-
Endowment Fund	15,200	(5,640)	38,495	32,948	15,107
Paper and pencils	549	-	-	100	449
Hospitality	1,223	-	805	846	1,182
Chromebooks	-	-	-	-	-
Nebo Family Connection	-	-	11,115	11,115	-
Maintenance	213	-	262	436	39
S.H.I.N.E	274	-	-	-	274
Student assistance	693	-	-	-	693
Fundraisers	1,739	(115)	6,250	7,869	5
Furniture and Equipment	163	-	-	-	163
Principal's grant	3,013	-	500	3,513	-
Art Tutor	28	-	-	28	-
Golf Tournament	10,019	-	6,860	13,079	3,800
Music	-	-	-	-	-
PRIDE	18,617	(60)	8,714	12,076	15,195
Field trips	632	(233)	16,077	15,686	790
Tutors	-	-	-	-	-
Athletic supplies	51	-	-	-	51
Other programs	1,396	923	3,014	3,886	1,447
Totals	\$ 59,887	\$ -	\$ 116,551	\$ 132,800	\$ 43,638

**NORTH COVE ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 151	\$ 527	\$ 4,416	\$ 4,342	\$ 752
Library	90	109	9,231	9,269	161
Maintenance	-	-	-	-	-
Local instructional supplies	-	-	-	-	-
Furniture and Equipment	-	-	-	-	-
Gardening grant	515	-	-	-	515
Notebook/pencils	252	(252)	100	-	100
Principal's Discretionary	-	-	-	-	-
Telephone	-	-	-	-	-
Postage	-	-	-	-	-
Yearbook	2,863	-	2,253	1,815	3,301
Fundraiser	1,163	-	-	1,163	-
Teacher Activity	1,087	(109)	7,842	8,003	817
NCE 5K	-	-	2,888	2,098	790
SOS Fund	422	-	-	158	264
Lion's Pride Travels	17	(17)	-	-	-
NCFC	151	-	11,270	11,421	-
Boxtops	224	-	174	393	5
Other programs	908	(258)	4,539	3,270	1,919
Totals	\$ 7,843	\$ -	\$ 42,713	\$ 41,932	\$ 8,624

**OLD FORT ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ (61)	\$ -	\$ 15	\$ -	\$ (46)
Library	1,088	-	536	232	1,392
Reading summer camp	2,190	-	-	1,872	318
Teacher/student activity	4,858	-	16,756	21,620	(6)
Science scholarship	3,000	-	500	-	3,500
Postage	-	-	-	-	-
Facebook grant	5,737	-	-	3,934	1,803
Local instructional supplies	1	-	-	-	1
Preschool/Afterschool	14	-	4,530	-	4,544
Family food bank	1,322	-	775	664	1,433
Furniture and equipment	4	-	-	-	4
Assistance Fund	5,363	-	1,127	1,544	4,946
Preschool playground	980	-	-	-	980
Clubs	2,352	-	-	1,689	663
Technology	350	-	-	-	350
Field trips	2,616	-	11,106	11,110	2,612
Annual	6,996	-	851	58	7,789
Fitness program	407	-	611	692	326
Variety show	6,247	-	4,716	4,786	6,177
Other programs	4,361	-	5,601	5,086	4,876
Totals	\$ 47,825	\$ -	\$ 47,124	\$ 53,287	\$ 41,662

**PLEASANT GARDENS ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 25,949	\$ 1,805	\$ 3,548	\$ 12,518	\$ 18,784
Muddy sneakers	320	1,806	3,157	3,190	2,093
Science lab	559	325	-	325	559
PTA - Tech funds	-	-	18,952	14,227	4,725
Student needs	1,058	160	200	-	1,418
Library	2,520	-	2,208	3,082	1,646
PE	682	-	-	263	419
Teacher Activity	1,040	(176)	1,682	1,638	908
Fundraiser	3,501	-	542	156	3,887
Field trips	972	(1,929)	30,414	29,348	109
Fixed assets	2,126	(2,126)	-	-	-
School fundraiser	-	-	-	-	-
Beautification	-	-	300	174	126
Before/After School	-	-	-	-	-
Yearbook	379	-	496	451	424
Variety show	824	-	-	-	824
Food pantry	198	325	756	1,094	185
Other Programs	310	(190)	15,293	12,034	3,379
Totals	<u>\$ 40,438</u>	<u>\$ -</u>	<u>\$ 77,548</u>	<u>\$ 78,500</u>	<u>\$ 39,486</u>

WEST MARION ELEMENTARY SCHOOL
STATEMENT OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019

<u>Fund</u>	<u>Cash Balance June 30, 2018</u>	<u>Transfers</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2019</u>
General	\$ 30	\$ 431	\$ 1,397	\$ 1,794	\$ 64
Library	900	(26)	7,831	8,385	320
Maintenance	(1,369)	-	53	792	(2,108)
Sound to Sea	262	(262)	3,900	2,274	1,626
Yearbook	2,748	-	1,905	4,300	353
Local instructional supplies	-	-	23	23	-
Athletics	25	(25)	-	-	-
Boxtops	939	-	163	746	356
Principal Discretion	(682)	118	2,576	7,447	(5,435)
Afterschool	-	-	-	-	-
WME Family resource	-	-	-	-	-
Music	43	(43)	160	97	63
Gardening club	2,488	-	1,829	1,706	2,611
Field trips	8,406	(4,217)	42,186	42,867	3,508
Benevolent Fund	315	3,063	43	3,064	357
Other	1,863	961	14,710	13,177	4,357
Totals	<u>\$ 15,968</u>	<u>\$ -</u>	<u>\$ 76,776</u>	<u>\$ 86,672</u>	<u>\$ 6,072</u>

**WEST MCDOWELL MIDDLE SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance June 30, 2018	Transfers	Receipts	Disbursements	Cash Balance June 30, 2019
General	\$ 8,105	\$ -	\$ 7,038	\$ 10,440	\$ 4,703
Athletics	20,281	-	51,096	48,554	22,823
Athletic Fundraising	2,174	-	2,044	346	3,872
Beautification	991	-	-	-	991
Instruction supplies	26,887	-	5,609	7,850	24,646
Student Council	926	1,538	7,622	2,787	7,299
Science Olympiad	94	-	-	-	94
PBIS	1,240	-	1,762	1,522	1,480
Postage	989	-	-	2	987
Yearbook	(1,205)	-	22,043	14,377	6,461
Men of Honor	482	-	600	830	252
Foothills Community School	15,571	-	19,641	25,016	10,196
Spartan cards	928	-	-	987	(59)
Music	9,724	-	2,231	2,613	9,342
FCA	361	-	-	-	361
Local capital outlay	2,485	-	-	0	2,485
Field trips	5,446	(1,313)	32,833	33,268	3,698
Cheerleaders	4,471	-	15,428	12,534	7,365
Hospitality	202	-	-	-	202
Classrooms	2,559	(225)	3,446	2,195	3,585
Grants	32	-	0	0	32
Drama	42	-	-	-	42
Chromebooks	-	-	11,587	8,721	2,866
Memorials	14,183	-	2,500	2,255	14,428
Other programs	1,415	-	15,220	12,596	4,039
Totals	\$ 118,383	\$ -	\$ 200,700	\$ 186,893	\$ 132,190

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