

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

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

Morganton, North Carolina

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JUNE 30, 2022**

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Independent Auditor's Report

To the Board of Education
McDowell County, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McDowell County Board of Education as of and for the year ended June 30, 2022, 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.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McDowell County Board of Education as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the McDowell County Board of Education's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the McDowell County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

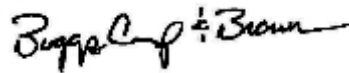
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the schedules of the proportionate share of the net pension and OPEB liabilities and the Schedules of Board Contributions on pages 55 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McDowell County Board of Education's basic financial statements. The combining and individual fund financial statements, 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 for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedules of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 in our consideration of the McDowell County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.
Certified Public Accountants

November 21, 2022
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, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- During the fiscal year, the state and nation continued to be affected by the spread of a coronavirus (COVID-19). The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment, custodial supplies to mitigate risk from transmission, and remote learning education tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.
- The 2021-2022 year proved to be a very challenging one as a result of state economic conditions.
- Student enrollment decreased from the previous year. Decreasing from 5,768 to 5,727.
- The liabilities of the Board exceeded assets at the close of the fiscal year by \$(4,155,414).
- The Board's total net position increased by \$10,573,261 during fiscal year end June 30, 2022.
- As of June 30, 2022, the Board's General Fund reported total fund balance of \$7,441,765 an increase of \$808,914 from the previous year.
- Business Type Activities, the School Food Service and Child Care Funds, reported an increase in net position of \$1,047,425 for the fiscal year ending June 30, 2022.

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 \$4,155,414 as of June 30, 2022. A significant component of net position is net investment in capital assets of \$77,086,643.

Following is a summary of the Statement of Net Position:

Figure 1
Condensed Statement of Net Position
as of June 30, 2022

	Governmental Activities		Business-type Activities		Total Primary Government	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Current and other assets	\$ 10,808,219	\$ 10,876,598	\$ 1,983,958	\$ 1,367,304	\$ 12,792,177	\$ 12,243,902
Capital assets	77,534,896	79,094,243	144,283	88,913	77,679,179	79,183,156
Total assets	88,343,115	89,970,841	2,128,241	1,456,217	90,471,356	91,427,058
Deferred outflows of resources	18,638,418	16,072,721	596,174	514,194	19,234,592	16,586,915
Current liabilities	3,705,148	4,494,049	113,205	134,621	3,818,353	4,628,670
Long-term liabilities	70,110,054	84,102,866	2,235,417	2,697,948	72,345,471	86,800,814
Total liabilities	73,815,202	88,596,915	2,348,622	2,832,569	76,163,824	91,429,484
Deferred inflows of resources	36,536,304	30,342,456	1,161,234	970,708	37,697,538	31,313,164
Net investments in capital assets	76,942,360	78,825,653	144,283	88,913	77,086,643	78,914,566
Restricted net position:			-		-	
Individual Schools	953,222	954,897			953,222	954,897
School Capital Outlay Stabilization by State Statute	877,395	821,779			877,395	821,779
DIPNC OPEB Plan	165,507	65,277			165,507	65,277
Unrestricted net position (deficit)	31,521	98,384	1,008	3,147	32,529	101,531
	(82,339,978)	(93,661,799)	(930,732)	(1,924,926)	(83,270,710)	(95,586,725)
Total net position (deficit)	\$ (3,369,973)	\$ (12,895,809)	\$ (785,441)	\$ (1,832,866)	\$ (4,155,414)	\$ (14,728,675)

Note that net position increased during the year indicating an improvement in the financial condition of the Board. The increase in governmental activities net position was due largely to an increase in current assets and adjustments made to the pension and OPEB accounts. Net position increased in the business type activities due to an increase in current assets and capital assets of the Board. Also, the Board carries capital assets for which Swain 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, 2022

	Governmental Activities		Business-type Activities		Total Primary Government	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues:						
Program revenues:						
Charges for services	\$ 508,921	\$ 196,464	\$ 380,150	\$ 99,743	\$ 889,071	\$ 296,207
Operating grants and contributions	61,015,974	51,306,147	4,405,658	3,567,722	65,421,632	54,873,869
Capital grants and contributions	7,025	-	-	-	7,025	-
General revenues:						
Other Revenue	14,676,286	19,129,680	13,989	4,235	14,690,275	19,133,915
Total revenues	76,208,206	70,632,291	4,799,797	3,671,700	81,008,003	74,303,991
Expenses:						
Governmental activities:						
Instructional services	51,591,177	48,398,435	-	-	51,591,177	48,398,435
System-wide support	-	-	-	-	-	-
Services	9,606,761	9,191,907	-	-	9,606,761	9,191,907
Anciliary services	1,890,423	2,175,959	-	-	1,890,423	2,175,959
Non-programmed charges	78,999	53,951	-	-	78,999	53,951
Interest on long-term debt	37,923	-	-	-	37,923	-
Unallocated depreciation expense	3,403,747	2,807,927	-	-	3,403,747	2,807,927
Business-type activities:						
School food service	-	-	3,818,149	3,196,062	3,818,149	3,196,062
Child care	-	-	7,563	(68,040)	7,563	(68,040)
Total expenses	66,609,030	62,628,179	3,825,712	3,128,022	70,434,742	65,756,201
Increase (decrease) in net position before transfers	9,599,176	8,004,112	974,085	543,678	10,573,261	8,547,790
Transfers in (out)	(73,340)	(45,995)	73,340	45,995	-	-
Increase (decrease) in net position	9,525,836	7,958,117	1,047,425	589,673	10,573,261	8,547,790
Net position, beginning	(12,895,809)	(20,853,926)	(1,832,866)	(2,422,539)	(14,728,675)	(23,276,465)
Ending net position (deficit)	\$ (3,369,973)	\$ (12,895,809)	\$ (785,441)	\$ (1,832,866)	\$ (4,155,414)	\$ (14,728,675)

Total governmental activities generated revenues of \$76,208,206 while expenses in this category totaled \$66,609,030. Comparatively, revenues were \$70,632,291 and expenses totaled \$62,628,179 for the year ended June 30, 2021. The increase in net position stands at \$9,525,836 at June 30, 2022 compared to an increase in net position of \$7,958,117 for fiscal year end June 30, 2021. Instructional service expenses comprised 77.5% of total governmental-type expenses as compared to 72.3% in fiscal year 2021. System-wide support services made up 14.4% of those expenses for 2022 and 14.7% for 2021. County funding comprised 14% of total government revenue for fiscal year end June 30, 2022 as compared to 15.5% in fiscal year end June 30, 2021, while unrestricted State funding added another 3.5% and 10.2% for fiscal years ending June 30, 2022 and 2021 respectively. Much of the remaining 82.5 % of total governmental revenue consists of restricted State and Federal funding. Business-type activities generated revenue of \$4,799,797 and had expenses of \$3,825,712 as compared to revenues of \$3,671,700 and expenses of \$3,128,022 for the period ending June 30, 2021. Net position increased in the business-type activities by \$1,047,425 after transfers in from governmental activities of \$73,340 as compared to an increase in net position of \$589,673 after transfers in of \$45,995 for the period ending June 30, 2021.

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 \$9,504,596 a \$856,136 increase from last year. Fund balance of governmental funds increased by \$929,438 during fiscal 2021. The General Fund reported an increase in fund balance of \$808,914 as compared to a increase of \$785,948 in fiscal year end 2021.

Proprietary funds: The Board's Business-type Funds had an increase in net position of \$1,047,425 as compared to an increase of \$589,673 in fiscal year end 2021. The School Food Service Fund had an increase in net position of \$1,054,988 for fiscal year June 30, 2022 as compared to an increase of \$521,633 in fiscal 2021, and the Child Care Fund had a decrease in net position of \$7,563 as compared to an increase of \$68,040 in fiscal 2021.

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/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 decreased by \$1,503,977 (or 2%) from the previous year. Depreciation for the total primary government totaled \$3,770,462 while additions from capital expenditures totaled \$2,266,484. 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, 2022**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Land	\$ 2,679,789	\$ 2,679,789	\$	\$	\$ 2,679,789	\$ 2,679,789
Construction in progress	331,658	648,725			331,658	648,725
Buildings	71,577,755	73,450,670			71,577,755	73,450,670
Equipment and furniture	541,774	609,569	106,296	66,081	648,070	675,650
Vehicles	<u>2,403,920</u>	<u>1,705,490</u>	<u>37,987</u>	<u>22,832</u>	<u>2,441,907</u>	<u>1,728,322</u>
Total	<u>\$77,534,896</u>	<u>\$79,094,243</u>	<u>\$144,283</u>	<u>\$88,913</u>	<u>\$77,679,179</u>	<u>\$79,183,156</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 increased by \$883,505 due to installment financed purchase of buses and lease obligations issued. The Board is limited by North Carolina statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

More detailed information 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 2022 was 3.9%. The State rate was 3.4%.

Impact of Coronavirus on School

During the fiscal year, the state and nation continued to be affected by the spread of a coronavirus (COVID-19). The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment, custodial supplies to mitigate risk from transmission, and remote learning education tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.

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, 2022

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,896,581	\$ 1,882,530	\$ 11,779,111
Due from other governments	152,692	154,068	306,760
Receivables - Net	20,537	2,814	23,351
Net OPEB asset	31,521	1,008	32,529
Internal Balances	160,712	(160,712)	
Inventories		104,250	104,250
Total current assets	10,262,043	1,983,958	12,246,001
Capital assets (Note 1):			
Land and construction in progress	3,011,447		3,011,447
Other capital assets, net of depreciation	74,523,449	144,283	74,667,732
Total capital assets	77,534,896	144,283	77,679,179
Right to use leased asset, net of accumulated amortization	546,176		546,176
Total assets	88,343,115	2,128,241	90,471,356
DEFERRED OUTFLOWS OF RESOURCES	18,638,418	596,174	19,234,592
LIABILITIES			
Accounts payable and accrued expenses	105,392		105,392
Accrued salaries and wages payable	105,671	-	105,671
Due to other governments	276,453	-	276,453
Unearned revenue		26,205	26,205
Liabilities due within one year	3,217,632	87,000	3,304,632
Total current liabilities	3,705,148	113,205	3,818,353
Long-term liabilities:			
Net pension liability	10,391,646	332,447	10,724,093
Net OPEB liability	58,789,751	1,880,787	60,670,538
Due in more than one year	928,657	22,183	950,840
Total liabilities	73,815,202	2,348,622	76,163,824
DEFERRED INFLOWS OF RESOURCES	36,536,304	1,161,234	37,697,538
NET POSITION			
Net investment in capital assets	76,942,360	144,283	77,086,643
Restricted for:			
Individual schools	953,222		953,222
School Capital Outlay	877,395		877,395
Stabilization by State Statute	165,507		165,507
DIPNC OPEB plan	31,521	1,008	32,529
Unrestricted	(82,339,978)	(930,732)	(83,270,710)
Total net position	\$ (3,369,973)	\$ (785,441)	\$ (4,155,414)

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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional services:							
Regular Instructional	\$ 29,705,226		\$ 31,613,181	\$ -	\$ 1,907,955	\$ -	\$ 1,907,955
Special Populations	5,752,625		6,585,583		832,958		832,958
Alternative Programs	5,942,321	158,519	6,349,460		565,658		565,658
School Leadership	3,541,567		3,012,245		(529,322)		(529,322)
Co-Curricular	2,167,086	350,402	1,487,458		(329,226)		(329,226)
School-Based Support	4,482,352		3,582,740		(899,612)		(899,612)
System-wide support services:							
Support and Development	555,240		388,640		(166,600)		(166,600)
Special Population Support and Development	128,008		174,452		46,444		46,444
Alternative Programs and Services							
Support and Development	359,116		253,617		(105,499)		(105,499)
Technology Support	426,550		189,444		(237,106)		(237,106)
Operational Support	6,240,283		3,572,333	7,025	(2,660,925)		(2,660,925)
Financial and Human Resource	1,184,824		409,559		(775,265)		(775,265)
Accountability	192,960		75,406		(117,554)		(117,554)
System-wide Pupil Support	2,869				(2,869)		(2,869)
Policy, Leadership, and Public Relations	516,911		193,509		(323,402)		(323,402)
Ancillary services	1,890,423		2,278,278		387,855		387,855
Non-programmed charges	78,999		850,069		771,070		771,070
Interest on Long Term Debt	37,923				(37,923)		(37,923)
Unallocated depreciation expense**	3,403,747				(3,403,747)		(3,403,747)
Total governmental activities	66,609,030	508,921	61,015,974	7,025	(5,077,110)		(5,077,110)
Business-type activities:							
School food service	3,818,149	380,150	4,405,658			967,659	967,659
Child care	7,563	-				(7,563)	(7,563)
Total business-type activities	3,825,712	380,150	4,405,658	-		960,096	960,096
Total primary government	\$70,434,742	\$ 889,071	\$ 65,421,632	\$ 7,025	(5,077,110)	960,096	(4,117,014)
General revenues:							
Unrestricted county appropriations - operating					9,573,000		9,573,000
Unrestricted county appropriations - capital					1,188,453		1,188,453
Unrestricted State grants - operating					2,103,662		2,103,662
Unrestricted State grants - capital					592,537		592,537
Investment earnings, unrestricted					10,242	621	10,863
Miscellaneous, unrestricted					1,208,392	13,368	1,221,760
Transfers					(73,340)	73,340	-
Total general revenues					14,602,946	87,329	14,690,275
Changes in net position					9,525,836	1,047,425	10,573,261
Net position, beginning, previously reported					(12,895,809)	(1,832,866)	(14,728,675)
Net position - ending					\$ (3,369,973)	\$ (785,441)	\$ (4,155,414)

** 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.

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	MAJOR FUNDS				Non-major Fund	Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants	Individual Schools	
ASSETS						
Cash and cash equivalents	\$ 7,593,170	\$ 180,084	\$ 877,395	\$ 292,710	\$ 953,222	\$ 9,896,581
Due from other governments	152,692	-		-		152,692
Due from other funds	160,712					160,712
Receivables (Net)	12,815			7,722		20,537
Total assets	\$ 7,919,389	\$ 180,084	\$ 877,395	\$ 300,432	\$ 953,222	\$ 10,230,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 103,671	\$ -	\$ -	\$ 1,721	\$ -	\$ 105,392
Accrued salaries and benefits payable	103,316	-		2,355		105,671
Unearned Revenue						-
Due to other governments	32,227	180,084		64,142		276,453
Total liabilities	239,214	180,084	-	68,218	-	487,516
Deferred inflows of resources	238,410					238,410
Fund balances:						
Restricted:						
Stabilization by State Statute	165,507					165,507
School Capital Outlay Individual Schools			877,395		953,222	877,395 953,222
Assigned:						
Subsequent years expenditure	400,000					400,000
Special Revenue	-			232,214		232,214
Unassigned	6,876,258					6,876,258
Total fund balances	7,441,765	-	877,395	232,214	953,222	9,504,596
Total liabilities, deferred inflows and fund balances	\$ 7,919,389	\$ 180,084	\$ 877,395	\$ 300,432	\$ 953,222	

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

Net OPEB asset	31,521
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	77,534,896
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds	546,176
Deferred outflows of resources related to pensions	10,825,824
Deferred outflows of resources related to OPEB	7,812,594
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.	(4,146,289)
Net pension liability	(10,391,646)
Net OPEB liability	(58,789,751)
Deferred inflows of resources related to OPEB	(22,132,813)
Deferred inflows of resources related to pensions	(14,165,081)
Net position of government activities	\$ (3,369,973)

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, 2022**

	MAJOR FUNDS				Non-major Fund Individual Schools	Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants		
REVENUES						
State of North Carolina	\$ 1,617,318	\$ 45,101,436	\$ 592,537	\$ 175,500	\$ -	\$ 47,486,791
McDowell County	9,573,000		1,188,453			10,761,453
U.S. Government	254,326	1,590,189		12,800,610		14,645,125
Contributions and donations	127,720				1,452,537	1,580,257
Other	2,339,101		2,416	2,418	350,661	2,694,596
Total revenues	13,911,465	46,691,625	1,783,406	12,978,528	1,803,198	77,168,222
EXPENDITURES						
Current:						
Instructional services:						
Regular Instructional	3,390,880	28,109,603		4,243,377		35,743,860
Special Populations	498,976	5,046,979		1,463,604		7,009,559
Alternative Programs	1,926,542	1,347,600		3,472,355		6,746,497
School Leadership	858,259	3,331,863		26,657		4,216,779
Co-Curricular	377,015	1,615		33,306	1,804,873	2,216,809
School-Based Support	1,014,467	3,860,010		301,436		5,175,913
System-wide support services:						
Support and Development	255,160	224,024		164,616		643,800
Special Population Support and Development	5,685	172,504		1,948		180,137
Alternative Programs & Services Support and Development	261,107	9,798		136,906		407,811
Technology Support	260,224	269,023		-		529,247
Operational Support	3,488,230	3,449,312		123,021		7,060,563
Financial and Human Resource Accountability	840,283	455,143		13,256		1,308,682
System-wide Pupil Support	108,866	82,204				191,070
Policy, Leadership, and Public Relations	2,869					2,869
Community Services	384,488	199,228		-		583,716
Nutrition Services	-	78,737		2,208,678		2,208,678
Non-programmed charges	2,614	-		776,729		81,351
Debt Service:	101,574	-				878,303
Principal			592,537			592,537
Capital outlay:						
Real property and buildings			2,051,736			2,051,736
Total expenditures	13,777,239	46,637,643	2,644,273	12,965,889	1,804,873	77,829,917
Excess (deficiency) of revenues over expenditures	134,226	53,982	(860,867)	12,639	(1,675)	(661,695)
OTHER FINANCING SOURCES (USES)						
Installment purchase obligations issued			916,483			916,483
Lease Liability Issued	674,688					674,688
Transfers (to)from other funds		(53,982)		(19,358)		(73,340)
Total other financing sources (uses)	674,688	(53,982)	916,483	(19,358)	-	1,517,831
Net changes in fund balance	808,914	-	55,616	(6,719)	(1,675)	856,136
Fund balances - beginning	6,632,851		821,779	238,933	954,897	8,648,460
Fund balances - ending	\$ 7,441,765	\$ -	\$ 877,395	\$ 232,214	\$ 953,222	\$ 9,504,596

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, 2022**

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

Net changes in fund balances - total governmental funds	\$	856,136
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 depreciation and amortization exceeded capital outlays in the current period.		(1,013,171)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		6,343,579
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities		2,470,820
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:		
Issuance of long-term debt		(1,591,171)
Repayment of long-term debt		707,666
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.		
OPEB expense		4,111,447
Pension expense		(2,286,763)
Compensated absences		(72,707)
Total changes in net position of governmental activities	\$	<u>9,525,836</u>

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, 2022**

General Fund

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Original</u>
Revenues:					
State of North Carolina	\$ -	\$ 1,593,383	\$ 1,617,318	\$ 23,935	\$ 39,367,790
McDowell County	9,473,000	9,573,000	9,573,000	-	
U.S. Government		653,141	254,326	(398,815)	
Other	268,000	1,706,425	2,466,821	760,396	
Total Revenues	9,741,000	13,525,949	13,911,465	385,516	39,367,790
Expenditures:					
Current:					
Instructional services:					
Regular Instructional	9,432,271	3,391,555	3,390,880	675	25,829,885
Special Populations	15,200	535,560	498,976	36,584	4,373,643
Alternative Programs	6,448	2,002,775	1,926,542	76,233	
School Leadership	28,494	862,520	858,259	4,261	3,182,541
Co-Curricular	335,975	378,475	377,015	1,460	
School-Based Support	78,054	1,052,702	1,014,467	38,235	2,053,380
System-wide support services:					
Support and Development	5,820	257,820	255,160	2,660	419,270
Special Population Support and Development		8,000	5,685	2,315	
Alternative Programs and Services Support and Development		262,581	261,107	1,474	
Technology Support		295,000	260,224	34,776	-
Operational Support	238,738	3,491,018	3,488,230	2,788	2,713,822
Financial and Human Resource Accountability		900,000	840,283	59,717	-
		110,000	108,866	1,134	-
System-wide Pupil Support Services Policy, Leadership, and Public Relations		3,000	2,869	131	
		385,000	384,488	512	795,249
Ancillary services		4,000	2,614	1,386	-
Non-programmed charges	-	124,003	101,574	22,429	
Total expenditures	10,141,000	14,064,009	13,777,239	286,770	39,367,790
Revenues over (under) expenditures	(400,000)	(538,060)	134,226	672,286	-
Other financing sources (uses):					
Transfers to other funds		-		-	
Lease Liability Issued			674,688	674,688	
Total other financing sources (uses)	-	-	674,688	674,688	-
Revenues and other sources over (under) expenditures	(400,000)	(538,060)	808,914	1,346,974	-
Fund balances, beginning of year	400,000	538,060	6,632,851	6,094,791	
Fund balances, end of year	\$ -	\$ -	\$ 7,441,765	\$ 7,441,765	\$ -

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, 2022

State Public School Fund			Federal Grant Fund			
Final	Actual Amounts	Variance With Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance With Final Budget - Positive (Negative)
\$ 48,290,054	\$ 45,101,436	\$ (3,188,618)	\$ 175,500	\$ 175,500	\$ 175,500	\$ -
	1,590,189	1,590,189	18,856,712	27,946,847	12,800,610	(15,146,237)
				-	2,418	2,418
48,290,054	46,691,625	(1,598,429)	19,032,212	28,122,347	12,978,528	(15,143,819)
28,622,200	28,109,603	512,597	6,458,027	7,902,833	4,243,377	3,659,456
5,056,595	5,046,979	9,616	1,762,074	2,641,993	1,463,604	1,178,389
1,357,135	1,347,600	9,535	2,456,431	5,955,849	3,472,355	2,483,494
3,412,754	3,331,863	80,891		27,863	26,657	1,206
10,000	1,615	8,385	160,000	295,000	33,306	261,694
3,868,365	3,860,010	8,355	572,007	1,083,354	301,436	781,918
429,172	224,024	205,148	1,588,416	1,658,090	164,616	1,493,474
180,165	172,504	7,661	36,909	4,187	1,948	2,239
15,000	9,798	5,202	66,842	142,149	136,906	5,243
292,428	269,023	23,405	88,344	88,344		88,344
3,462,441	3,449,312	13,129	2,755,912	3,619,458	123,021	3,496,437
538,549	455,143	83,406	152,682	153,262	13,256	140,006
100,000	82,204	17,796				
795,250	199,228	596,022			-	-
96,018	78,737	17,281	2,612,135	2,648,971	2,208,678	440,293
-	-	-	326,042	1,885,245	776,729	1,108,516
48,236,072	46,637,643	1,598,429	19,035,821	28,106,598	12,965,889	15,140,709
53,982	53,982	-	(3,609)	15,749	12,639	(3,110)
(53,982)	(53,982)	-		(19,358)	(19,358)	-
(53,982)	(53,982)	-	-	(19,358)	(19,358)	-
-	-	-	(3,609)	(3,609)	(6,719)	(3,110)
			3,609	3,609	238,933	235,324
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,214	\$ 232,214

**MCDOWELL COUNTY BOARD OF EDUCATION, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Enterprise Fund		Total
	Major Fund School Food Service	Non-Major Fund Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,882,530	\$ -	\$ 1,882,530
Due From Other Governments	154,068		154,068
Inventories	104,250		104,250
OPEB asset	1,008		1,008
Accounts Receivable	2,814	-	2,814
Total current assets	2,144,670	-	2,144,670
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	144,283		144,283
Total noncurrent assets	144,283		144,283
Total assets	\$ 2,288,953	\$ -	\$ 2,288,953
DEFERRED OUTFLOWS OF RESOURCES	\$ 596,174		\$ 596,174
LIABILITIES			
Current liabilities:			
Due to other funds	160,712	-	160,712
Compensated absences	87,000		87,000
Unearned Revenue	26,205		26,205
Total current liabilities	273,917	-	273,917
Noncurrent liabilities:			
Net pension liability	332,447		332,447
Net OPEB liability	1,880,787		1,880,787
Compensated absences	22,183		22,183
Total noncurrent liabilities	2,235,417	-	2,235,417
Total liabilities	2,509,334	-	2,509,334
DEFERRED INFLOWS OF RESOURCES	1,161,234		1,161,234
NET POSITION			
Net investment in capital assets	144,283		144,283
DIPNC OPEB plan	1,008	-	1,008
Unrestricted	(930,732)	-	(930,732)
Total net position	\$ (785,441)	\$ -	\$ (785,441)

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, 2022**

	Enterprise Fund		
	Major Fund	Non-Major	Total
	School Food Service	Fund Child Care	
OPERATING REVENUES			
Food sales	\$ 380,150	\$ -	\$ 380,150
Child care fees		-	-
Total operating revenues	<u>380,150</u>	<u>-</u>	<u>380,150</u>
OPERATING EXPENSES			
Food cost:			
Purchase of food	1,424,672		1,424,672
Donated commodities	358,358		358,358
Salaries and benefits	1,704,355	-	1,704,355
Indirect costs	165,465		165,465
Materials and supplies	32,406	7,563	39,969
Repairs and maintenance	42,634		42,634
Depreciation	29,095		29,095
Noncapital Equipment	23,654		23,654
Purchased services	31,031		31,031
Gas/Fuel	6,479		6,479
Total operating expenses	<u>3,818,149</u>	<u>7,563</u>	<u>3,825,712</u>
Operating (loss)	<u>(3,437,999)</u>	<u>(7,563)</u>	<u>(3,445,562)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal Reimbursements	3,846,126		3,846,126
Federal Commodities	358,358		358,358
Federal fresh fruit & vegetables	201,174		201,174
Miscellaneous revenue	6,959		6,959
Sales tax	1,656		1,656
Interest earned	621		621
Indirect costs not paid	4,753		4,753
Total nonoperating revenue	<u>4,419,647</u>	<u>-</u>	<u>4,419,647</u>
Income (Loss) before transfers	<u>981,648</u>	<u>(7,563)</u>	<u>(3,445,562)</u>
Transfers (to) from other funds	<u>73,340</u>		<u>73,340</u>
Change in net position	<u>1,054,988</u>	<u>(7,563)</u>	<u>1,047,425</u>
Total net position, beginning	<u>(1,840,429)</u>	<u>7,563</u>	<u>(1,832,866)</u>
Total net position - ending	<u>\$ (785,441)</u>	<u>\$ -</u>	<u>\$ (785,441)</u>

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, 2022**

	Enterprise Fund		Total
	Major Fund	Non-Major	
	School Food Service	Fund Child Care	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 396,975	\$ -	\$ 396,975
Cash paid for goods and services	(1,580,941)	(7,563)	(1,588,504)
Cash paid to employees for services	(2,059,708)	-	(2,059,708)
Net cash used by operating activities	<u>(3,243,674)</u>	<u>(7,563)</u>	<u>(3,251,237)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Sales Tax	1,656	-	1,656
Federal and state reimbursements	4,047,300	-	4,047,300
Net cash provided by noncapital financing activities	<u>4,048,956</u>	<u>-</u>	<u>4,048,956</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(84,464)	-	(84,464)
Net cash (used) by capital and related financing activities	<u>(84,464)</u>	<u>-</u>	<u>(84,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	621	-	621
Net increase (decrease) in cash and cash equivalents	721,439	(7,563)	713,876
Cash - beginning of year	1,161,091	7,563	1,168,654
Cash - end of year	<u>\$ 1,882,530</u>	<u>\$ -</u>	<u>\$ 1,882,530</u>
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ (3,437,999)	\$ (7,563)	\$ (3,445,562)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	29,095	-	29,095
Donated commodities consumed	358,358	-	358,358
Salaries paid by special revenue fund	53,982	-	53,982
Equipment paid for by special revenue fund	19,358	-	19,358
Miscellaneous revenue	6,958	-	6,958
Indirect costs not paid	4,753	-	4,753
Changes in assets and liabilities:			-
(Increase) decrease in accounts receivable	(1,084)	-	(1,084)
(Increase) decrease in inventory	(14,206)	-	(14,206)
(Increase) decrease in due from other governments	(50,339)	-	(50,339)
(Increase) decrease in net OPEB asset	2,139	-	2,139
Increase (decrease) in net OPEB liability	110,190	-	110,190
Increase(decrease) in pension liability	(561,135)	-	(561,135)
Increase(decrease) in due to other funds	160,712	-	160,712
(Increase)decrease in deferred outflows	(81,980)	-	(81,980)
Increase(Decrease) in deferred inflows	190,526	-	190,526
Increase (decrease) in unearned revenue	(17,909)	-	(17,909)
Increase (decrease) in accrued salaries	(36,507)	-	(36,507)
Increase (decrease) in long-term liabilities	21,414	-	21,414
Total adjustments	<u>194,325</u>	<u>-</u>	<u>194,325</u>
Net cash (used) by operating activities	<u>\$ (3,243,674)</u>	<u>\$ (7,563)</u>	<u>\$ (3,251,237)</u>

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, 2022**

Noncash investing, capital and financing activities:

The State Public School Fund paid salaries and benefits of \$53,982 to administrative personnel of the School Food Service Fund during the fiscal year. This payment is reflected by a transfer in and an operating expense on Exhibit 7.

The Federal Grant Fund paid for School Service Fund equipment in the amount of \$19,358 during the fiscal year. The payment is reflected by a transfer in and an operating expense in Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$358,358 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$358,358 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, 2022**

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 - (Continued)**

B. **Basis of Presentation - (Continued)**

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 - (Continued)

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 - (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)

1. Deposits and Investment - (Continued):

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 - (Continued)**

F. **Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)**

4. **Capital Assets-(Continued):**

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. **Right to use assets**

The Board has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

6. **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 - pension, OPEB related deferrals, and unearned grant revenue.

7. **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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

8. **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, 2022. For the Board, the current portion of the accumulated vacation pay is not considered to be material.

I. **Summary of Significant Accounting Policies - (Continued)**

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)

8. Compensated Absences-(Continued):

The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences. The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. 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 - (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)

9. Net Position/Fund Balances - (Continued)

Fund Balance - (Continued)

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.

10. 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 \$(12,874,569) consists of several elements as follows:

I. Summary of Significant Accounting Policies - (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)

10. Reconciliation of Government-wide and Fund Financial Statements - (Continued)

<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)	\$159,501,130
Less Accumulated Depreciation	<u>(81,966,234)</u>
Net capital assets	77,534,896
Right to use assets in governmental activities are not financial resources and are not reported in the funds	674,688
Less Accumulated Depreciation	<u>(128,512)</u>
Net right to use asset	546,176
Net OPEB asset	31,521
Pension related deferred outflows of resources	10,825,824
OPEB related deferral outflows of resources	7,812,594
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:	(1,152,095)
Net OPEB liability	\$(58,789,751)
Net pension liability	(10,391,646)
Deferred inflows of resources related to pensions	(14,165,081)
Deferred inflows of resources related to OPEB	(22,132,813)
Compensated absences	<u>(2,994,194)</u>
Total adjustment	<u><u>\$(12,874,569)</u></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 \$8,669,700 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 2,856,708
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(3,869,879)

I. Summary of Significant Accounting Policies - (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity - (Continued)

10. Reconciliation of Government-wide and Fund Financial Statements - (Continued)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:

Repayment of long-term debt	\$ 707,666
Issuance of long-term debt	(1,591,171)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	6,343,579
Contributions to the OPEB plans in current fiscal year are not included on the Statement of Activities.	2,470,820
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension Expense	(2,286,763)
OPEB Expense	4,111,447
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>(72,707)</u>
Total adjustment	<u>\$ 8,669,700</u>

11. 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, 2022, the Board had deposits with banks with a carrying amount of \$7,850,240 and with the State Treasurer of \$244,226. The bank balances with the financial institutions and the State Treasurer were \$8,410,832 and \$1,055,373 respectively. Of these balances, \$281,866 was covered by federal depository insurance and \$9,184,339 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2022, the Board of Education had \$3,684,645 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of .9 years at June 30, 2022. The Board has no policy for managing interest rate risk or credit risk.

II. Detail Notes on All Funds - (Continued)

A. Assets - (Continued)

3. Receivables

Receivables at the government-wide level at June 30, 2022 were as follows:

	Due (to) from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 160,712	\$ 152,692	\$ 12,815
Other governmental	-	-	7,722
	<u> </u>	<u> </u>	<u> </u>
Total Governmental activities	<u>\$ 160,712</u>	<u>\$ 152,692</u>	<u>\$ 20,537</u>
Business-type Activities			
School Food Service	(160,712)	154,068	2,814
	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Business-type activities	<u>\$ (160,712)</u>	<u>\$ 154,068</u>	<u>\$ 2,814</u>

Due from other governments consists of the following:

Governmental activities:

General Fund:

	\$ 51,737	McDowell County
	100,955	Various State and Federal Grant Funds
	<u> </u>	
Total	<u>\$ 152,692</u>	

Business Activities
School Food Service

	<u>\$ 154,068</u>	Federal funds
Total	<u>\$ 154,068</u>	

II. Detail Notes on All Funds - (Continued)

A. Assets - (Continued)

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

4. Capital Assets	<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	648,725	(317,347)	280	-	331,658
			\$ -		
Total capital assets not being depreciated	<u>3,328,514</u>	<u>(317,347)</u>	<u>280</u>	<u>-</u>	<u>3,011,447</u>
Capital assets being depreciated:					
Buildings and improvements	144,625,711	317,347	1,134,973	(610,675)	145,467,356
Equipment and furniture	2,622,693	-	10,717	(25,788)	2,607,622
Vehicles	7,796,431	-	1,036,050	(417,776)	8,414,705
Total capital assets being depreciated	<u>155,044,835</u>	<u>317,347</u>	<u>2,181,740</u>	<u>(1,054,239)</u>	<u>156,489,683</u>
Less accumulated depreciation for:					
Buildings and improvements	71,175,041		3,325,235	(610,675)	73,889,601
Equipment and furniture	2,013,124		78,512	(25,788)	2,065,848
Vehicles	6,090,941		337,620	(417,776)	6,010,785
Total accumulated depreciation	<u>79,279,106</u>		<u>\$ 3,741,367</u>	<u>\$ (1,054,239)</u>	<u>\$ 81,966,234</u>
Total capital assets being depreciated, net	<u>75,765,729</u>				<u>74,523,449</u>
Governmental activity capital assets, net	<u>\$ 79,094,243</u>				<u>\$ 77,534,896</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated					
Furniture and equipment	\$ 1,006,719		\$ 63,397	\$ -	\$ 1,070,116
Vehicles	91,757		21,067	-	112,824
Total capital assets being depreciated	<u>1,098,476</u>		<u>\$ 84,464</u>	<u>\$ -</u>	<u>1,182,940</u>
Less accumulated depreciation for:					
Furniture and equipment	940,638		23,182	-	963,820
Vehicles	68,925		5,912	-	74,837
Total accumulated depreciation	<u>1,009,563</u>		<u>\$ 29,094</u>	<u>-</u>	<u>1,038,657</u>
Total capital assets being depreciated, net	<u>88,913</u>				<u>144,283</u>
Business-type activities capital assets, net	<u>\$ 88,913</u>				<u>\$ 144,283</u>

II. Detail Notes on All Funds - (Continued)

A. Assets - (Continued)

4. Capital Assets - (Continued)

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 3,403,747
Operational support services	<u>337,620</u>
Total	<u>\$ 3,741,367</u>

Construction Commitments

McDowell County has active construction projects as of June 30, 2022 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>
WMES Wastewater upgrade	\$ 117,868
Parking lot repaving projects	1,648,050
McDowell High Paving project	<u>179,650</u>
Total	<u>\$ 1,945,568</u>

5. Right to Use Leased Assets

The Board has recorded one right to use leased asset. The asset is a right to use asset for leased copiers. The related lease is discussed in the Leases subsection of the Long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Right to use assets				
Leased copiers	\$ _____	\$674,688	\$ _____	\$674,688
Less accumulated amortization for:				
Leased copiers	_____	128,512	_____	128,512
Right to use assets, net	<u>\$ _____</u>	<u>\$546,176</u>	<u>\$ _____</u>	<u>\$546,176</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

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Postemployment Obligations - (Continued)

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

consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (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.

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, 2022, was 16.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$6,546,521 for the year ended June 30, 2022.

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 - (Continued)

B. Liabilities - (Continued)

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, 2022, the Board reported a liability of \$10,724,093 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2022 and at June 30, 2021 the Board's proportion was .2290% and .2386%.

For the year ended June 30, 2022, the Board recognized pension expense of \$2,359,920. At June 30, 2022, the Board reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
	_____	_____
Difference between expected and actual experience	\$ 602,815	\$ 243,556
Changes of assumptions	4,022,723	
Net difference between projected and actual earnings on pension plan investments		13,287,285
Changes in proportion and differences between Board contributors and proportionate share of contributions		1,087,406
Board contributions subsequent to the measurement date	<u>6,546,521</u>	_____
	<u>\$ 11,172,059</u>	<u>\$ 14,618,247</u>

\$6,546,521 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$(1,966,589)
2024	(2,132,784)
2025	<u>(4,075,157)</u>
	<u><u>\$(8,174,530)</u></u>

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

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	7.0 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, 2020 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, 2022 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 - (Continued)

B. Liabilities - (Continued)

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 2016 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 7.0%. 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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Board's proportionate share of the net pension liability	\$35,972,648	\$10,724,093	\$(10,263,786)

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

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

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 in Chapter 135, Article 1 of the General Statutes. It is a cost-sharing, multiple- employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of 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 ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

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

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

1. Healthcare Benefits - (Continued)

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2022. 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, 2022 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 6.29% of covered payroll which amounted to \$2,513,896.

At June 30, 2022, Board reported liability of \$60,670,538 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and June 30, 2021, the Board's proportion was .19625% and .20589% respectively.

\$2,513,896 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ 8,881,017
2024	4,507,239
2025	2,101,311
2026	2,016,804
2027	(85,017)
	<u>\$17,421,354</u>

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

1. Healthcare Benefits - (Continued)

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

Inflation	3%
Salary Increases based on service	3.50-8.10%, including inflation and productivity factor
Investment rate of return	7%
Healthcare cost trend rates	
Medical	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Prescription drug	9.50% grading down to 5.00% by 2028
Administrative costs	3%
Post-Retirement Mortality rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability and is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

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 (2.5%) or 1-percentage point higher (4.5%) than the current discount rate:

	1% decrease	Current Discount Rate	1% Increase
	(1.16%)	(2.16%)	(3.16%)
Net OPEB liability	\$72,166,723	\$60,670,538	\$51,359,922

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 or 1-percentage point higher than the current healthcare cost trend rates:

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

1. Healthcare Benefits - (Continued)

	<u>Healthcare Trend Rates</u>		
	<u>1% Decrease</u> (Medical- 4.00-5.50%, Pharmacy- 4.00-8.5%, Medicare Advantage- 4.0-5.5%, Administrative- 2.00%)	(Medical- 5.00- 6.50%, Pharmacy- 5.0-9.5%, Medicare Advantage- 5.0- 6.5%, Administrative- 3.00%)	<u>1% increase</u> (Medical- 6.00-7.50%, Pharmacy- 6.00- 10.5%, Medicare Advantage- 6.0-7.5%, Administrative- 4.00%)
Net OPEB liability	\$49,132,904	\$60,670,538	\$75,976,272

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

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 ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

2. Disability Benefits - (Continued)

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.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

2. Disability Benefits - (Continued)

effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

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, 2022, employers made a statutory contribution of .09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$35,970 for the year ended June 30, 2022.

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, 2022, Board reported an asset of \$32,529 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and June 30, 2020, the Board's proportion was .19915% and .20639% respectively.

\$35,970 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30

2023	\$ 23,583
2024	16,807
2025	21,122
2026	11,423
2027	5,691
Thereafter	<u>14,511</u>
Total	<u>\$ 93,137</u>

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

2. Disability Benefits - (Continued)

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

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$20,538	\$32,529	\$43,622

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 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, 2021. 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.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.2%.

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

2. Disability Benefits - (Continued)

<u>Asset Class</u>	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 - (Continued)

B. Liabilities - (Continued)

1. Pension Plan and Other Post-employment Obligations - (Continued)

b. Other Post-employment Benefits - (Continued)

2. Disability Benefits - (Continued)

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:

	RHBF	DIPNC	Total
OPEB Expense	(4,315,783)	72,804	(4,242,979)
OPEB Liability (Asset)	60,670,538	(32,529)	60,638,009
Proportionate share of the net OPEB liability (asset)	.19625%	.19915%	
Deferred of Outflows of Resources:			
Differences between expected and actual experience	358,190	82,940	441,130
Changes of Assumptions	4,962,328	5,712	4,968,040
Net difference between projected and actual earnings on plan investments		3,174	3,174
Changes in proportion and differences between Board contributions and proportionate share of contributions	86,847	13,476	100,323
Board contributions subsequent to the measurement date	2,513,896	35,970	2,549,866
Deferred of Inflows of Resources:			
Differences between expected and actual experience	1,129,361		1,129,361
Changes of assumptions	14,744,259	11,810	14,756,069
Changes in proportion and differences between Board contributions and proportionate share of contributions	6,924,063	353	6,924,416
Difference between projected and actual investment earnings	31,035		31,035

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

2. Accounts Payable

Accounts payable as of June 30, 2022, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Due To Other Governments</u>
Governmental Activities:			
General	\$103,671	\$103,316	\$ 32,227
Other Governmental	<u>1,721</u>	<u>2,355</u>	<u>244,226</u>
Total governmental activities	<u>\$105,392</u>	<u>\$105,671</u>	<u>\$ 276,453</u>
Business-Type Activities:			
School Service Fund	\$	\$	\$
Total Business-Type activities	<u>\$</u>	<u>\$</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	\$ 100,323	\$ 8,011,822
Difference between expected and actual experience	1,043,945	1,372,917
Net difference between projected and actual earnings on plan investments	3,174	13,318,320
Changes in Assumptions	8,990,763	14,756,069
Board Contributions subsequent to the measurement date	9,096,387	
Unearned grant revenue	<u> </u>	<u>238,410</u>
Total	<u>\$19,234,592</u>	<u>\$37,697,538</u>

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

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>\$ 26,205</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 Insurance. 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 - (Continued)

B. Liabilities - (Continued)

6. Long-Term Obligations

a. Leases

The Board has entered into an agreement to lease certain equipment. The lease agreement qualifies as other than a short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was executed in July 2021 to lease copiers and requires 21 quarterly payments. The initial lease payment is \$38,292 per quarter. This lease payment can vary from quarter to quarter based on the current Average Daily Membership. The lease liability is measured at a discount rate of 6.00%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$674,688 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note.

The expected future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	<u>Total</u>
2023	\$119,216	\$30,924	\$150,140
2024	126,531	23,609	150,140
2025	134,296	15,844	150,140
2026	142,537	7,603	150,140
2027	<u>36,979</u>	<u>555</u>	<u>37,534</u>
	<u>\$559,559</u>	<u>\$78,535</u>	<u>\$638,094</u>

b. Direct Placement Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-47(28). 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. During fiscal year end June 30, 2021, the Board entered into a direct placement installment purchase contract to finance the purchase of six school buses. During fiscal year end June 30, 2022, the Board entered into direct placement installment purchase contract to finance the purchase of ten school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires only principal payments of \$363,416 due at the beginning of each contract year.

The future minimum payments on the installment purchases as of June 30, 2022, including \$ - 0 - of interest, are as follows:

Years Ending <u>June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 363,416	\$
2024	<u>229,120</u>	<u> </u>
Totals	<u>\$ 592,536</u>	<u>\$ - 0 -</u>

II. Detail Notes on All Funds - (Continued)

B. Liabilities - (Continued)

6. Long-Term Obligations - (Continued)

b. Direct Placement Installment Purchase - (Continued)

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2022:

	Balance (Restated) July 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2022</u>	Current Portion
Governmental activities:					
Installment Purchases	\$ 268,590	\$ 916,483	\$ 592,537	\$ 592,536	\$ 363,416
Leases		674,688	115,129	559,559	119,216
Compensated absences	2,921,487	2,805,555	2,732,848	2,994,194	2,735,000
Net pension liabilities	27,931,646		17,540,000	10,391,646	
Net OPEB liability	<u>55,345,438</u>	<u>3,444,313</u>	<u> </u>	<u>58,789,751</u>	<u> </u>
Total	<u>\$86,467,161</u>	<u>\$7,841,039</u>	<u>\$20,980,514</u>	<u>\$73,327,686</u>	<u>\$3,217,632</u>
Business-type activities:					
Compensated absences	\$ 87,769	\$ 108,552	\$ 87,138	\$ 109,183	\$ 87,000
Net pension liabilities	893,582		561,135	332,447	
Net OPEB liability	<u>1,770,597</u>	<u>110,190</u>	<u> </u>	<u>1,880,787</u>	<u> </u>
Total	<u>\$ 2,751,948</u>	<u>\$ 218,742</u>	<u>\$ 648,273</u>	<u>\$ 2,322,417</u>	<u>\$ 87,000</u>

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

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2022, consist of the following:

	<u>Amount</u>
From State Public School Fund to Child Nutrition Fund for salary and benefits	\$ 53,982
From Federal Grant Fund to Child Nutrition Fund for equipment	<u>19,358</u>
Total	<u>\$ 73,340</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.

II. Detail Notes on All Funds - (Continued)

D. Fund Balance - (Continued)

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	\$7,441,765
Less:	
Appropriated Fund Balance in 2022 Budget	(400,000)
Stabilization by State Statute	<u>(165,507)</u>
Remaining Fund Balance	<u>\$6,876,258</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 21, 2022, 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 Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.22902%	0.23858%	0.24380%	0.24934%	0.24949%	0.25729%	0.25832%	0.26000%	0.26000%
Board's proportionate share of the net pension liability (asset)	\$ 10,724,093	\$ 28,825,226	\$ 25,272,568	\$ 24,824,512	\$ 19,795,637	\$ 23,647,609	\$ 9,519,603	\$ 3,010,191	\$ 16,088,200
Board's covered-employee payroll	36,624,973	36,490,063	36,612,713	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	29.28%	78.99%	69.03%	69.91%	57.09%	69.73%	27.68%	9.24%	47.16%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	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 Nine Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,546,521	\$ 5,413,171	\$ 4,732,761	\$ 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	<u>6,546,521</u>	<u>5,413,171</u>	<u>4,732,761</u>	<u>4,499,702</u>	<u>3,827,763</u>	<u>3,460,523</u>	<u>3,103,228</u>	<u>3,146,705</u>	<u>2,829,796</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 39,966,549	\$ 36,624,973	\$ 36,490,063	\$ 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	16.38%	14.78%	12.97%	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 Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.19625%	0.20589%	0.20999%	0.21907%	0.22400%	0.22260%
Board's proportionate share of the net OPEB liability (asset)	\$ 60,670,538	\$ 57,116,035	\$ 66,438,762	\$ 62,079,997	\$ 73,452,157	\$ 98,627,378
Board's covered payroll	\$ 36,624,973	\$ 36,490,063	\$ 36,612,713	\$ 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	165.65%	156.52%	181.46%	174.83%	211.83%	285.50%
Plan Fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	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 Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,513,896	\$ 2,446,548	\$ 2,360,907	\$ 2,295,617	\$ 2,148,234	\$ 2,015,601
Contributions in relation to the contractually required contribution	2,513,896	2,446,548	2,360,907	2,295,617	2,148,234	2,015,601
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 39,966,549	\$ 36,624,973	\$ 36,490,063	\$ 36,612,713	\$ 35,508,006	\$ 34,674,581
Contributions as a percentage of the covered payroll	6.29%	6.68%	6.47%	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 Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.19915%	0.20639%	0.21280%	0.21816%	0.21868%	0.22843%
Board's proportionate share of the net OPEB asset	\$ 32,529	\$ 101,531	\$ 91,823	\$ 66,268	\$ 133,657	\$ 141,855
Board's covered payroll	\$ 36,624,973	\$ 36,490,063	\$ 36,612,713	\$ 35,508,006	\$ 35,508,006	\$ 33,915,060
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.0890%	0.2782%	0.2510%	0.1860%	0.3850%	0.4180%
Plan Fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	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 Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 35,970	\$ 32,962	\$ 36,490	\$ 51,258	\$ 49,711	\$ 131,763
Contributions in relation to the contractually required contribution	35,970	32,962	36,490	51,258	49,711	131,763
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 39,966,549	\$ 36,624,973	\$ 36,490,063	\$ 36,612,713	\$ 35,508,006	\$ 34,674,581
Contributions as a percentage of the covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%	0.38%

**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, 2022
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

<u>REVENUES</u>	Local Current Expenses			2021
	Budget	2022 Actual	Variances	Actual
State of North Carolina:				
School Nurse	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Smart Start	121,968	105,902	(16,066)	128,924
Community Based Alternatives	46,986	28,924	(18,062)	37,590
Family Resource Program	140,000	137,729	(2,271)	133,450
N.C. Pre-K Program	1,134,429	1,194,763	60,334	1,188,899
Total State of N.C.	<u>1,593,383</u>	<u>1,617,318</u>	<u>23,935</u>	<u>1,638,863</u>
McDowell County - Appropriation	9,473,000	9,117,134	(355,866)	8,778,269
McDowell County - Supplement	-	336,000	336,000	336,000
McDowell County - Penalties	-	19,866	19,866	28,731
McDowell County - Technology	100,000	100,000	-	100,000
Total McDowell County	<u>9,573,000</u>	<u>9,573,000</u>	<u>-</u>	<u>9,243,000</u>
United States Government:				
ROTC	-	66,384	66,384	64,729
ELC Covid Testing	599,545	109,953	(489,592)	
Juvenile Justice Delinquency Prevention	53,596	77,989	24,393	75,222
Total U.S. Government	<u>653,141</u>	<u>254,326</u>	<u>(398,815)</u>	<u>139,951</u>
Other:				
Sales Tax	50,000	43,916	(6,084)	43,503
Fines and Forfeitures	-	362,502	362,502	342,206
Interest Earned on Investments	-	7,561	7,561	14,714
Private Grants and Donations	240,637	127,720	(112,917)	279,775
Miscellaneous local revenue	18,000	121,419	103,419	23,753
Disposal of Fixed Assets		7,025	7,025	
Indirect Cost Allocations	725,000	960,016	235,016	106,492
Medicaid Reimbursement	420,117	678,143	258,026	533,290
Preschool Tuition	252,671	158,519	(94,152)	92,158
Total Other	<u>1,706,425</u>	<u>2,466,821</u>	<u>760,396</u>	<u>1,435,891</u>
Fund Balance Appropriated	<u>538,060</u>		<u>(538,060)</u>	
Total Revenue	<u>14,064,009</u>	<u>13,911,465</u>	<u>(152,544)</u>	<u>12,457,705</u>
<u>EXPENDITURES</u>				
INSTRUCTIONAL SERVICES:				
Regular:				
Salaries		1,786,451		1,621,841
Employee Benefits		547,994		526,187
Purchased Services		27,608		-
Supplies and Materials		421,635		607,558
Capital Outlay		607,192		
Total Regular Instructional Services		<u>3,390,880</u>		<u>2,755,586</u>

	Local Current Expenses			2021 Actual
	Budget	2022 Actual	Variances	
Instructional Programs (Cont'd):				
Special Populations:				
Salaries	\$	\$ 247,951	\$	\$ 357,494
Employee Benefits		108,036		124,098
Purchased Services		140,893		271,773
Supplies and Materials		2,096		3,963
Total Special Populations Services		498,976		757,328
Alternative Programs and Services:				
Salaries		1,040,043		979,942
Employee Benefits		389,085		386,689
Purchased Services		426,314		375,452
Supplies and Materials		71,100		237,918
Capital Outlay		-		5,004
Total Alternative Programs and Services		1,926,542		1,985,005
School Leadership Services:				
Salaries		564,531		
Employee Benefits		242,581		489,434
Purchased Services		24,595		325,827
Supplies and Materials		26,552		23,282
Total School Leadership Services		858,259		869,397
Co-Curricular Services:				
Salaries		177,973		158,769
Employee Benefits		55,916		42,208
Purchased Services		6,968		1,941
Supplies and Materials		136,158		221,914
Capital Outlay				
Total Co-Curricular Services		377,015		424,832
School-Based Support Services:				
Salaries		579,302		396,160
Employee Benefits		231,615		146,306
Purchased Services		119,254		6,714
Supplies and Materials		84,296		95,243
Total School-Based Support Services		1,014,467		644,423
Total Instructional Programs	8,223,587	8,066,139	157,448	7,436,571
SYSTEM-WIDE SUPPORT SERVICES				
Support and Development Services:				
Salaries		144,790		76,393
Employee Benefits		56,157		34,480
Purchased Services		44,007		52,549
Supplies and Materials		10,206		8,614
Total Support and Development Services		255,160		172,036
Special Population Support and Development Services:				
Salaries				747
Employee Benefits		-		224
Purchased Services		1,345		-
Supplies and Materials		4,340		
Total Special Population Support And Development Services		5,685		971

Support Services (Continued):	Local Current Expenses			2021
	Budget	2022 Actual	Variances	Actual
Alternative Programs and Services:				
Support and Development Services:				
Salaries	\$	\$ 183,068	\$	\$ 194,658
Employee Benefits		64,219		70,946
Purchased Services		2,007		1,127
Supplies and Materials		11,813		4,509
Total Alternative Programs and Services		261,107		271,240
Technology Support Services:				
Salaries		158,418		58,800
Employee Benefits		70,069		21,524
Purchased Services		20,702		13,954
Supplies and Materials		-		119,723
Capital Outlay		11,035		
Total Technology Support Services		260,224		214,001
Operational Support Services:				
Salaries		641,776		593,281
Employee Benefits		289,323		254,267
Purchased Services		1,347,132		1,218,553
Supplies and Materials		1,032,144		442,613
Capital Outlay		177,855		64,996
Total Operational Support Services		3,488,230		2,573,710
Financial and Human Resource Services:				
Salaries		222,149		125,382
Employee Benefits		298,938		250,411
Purchased Services		300,460		263,588
Supplies and Materials		18,736		9,301
Total Financial and Human Resource Services		840,283		648,682
Accountability Services:				
Salaries		74,176		8,869
Employee Benefits		30,948		3,221
Purchased Services		3,520		3,536
Supplies and Materials		222		-
Total Accountability Services		108,866		15,626
System-wide Pupil Support Services:				
Purchased Services		2,869		2,758
Total System-wide Pupil Support Services		2,869		2,758
Policy, Leadership and Public Relations Services:				
Salaries		112,694		69,572
Employee Benefits		32,955		11,409
Purchased Services		171,329		134,832
Supplies and Materials		67,510		47,660
Capital Outlay		-		-
Total Policy, Leadership and Public Relations Services		384,488		263,473
Total Supporting Services	5,712,419	5,606,912	105,507	4,162,497

	Local Current Expenses			2021
	Budget	2022 Actual	Variances	Actual
ANCILLARY SERVICES:				
Community Services:				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Benefits				
Supplies and Materials				
Capital Outlay				
Total Community Services	-	-	-	-
Nutrition Services:				
Salaries		1,993		-
Employee Benefits		621		1,597
Total Nutrition Services	4,000	2,614	1,386	1,597
Total Ancillary Services	4,000	2,614	1,386	1,597
Non-Programmed Charges:				
Purchased Services		2,893		
Payments to Charter Schools		98,681		71,092
Total Non-Programmed Charges	124,003	101,574	22,429	71,092
Total Expenditures	14,064,009	13,777,239	286,770	11,671,757
Excess of Revenue Over (Under) Expenditures	-	134,226	134,226	785,948
OTHER FINANCING SOURCES (USES):				
Lease Liability Issued	-	674,688	674,688	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	808,914	\$ 808,914	785,948
Fund Balance - July 1, 2021		6,632,851		5,846,903
Fund Balance - June 30, 2022		\$ 7,441,765		\$ 6,632,851

**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, 2022
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

	2022		2021
	Budget	Actual	Variance
			Actual
REVENUES:			
State of North Carolina		\$ 45,101,436	\$ 42,612,768
U.S. Government	-	1,590,189	989,171
Total Revenues	48,290,054	46,691,625	(1,598,429)
EXPENDITURES:			
INSTRUCTIONAL SERVICES:			
Regular:			
Salaries		19,056,801	17,717,497
Employee Benefits		7,861,401	7,163,436
Purchased Services		534,717	343,524
Supplies and Materials		656,684	779,293
Capital Outlay		-	16,518
Total Regular Instructional Services		28,109,603	26,020,268
Special Populations:			
Salaries		3,308,919	3,253,010
Employee Benefits		1,365,662	1,306,578
Purchased Services		341,417	232,792
Supplies and Materials		30,981	37,921
Total Special Populations Services		5,046,979	4,830,301
Alternative Programs and Services:			
Salaries		996,600	657,950
Employee Benefits		285,340	243,524
Purchased Services		31,232	72,451
Supplies and Materials		34,428	150,438
Capital Outlay		-	-
Total Alternative Programs and Services		1,347,600	1,124,363
School Leadership Services:			
Salaries		2,379,256	2,198,466
Employee Benefits		947,352	722,827
Supplies and Materials		5,255	3,873
Total School Leadership Services		3,331,863	2,925,166
Co-Curricular:			
Salaries		1,500	
Employee Benefits		115	
Total Co-Curricular		1,615	
School-Based Support Services:			
Salaries		2,449,642	2,223,577
Employee Benefits		1,001,276	900,421
Purchased Services		297,497	357,077
Supplies and Materials		111,595	340,259
Total School-Based Support Services		3,860,010	3,821,334
Total Instructional Services	42,327,049	41,697,670	629,379
			38,721,432

	2022			2021
	Budget	Actual	Variance	Actual
EXPENDITURES - (Cont'd):				
SYSTEM-WIDE SUPPORT SERVICES				
Support and Development Services:				
Salaries	\$	\$ 156,931	\$	\$ 207,754
Employee Benefits		61,077		68,230
Purchased Services		5,915		14,638
Supplies and Materials		101		192
<hr/>				
Total Support and Development Services		224,024		290,814
<hr/>				
Special Population Support and Development Services:				
Salaries		123,904		112,485
Employee Benefits		44,077		42,737
Purchased Services		287		3,176
		4,236		
<hr/>				
Total Special Population Support And Development Services		172,504		158,398
<hr/>				
Alternative Programs and Services Support and Development Services:				
Salaries		8,596		2,662
Employee Benefits		1,202		781
Purchased Services		-		-
<hr/>				
Total Alternative Programs and Services Support and Development Services		9,798		3,443
<hr/>				
Technology Support Services:				
Salaries		103,264		171,307
Employee Benefits		41,615		76,330
Purchased Services		124,144		56,845
Supplies and Materials		-		-
<hr/>				
Total Technology Support Services		269,023		304,482
<hr/>				
Operational Support Services:				
Salaries		2,338,121		2,047,787
Employee Benefits		939,676		831,076
Purchased Services		8,840		30,002
Supplies and Materials		162,615		259,496
Capital Outlay		60		6,912
<hr/>				
Total Operational Support Services		3,449,312		3,175,273
<hr/>				
Financial and Human Resource Services:				
Salaries		333,929		364,349
Employee Benefits		121,214		131,512
<hr/>				
Total Financial and Human Resource Services		455,143		495,861
<hr/>				
Accountability Services:				
Salaries		59,629		108,268
Employee Benefits		22,575		43,526
<hr/>				
Total Accountability Services		82,204		151,794
<hr/>				

	2022			2021
	Budget	Actual	Variance	Actual
EXPENDITURES - (Cont'd):				
SYSTEM-WIDE SUPPORT SERVICES - (Cont'd)				
Policy, Leadership and Public Relations Services:				
Salaries	\$	\$ 146,437	\$	\$ 177,783
Employee Benefits		51,684		69,774
Supplies and Materials		1,107		
<hr/>				
Total Policy, Leadership and Public Relations Services		199,228		247,557
<hr/>				
Total System-Wide Support Services	5,813,005	4,861,236	951,769	4,827,622
<hr/>				
Nutrition Services:				
Salaries		57,388		6,630
Employee Benefits		21,349		3,056
<hr/>				
Total Nutrition Services	96,018	78,737	17,281	9,686
<hr/>				
Non-Programmed Charges:				
Other	-	-	-	(2,796)
<hr/>				
Total Non-Programmed Charges	-	-	-	(2,796)
<hr/>				
Total Expenditures	48,236,072	46,637,643	1,598,429	43,555,944
<hr/>				
Excess of Revenue Over (Under) Expenditures	53,982	53,982	-	45,995
<hr/>				
OTHER FINANCING SOURCES (USES):				
Transfer to Child Nutrition Fund	(53,982)	(53,982)	-	(45,995)
<hr/>				
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
<hr/>				
Fund Balance:				
Beginning of Year	-	-	-	-
<hr/>				
End of Year	\$ -	\$ -	\$ -	\$ -
<hr/>				

**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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	2022		Variance	2021
	Budget	Actual		Actual
Revenues:				
State of North Carolina:				
Public School Building Capital Fund - Lottery	\$ -	\$ -	\$ -	\$ -
Public School Building Capital Fund	-	-	-	156,373
Public School Building Capital Fund - Needs Based Lottery	290,706	-	(290,706)	4,289,901
State appropriations - buses	592,537	592,537	-	268,590
McDowell County:				
Restricted portion of sales tax	5,058,074	1,135,253	(3,922,821)	1,648,214
General County revenues	53,200	53,200	-	53,200
Interest earned on investments		2,416	2,416	2,199
Total Revenues	5,994,517	1,783,406	(4,211,111)	6,418,477
Expenditures:				
Capital Outlay:				
Instructional Services	153,200	-	153,200	-
System-Wide Support Services	5,348,780	2,051,736	3,297,044	6,631,668
Debt Service:				
Principal	592,537	592,537	-	268,590
Total expenditures	6,094,517	2,644,273	3,450,244	6,900,258
Excess of revenues over (under) expenditures before other financing sources	(100,000)	(860,867)	(760,867)	(481,781)
Other financing sources:				
Installment purchase obligations issued		916,483	\$ 916,483	537,180
Fund Balance Appropriated	100,000		(100,000)	
Excess of revenues and other sources over (under) expenditures	\$ -	55,616	\$ 55,616	55,399
Fund balance, beginning of year		821,779		766,380
Fund balance, end of year		\$ 877,395		\$ 821,779

**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, 2022**

	Federal Grants Fund	Head Start Program	Combined Totals
REVENUES			
State of North Carolina	\$ -	\$ 175,500	\$ 175,500
U.S. Government	10,776,569	2,024,041	12,800,610
Other	-	2,418	2,418
	-	-	-
Total revenues	<u>10,776,569</u>	<u>2,201,959</u>	<u>12,978,528</u>
EXPENDITURES			
Current:			
Instructional services:			
Regular Instructional	4,243,377		4,243,377
Special Populations	1,463,604		1,463,604
Alternative Programs	3,472,355		3,472,355
School Leadership	26,657		26,657
Co-Curricular	33,306		33,306
School-Based Support	301,436		301,436
System-wide support services:			
Support and Development	164,616		164,616
Special Population Support and Development	1,948		1,948
Alternative Programs and Services Support and Development	136,906		136,906
Technology Support			-
Operational Support	123,021		123,021
Financial and Human Resource Policy, Leadership, and Public Relations	13,256		13,256
-			-
Ancillary services		2,208,678	2,208,678
Non-programmed charges	776,729		776,729
	-	-	-
Total expenditures	<u>10,757,211</u>	<u>2,208,678</u>	<u>12,965,889</u>
Revenues (under) expenditures	19,358	(6,719)	12,639
Other financing uses:			
Transfers to other funds	(19,358)		(19,358)
Fund balances, beginning of year		<u>238,933</u>	<u>238,933</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 232,214</u>	<u>\$ 232,214</u>

**MCDOWELL COUNTY BOARD OF EDUCATION
 DETAIL STATEMENT OF REVENUE AND EXPENDITURE
 BUDGET AND ACTUAL
 HEAD START PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

	2022			2021 Actual
	Budget	Actual	Variance (Negative)	
REVENUE:				
Head Start Grants	\$ 2,328,026	\$ 2,024,041	\$ (303,985)	\$ 2,025,680
NC Pre K	175,500	175,500	-	188,445
Local match	-	-	-	16,247
Paid Day Care	-	2,412	2,412	69,029
Appropriated Fund Balance	3,609	-	(3,609)	-
Interest Income	-	6	6	8
Total Revenue	2,507,135	2,201,959	(305,176)	2,299,409
EXPENDITURES:				
Head Start (PA22) - Federal:				
Salaries	696,587	650,797	45,790	645,764
Fringe benefits	305,317	300,215	5,102	287,879
Occupancy	37,351	31,600	5,751	17,630
Child travel	-	-	-	-
Transportation and staff travel	5,485	3,121	2,364	1,054
Seminars and Training	1,104	1,087	17	8,179
Nutrition and food	33,409	23,059	10,350	21,515
Administrative and Supplies	17,547	14,913	2,634	20,700
Other child services	52,516	41,242	11,274	43,970
Other parent services	16,034	14,559	1,475	10,224
Total	1,165,350	1,080,593	84,757	1,056,915
Head Start (PA25) - Federal:				
Salaries	469,731	455,345	14,386	486,476
Fringe benefits	235,815	224,426	11,389	220,597
Occupancy	43,240	20,274	22,966	23,407
Transportation and staff travel	4,534	1,716	2,818	379
Seminars and Training	-	-	-	1,917
Nutrition and food	28,278	20,969	7,309	12,811
Administrative and Supplies	12,013	11,337	676	13,744
Other child services	56,901	29,087	27,814	12,023
Other parent services	5,586	5,586	-	5,662
Total	856,098	768,740	87,358	777,016
Head Start (PA21) - Federal				
Seminars and Training	18,264	11,761	6,503	18,264
Other	-	-	-	-
Total	18,264	11,761	6,503	18,264
Head Start Training Technical Assistance (PA20):				
Seminars and Training	18,770	18,682	88	18,770
Other	-	-	-	-
Total	18,770	18,682	88	18,770

**MCDOWELL COUNTY BOARD OF EDUCATION
 DETAIL STATEMENT OF REVENUE AND EXPENDITURE
 BUDGET AND ACTUAL
 HEAD START PROGRAM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
CARES Act - Covid Grant (C3) - Federal:				
Salaries	\$ 165,208	\$ 73,958	\$ 91,250	\$ 7,121
Fringe benefits	25,715	19,772	5,943	1,805
Occupancy	2,700	2,687	13	1,165
Contingencies	-	-	-	-
Transportation and staff travel	-	-	-	-
Nutrition and food	-	-	-	107
Administrative and Supplies	24,447	-	24,447	15,765
Other child services	14,000	12,922	1,078	114,185
Other parent services	37,474	38,565	(1,091)	14,567
Training	-	-	-	-
Total	269,544	147,904	121,640	154,715
Paid Day Care:				
Salaries	124,938	125,444	(506)	162,244
Fringe benefits	48,020	48,452	(432)	54,576
Occupancy	3,944	5,044	(1,100)	1,623
Contingencies	-	-	-	-
Transportation and staff travel	-	12	(12)	21,521.00
Nutrition and food	750	619	131	3,203.00
Administrative and Supplies	877	863	14	508.00
Other child services	80	340	(260)	1,373
Other parent services	500	224	276	493
Training	-	-	-	50
Total	179,109	180,998	(1,889)	245,591
In-Kind:				
Volunteers	-	-	-	11,411
Contributions	-	-	-	4,836
Total	-	-	-	16,247
Total expenditures	2,507,135	2,208,678	298,457	2,287,518
Excess of revenue over (under) expenditures	\$ -	\$ (6,719)	\$ (6,719)	\$ 11,891

**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, 2022
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

	2022			2021
	Budget	Actual	Variance	Actual
Operating Revenues:				
Food sales	\$ 95,500	\$ 380,150	\$ 284,650	\$ 99,743
Other				
Total operating revenues	<u>95,500</u>	<u>380,150</u>	<u>284,650</u>	<u>99,743</u>
Operating Expenses:				
Business Support Services:				
Purchase of food		1,438,878		886,985
Donated commodities		358,358		303,887
Salaries and benefits		2,023,201		1,651,421
Materials and supplies		32,406		29,371
Repairs and maintenance		42,634		36,084
Noncapital Equipment		23,654		3,597
Capital Outlay		84,464		
Purchased services		31,031		23,112
Gas/Fuel		6,479		4,196
Total business support services	<u>4,600,000</u>	<u>4,041,105</u>	<u>558,895</u>	<u>2,938,653</u>
Indirect Costs	<u>350,000</u>	<u>165,465</u>	<u>184,535</u>	<u>188,772</u>
Total operating expenses	<u>4,950,000</u>	<u>4,206,570</u>	<u>743,430</u>	<u>3,127,425</u>
Operating (Loss)	<u>(4,854,500)</u>	<u>(3,826,420)</u>	<u>(458,780)</u>	<u>(3,027,682)</u>
Nonoperating Revenues:				
Federal reimbursements	4,300,000	4,047,300	(252,700)	3,075,063
Federal commodities	300,000	358,358	58,358	303,887
Sales tax	3,500	1,656	(1,844)	3,506
Miscellaneous Revenue	-	6,959	6,959	
Indirect costs not paid	200,000	4,753	(195,247)	188,772
Interest earned	1,000	621	(379)	729
Total nonoperating revenues	<u>4,804,500</u>	<u>4,419,647</u>	<u>(384,853)</u>	<u>3,571,957</u>
Excess of revenues over (under) expenditures before other financing sources	<u>(50,000)</u>	<u>593,227</u>	<u>643,227</u>	<u>544,275</u>
Other financing sources:				
Transfer from other funds	50,000	73,340	23,340	45,995
Fund Balance Appropriated			-	
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>666,567</u>	<u>\$ 666,567</u>	<u>590,270</u>
Reconciliation of Modified Accrual to Full Accrual Basis:				
Reconciling Items:				
Depreciation		(29,095)		(21,705)
Net OPEB asset		(2,139)		357
Deferred outflows		81,980		26,701
Deferred inflows		(190,526)		(97,564)
Net OPEB liability		(110,190)		247,813
Net pension liability		561,135		(125,801)
Capital Outlay		84,464		-
(Increase) decrease in accrued vacation pay		(21,414)		(14,920)
Increase (decrease) in inventory		14,206		(83,518)
Net Income (Loss) (Full Accrual)		<u>\$ 1,054,988</u>		<u>\$ 521,633</u>

**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, 2022
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)**

	<u>Budget</u>	<u>2022 Actual</u>	<u>Variance</u>	<u>2021 Actual</u>
Revenues:				
Child care fees	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenditures:				
Regular community service:				
Salaries and benefits		-		-
Purchased services		-		-
Materials and supplies		7,563		-
Total operating expenditures	<u>7,563</u>	<u>7,563</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures before other financing sources	<u>(7,563)</u>	<u>(7,563)</u>	<u>-</u>	<u>-</u>
Other Financing Sources:				
Operating transfers - in	-	-	-	-
Fund Balance Appropriated	7,563	-	(7,563)	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(7,563)</u>	<u>\$ (7,563)</u>	<u>-</u>
Reconciliation of Modified Accrual to Full Accrual Basis:				
Reconciling Items:				
Net OPEB asset		-		(57)
Deferred outflows		-		(9,949)
Deferred inflows		-		17,819
Net OPEB liability		-		41,192
Net pension liability		-		15,669
(Increase) decrease in Accrued Vacation Pay		<u>-</u>		<u>3,366</u>
Net Income (Full Accrual)		<u>\$ (7,563)</u>		<u>\$ 68,040</u>

COMPLIANCE SECTION

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

205 East Union Street
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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, 2022, 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 21, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

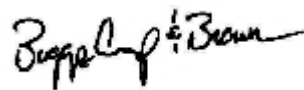
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink, appearing to read "Boggs, Crump & Brown". The signature is written in a cursive, flowing style.

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

November 21, 2022
Morganton, North Carolina

Boggs, Crump & Brown, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

205 East Union Street
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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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McDowell County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the McDowell County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to McDowell County Board of Education federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

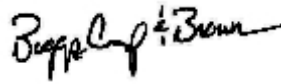
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to read "Boggs Crump & Brown". The signature is written in a cursive, flowing style.

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

November 21, 2022
Morganton, North Carolina

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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
McDowell County, North Carolina

Report on Compliance for Each Major State Program

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McDowell County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the McDowell County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to McDowell County Board of Education State programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

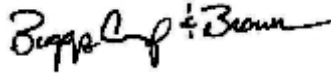
Report on Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Boggs, Crump & Brown". The signature is written in a cursive, flowing style.

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

November 21, 2022
Morganton, North Carolina

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| * Significant deficiency(s) identified that are not considered to be material weaknesses | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Noncompliance material to financial statements noted | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Federal Awards

Internal control over major federal programs:

- | | | |
|--|------------------------------|---|
| * Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| * Significant deficiency(s) identified that are not considered to be material weaknesses | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Noncompliance material to federal awards | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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) | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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
84-027A	Special Education - Risk Pool
84-027A	Special Education - Special Needs Targeted Assistance
81.173	Special Education - American Rescue Pre-School
84.173	Special Education - Pre-School Targeted Assistance
84.425	Education Stabilization Fund
93.600	Head Start
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.367	Supporting Effective Instruction State Grants

**MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section I. Summary of Auditor's Results- (Continued):

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
State Appropriations - Buses

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, 2022**

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
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<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 - Educationally Deprived Children	84.010	\$ 1,794,705	
Education for Homeless Children and Youth	84.196	45,188	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	114,087	
Language Acquisition	84.229	87,956	
Rural Education Initiative	84.358-1	5,124	
Student Support and Academic Enrichment Program	84.424	144,267	
<u>Office of Special Education and Rehabilitation Services</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
Special Education Cluster:			
Individual With Disabilities Education Act			
Special Education- Grants to States (IDEA Part B)- Education of Handicapped	84.027	1,367,428	
Special Education- Risk Pool	84.027A	6,225	
Special Education-Special Needs Targeted Assistance	84.027A	2,185	
Special Education - American Rescue Pre-School	84.173	630	
Special Education-Preschool Targeted Assistance	84.173	34,899	
Total Special Education Cluster		<u>1,411,367</u>	
Special Education - State Improvement	84.323	2,512	
Total Office of Special Education and Rehabilitation Services		<u>1,413,879</u>	
<u>Office of Vocation and Adult Education</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
Carl D. Perkins Vocational and Applied Technology: Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	97,331	
COVID- 19 Education Stabilization Fund	84.425		
CARES Act K12 Emergency Relief Fund		789,564	
Digital Curricula		1,057	
Learning Management System		3,497	
Exceptional Children Grants		53,059	
Specialized Instructional Support for Covid-19		138,447	
GEER Supplemental Instruction		76,713	
Supplemental K12 Emergency Relief Fund		2,292,613	
CRRSA ESSER II Summer Career Accelerator Program		9,959	
ARP K-12 Emergency Relief Fund		3,250,861	
ARP ESSER III - Homeless II		1,962	
ARP Teacher Bonuses		436,942	
Total Education Stabilization Fund	84.425	<u>7,054,674</u>	
Total U.S. Department of Education		<u>10,757,211</u>	
<u>U.S. Department of Agriculture</u>			
<u>Passed through N.C. Department of Public Instruction:</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	<u>358,358</u>	
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
National School Lunch Program	10.555	147,132	
Summer Food Service Program for Children	10.559	3,698,994	
Child Nutrition Equipment	10.559	19,358	
Total Cash Assistance		<u>3,865,484</u>	
Total Child Nutrition Cluster		<u>4,223,842</u>	
Fresh Fruits & Vegetables	10.582	201,174	
Total U.S. Department of Agriculture		<u>4,425,016</u>	

MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<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 the Treasurer</u> <u>Passed-through the N.C. Office of State Management and Budget</u> N.C. Pandemic Recovery Office Passed-through the N.C. Department of Public Instruction: Coronavirus Relief Fund Low Wealth Counties Supplemental Funding	21.019	<u>188,599</u>	
<u>U.S. Department of Health and Human Services</u> <u>Passed-through N.C. Department of Health and Human Services:</u> ELC Covid Testing	93.323	<u>109,953</u>	
<u>U.S. Department of the Treasurer</u> <u>Passed-through the N.C. Office of State Management and Budget</u> N.C. Pandemic Recovery Office Passed-through the N.C. Department of Public Instruction: Coronavirus State and Local Fiscal Recovery Funds ARP - Employee Bonuses	21.027	<u>1,401,590</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	<u>\$ 2,024,041</u>	
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	<u>77,989</u>	
<u>U.S. Department of Defense:</u> <u>Direct Program:</u> N.J.R.O.T.C. Total Federal Assistance	12.000	<u>66,384</u> <u>\$ 19,050,783</u>	
STATE GRANTS:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u> State Public School Fund			\$ 42,542,324
School Technology Fund -SPSF			68,057
Driver Training - SPSF			108,918
Vocational Education: State Months of Employment			2,136,331
Program Support			<u>245,806</u>
Total N.C. Department of Public Instruction			<u>45,101,436</u>
<u>N.C. Department of Health and Human Resources:</u> Division of Child Development - Smart Start			105,902
Division of Child Development - NC Pre-Kindergarten Program			1,370,263
School Nurse Grant			150,000
Community Based Alternatives - Dropout Prevention			28,924
Family Resource Program			<u>137,729</u>
Total N.C. Department of Human Resources			<u>1,792,818</u>

MCDOWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Federal - State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
STATE GRANTS : (continued)			
Non-Cash Assistance			
<u>N.C. Department of Public Instruction:</u>			
State appropriations - buses			592,537
Total State Assistance Programs			<u>\$ 47,486,791</u>

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, 2022. 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, 2022

<u>Type of Fund</u>	<u>Assets</u>	<u>Computes "X" if Meets</u>		<u>Liabilities</u>	<u>Computes "X" if Meets</u>		<u>Revenue</u>	<u>Computes "X" if Meets</u>		<u>Expenditures/ Expenses</u>	<u>Computes "X" if Meets</u>		<u>Computes "MAJOR" if Fund is Major if a "Category" Has an "X" in Both Columns, Then Fund is a Major Fund</u>
		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>		<u>10% Rule</u>	<u>5% Rule</u>	
General Fund	\$ 7,919,389	x	x	\$ 239,214	x	x	\$ 13,911,465	x	x	\$ 13,777,239	x	x	Always Major
Special Revenue Funds:													
State Public School Fund	180,084			180,084	x	x	46,691,625	x	x	46,637,643	x	x	Major
Federal Grants Fund	300,432			68,218			12,978,528	x	x	12,965,889	x	x	Major
Individual Schools	953,222		x	-			1,803,198			1,804,873			
Capital Projects Funds:													
Capital Outlay Fund	877,395		x	-			1,783,406			2,644,273			Major - Discretion of Auditee
Total Government Funds	\$ 10,230,522			\$ 487,516			\$ 77,168,222			\$ 77,829,917			
10% of Total Governmental Funds	\$ 1,023,052			\$ 48,752			\$ 7,716,822			\$ 7,782,992			
Enterprise Funds:													
Child Nutrition Fund	\$ 2,288,953	x	x	\$ 2,509,334	x	x	\$ 4,799,797	x	x	\$ 3,818,149	x		Major
Child Care	-			-			-			7,563			
Total Enterprise Funds	\$ 2,288,953			\$ 2,509,334			\$ 4,799,797			\$ 3,825,712			
10% of Total Enterprise Funds	\$ 228,895			\$ 250,933			\$ 479,980			\$ 382,571			
Total Governmental and Enterprise Funds	\$ 12,519,475			\$ 2,996,850			\$ 81,968,019			\$ 81,655,629			
5% of Total Governmental and Enterprise Funds	\$ 625,974			\$ 149,843			\$ 4,098,401			\$ 4,082,781			

SUPPLEMENTARY INFORMATION

**MCDOWELL COUNTY BOARD OF EDUCATION
SPECIAL FUNDS OF INDIVIDUAL SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2022**

<u>School</u>	<u>Cash Balance June 30, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2022</u>
Academy for Innovation	\$ 31,621	\$ 15,694	\$ 13,737	\$ 33,578
Early College	29,367	121,427	125,839	24,955
Eastfield Elementary	16,777	29,596	23,677	22,696
East McDowell Middle	61,749	122,800	121,790	62,759
Foothills Community School		59,365	44,922	14,443
Glenwood Elementary	55,052	54,134	49,877	59,309
Marion Elementary	8,646	32,729	29,865	11,510
McDowell High	428,961	901,076	892,698	437,339
Nebo Elementary	48,155	70,203	80,556	37,802
North Cove Elementary	11,507	42,496	41,377	12,626
Old Fort Elementary	28,294	70,684	69,307	29,671
Pleasant Gardens Elementary	58,649	54,941	63,292	50,298
West Marion Elementary	32,739	52,395	67,743	17,391
West McDowell Middle	143,380	175,658	180,193	138,845
Totals	<u>\$ 954,897</u>	<u>\$ 1,803,198</u>	<u>\$ 1,804,873</u>	<u>\$ 953,222</u>