Annual Financial Report
of the
Transylvania County Schools

Brevard, North Carolina

For the Year Ended June 30, 2021

Transylvania
County Schools

Transylvania County Schools

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CARLAND & ANDERSEN, INC.
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MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Transylvania County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina as of June 30, 2021, and the respective changes in financial position, and, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Restricted Grants Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transylvania County Board of Education's basic financial statements. The individual fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and budgetary schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 19, 2022 on our consideration of the Transylvania County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Transylvania County Board of Education's internal control over financial reporting and compliance.

Cauley & Adyson, Inc.

Brevard, North Carolina
January 19, 2022

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Management's Discussion and Analysis

This section of the Transylvania County Schools *(the Board)* financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2021. This information should be read in conjunction with the audited financial statements included in this report.

Financial and Economic Highlights

Impact of Coronavirus on School. During the fiscal year, the state and nation were affected by the spread of the COVID-19 virus. The Board's response to the coronavirus pandemic included offering remote learning combined with in-person instruction when the health and safety of the students and staff allowed. The Child Nutrition Department also continued to provide meals to students. While the Board has experienced challenges of additional expenditures due to remote learning, the system has been able to utilize relief funding available from state and federal sources. The Board anticipates a leveling of enrollment over the next several years but will need continued funding support to implement federal and state mandates.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental information section that presents schedules for the Teachers' and State Employees' Retirement System, Retiree Health Benefits Fund, Disability Income Plan of North Carolina and budgetary statements for the capital outlay and enterprise funds*

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

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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 and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a 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 Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position – the difference between the Board's total of assets and deferred outflows of resources, and the total of liabilities and deferred inflows of resources – is one way to measure the Board's financial health. Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating. To assess the Board's overall health, one should 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 Board's activities are divided into two categories in the government-wide statements:

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

Fund Financial Statements
The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. 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.

Transylvania County Schools has three types of funds:

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- *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 coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the governmental funds statements, 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 Capital Outlay Fund, the Restricted Grants Fund, the Federal Grants Fund, and the Individual Schools Fund. *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. Transylvania County Schools has one proprietary fund – an enterprise fund – the School Food Service Fund.
- *Fiduciary fund:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Transylvania County Schools has one fiduciary fund that accounts for five activities, that includes four scholarship funds managed for the benefit of graduating Transylvania County Schools students and one fund established to enrich Career and Technical Education programs.

Financial Analysis of the Schools as a Whole

Table I - Condensed Statement of Net Position as of June 30, 2021

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current assets	$ 5,062,440	$ 4,479,889	$ 786,096	$ 310,870	$ 5,848,536	$ 4,790,759
Capital assets	39,102,642	38,003,142	107,000	78,627	39,209,642	38,081,769
Total assets	44,165,082	42,483,031	893,096	389,497	45,058,178	42,872,528
Deferred outflows of resources	10,384,283	10,023,795	332,006	322,003	10,716,289	10,345,798
Current liabilities	3,086,902	3,009,994	60,035	72,131	3,146,937	3,082,125
Long-term liabilities	52,956,108	55,618,921	1,943,765	2,014,908	54,899,873	57,633,829
Total liabilities	56,043,010	58,628,915	2,003,800	2,087,039	58,046,810	60,715,954
Deferred inflows of resources	18,167,014	17,254,945	770,427	741,087	18,937,441	17,996,032
Net investment in capital assets	38,949,599	37,774,767	107,000	78,627	39,056,599	37,853,394
Restricted net position	1,525,261	1,761,970	2,339	2,125	1,527,600	1,764,095
Unrestricted net position (deficit)	(60,135,519)	(62,913,771)	(1,658,464)	(2,197,378)	(61,793,983)	(65,111,149)
Total net position	$ (19,660,659)	$ (23,377,034)	$ (1,549,125)	$ (2,116,626)	$ (21,209,784)	$ (25,493,660)

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Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $21,209,784 as of June 30, 2021. The largest component of net position is net investment in capital assets of $39,056,599.

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

Table II - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	$ 988,926	$ 1,526,356	$ 115,099	$ 317,626	$ 1,104,025	$ 1,843,982
Operating grants and contributions	27,350,751	25,517,329	1,994,709	1,475,620	29,345,460	26,992,949
Capital grants and contributions		23,838				23,838
General revenues:						
Other revenues	16,778,003	15,732,099	28,707	14,935	16,806,710	15,747,034
Total revenues	45,117,680	42,799,622	2,138,515	1,808,181	47,256,195	44,607,803
EXPENSES						
Governmental activities:						
Instructional services	31,847,576	32,973,366			31,847,576	32,973,366
System-wide support services	7,881,702	7,103,792			7,881,702	7,103,792
Ancillary services	67,224	138,332			67,224	138,332
Non-programmed charges	1,212,827	1,294,661			1,212,827	1,294,661
Business-type activities:						
Food service	-	-	1,962,990	2,243,356	1,962,990	2,243,356
Total expenses	41,009,329	41,510,151	1,962,990	2,243,356	42,972,319	43,753,507
Transfers in (out)	(391,976)	(439,532)	391,976	439,532	-	-
Increase (decrease) in net position	3,716,375	849,939	567,501	4,357	4,283,876	854,296
Net position - beginning	(23,377,034)	(24,226,973)	(2,116,626)	(2,120,983)	(25,493,660)	(26,347,956)
Net position - ending	$ (19,660,659)	$ (23,377,034)	$ (1,549,125)	$ (2,116,626)	$ (21,209,784)	$ (25,493,660)

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Total governmental activities generated revenues of $45.1 million while expenses and transfers out in this category totaled $41.4 million for the year ended June 30, 2021. Comparatively, revenues were $42.8 million and expenses totaled $42.0 million for the year ended June 30, 2020. After transfers to the business-type activities, net position increased by $3.7 million at June 30, 2021, compared to an increase of $850 thousand in 2020. Instructional expenses comprised 77.7% of total governmental-type expenses while support services made up 19.2% of those expenses for 2021. County funding comprised 35.2% of total governmental revenue. Most of the remaining governmental revenue for 2021 consisted of restricted state and federal money. Business-type activities generated revenue of $2.1 million and had expenses of $1.9 million. Net position increased by $567,501, after transfers in from the governmental activities of $391,976.

Capital Assets

The following is a summary of the capital assets, net of depreciation at year-end:

Table III - Summary of Capital Assets as of June 30, 2021

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and improvements	$ 12,106,140	$ 12,106,140	$ -	$ -	$ 12,106,140	$ 12,106,140
Construction in progress	3,365,250	1,452,659	-	-	3,365,250	1,452,659
Buildings	52,605,455	52,335,147	-	-	52,605,455	52,335,147
Furniture and equipment	600,430	577,930	826,765	774,892	1,427,195	1,352,822
Vehicles	4,893,542	4,592,488	77,708	77,708	4,971,250	4,670,196
Accumulated depreciation	(34,468,175)	(33,061,222)	(797,473)	(773,973)	(35,265,648)	(33,835,195)
Total	$ 39,102,642	$ 38,003,142	$ 107,000	$ 78,627	$ 39,209,642	$ 38,081,769

Debt Outstanding

During the year the Board's outstanding debt decreased by $75,332, reflecting the proceeds of installment purchase obligations less the payments made on those installment purchase obligations for school buses.

Requests for Information

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

Gabrielle Frost, Chief Finance Officer
Transylvania County Board of Education
225 Rosenwald Lane
Brevard, NC 28712

Transylvania County Schools

Exhibit 1

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,665,005	$ 595,857	$ 4,260,862
Due from other governments	1,085,634	95,733	1,181,367
Receivables (net)	211,326	5,738	217,064
Net other post employment benefits asset	62,031	2,339	64,370
Internal balances	38,444	(38,444)	-
Inventories		124,873	124,873
Capital assets:			
Land, improvements, and construction in progress	15,471,390		15,471,390
Other capital assets, net of depreciation	23,631,252	107,000	23,738,252
Total capital assets	39,102,642	107,000	39,209,642
Total assets	44,165,082	893,096	45,058,178
DEFERRED OUTFLOWS OF RESOURCES	10,384,283	332,006	10,716,289
LIABILITIES			
Accounts payable and accrued expenses	294,627	30,240	324,867
Accrued salaries and wages payable	1,259,270		1,259,270
Long-term liabilities:			
Due within one year	1,533,005	29,795	1,562,800
Net pension liability	17,575,348	536,774	18,112,122
Net other post employment benefits liability	34,813,285	1,395,032	36,208,317
Due in more than one year	567,475	11,959	579,434
Total liabilities	56,043,010	2,003,800	58,046,810
DEFERRED INFLOWS OF RESOURCES	18,167,014	770,427	18,937,441
NET POSITION			
Net investment in capital assets	38,949,599	107,000	39,056,599
Restricted:			
Individual schools	908,816		908,816
Stabilization by state statute	65,156		65,156
School capital outlay	489,258		489,258
Disability income plan of North Carolina	62,031	2,339	64,370
Unrestricted	(60,135,519)	(1,658,464)	(61,793,983)
Total net position	$ (19,660,659)	$ (1,549,125)	$ (21,209,784)

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

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Exhibit 2

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:						
Governmental Activities:						
Instructional services:						
Regular instructional	$ 19,156,508	$ 54,626	$ 15,186,105	$ (3,915,777)		$ (3,915,777)
Special populations	4,360,613		3,850,613	(510,000)		(510,000)
Alternative programs	2,208,757		1,990,162	(218,595)		(218,595)
School leadership	2,613,972		1,445,854	(1,168,118)		(1,168,118)
Co-curricular	394,690			(394,690)		(394,690)
School-based support	3,113,036	850,988	1,928,029	(334,019)		(334,019)
System-wide support services:						
Support and development	584,667		231,254	(353,413)		(353,413)
Special populations support and development	126,872		49,734	(77,138)		(77,138)
Technology support	296,151		124,068	(172,083)		(172,083)
Operational support	5,573,973	83,312	1,889,324	(3,601,337)		(3,601,337)
Financial and human resource	758,861		200,864	(557,997)		(557,997)
Accountability	1,268			(1,268)		(1,268)
Policy, leadership, and public relations	539,910		252,809	(287,101)		(287,101)
Ancillary services:				-		
Community services	67,224		15,452	(51,772)		(51,772)
Non-programmed charges	1,212,827		186,483	(1,026,344)		(1,026,344)
Total governmental activities	41,009,329	988,926	27,350,751	(12,669,652)		(12,669,652)

(continued)

Business-type Activities:						
School food service	1,962,990	115,099	1,994,709		146,818	146,818
Total business-type activities	1,962,990	115,099	1,994,709		146,818	146,818
Total primary government	$ 42,972,319	$ 1,104,025	$ 29,345,460	$ (12,669,652)	$ 146,818	$ (12,522,834)

General revenues:			
Unrestricted county appropriations - operating	12,794,494		12,794,494
Unrestricted county appropriations - capital	3,093,002		3,093,002
Unrestricted state appropriations - capital	179,631		179,631
Investment earnings, unrestricted	3,051	352	3,403
Non-capital OPEB plan contribution	603,500	16,747	620,247
Miscellaneous, unrestricted	104,325	11,608	115,933
Total general revenues excluding transfers	16,778,003	28,707	16,806,710
Transfers	(391,976)	391,976	-
Total general revenues and transfers	16,386,027	420,683	16,806,710
Change in net position	3,716,375	567,501	4,283,876
Net position-beginning	(23,377,034)	(2,116,626)	(25,493,660)
Net position-ending	$ (19,660,659)	$ (1,549,125)	$ (21,209,784)

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

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Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds						Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
ASSETS							
Cash and cash equivalents	$ 1,934,704		$ 494,722	$ 326,763		$ 908,816	$ 3,665,005
Accounts receivable	22,735		184,614	3,977			211,326
Due from other funds	38,444						38,444
Due from other governments		$ 979,452			$ 106,182		1,085,634
Total assets	$ 1,995,883	$ 979,452	$ 679,336	$ 330,740	$ 106,182	$ 908,816	$ 5,000,409
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 104,549		$ 190,078				$ 294,627
Accrued salaries and benefits payable	140,608	$ 979,452		33,028	106,182		1,259,270
Total liabilities	245,157	979,452	190,078	33,028	106,182	-	1,553,897
Fund balances:							
Restricted:							
Stabilization by state statute	61,179			3,977			65,156
School capital outlay			489,258				489,258
Individual schools						908,816	908,816
Assigned:							
Subsequent years expenditures	123,720			30,352			154,072
Medicaid reimbursement				18,587			18,587
Bike team				1,000			1,000
Supplies				9,182			9,182
Hearing impaired				48,119			48,119
Unassigned	1,565,827			186,495			1,752,322
Total fund balances	1,750,726	-	489,258	297,712	-	908,816	3,446,512
Total liabilities and fund balances	$ 1,995,883	$ 979,452	$ 679,336	$ 330,740	$ 106,182	$ 908,816	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Net OPEB asset	62,031
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,102,642
Deferred outflows of resources related to pensions	6,854,675
Deferred outflows of resources related to other post employment benefits	3,529,608
Some liabilities including long-term debt are not due and payable in the current period and therefore are not reported in the funds.	(2,100,480)
Net pension liability	(17,575,348)
Net other post employment benefits liability	(34,813,285)
Deferred inflows of resources related to pensions	(137,237)
Deferred inflows of resources related to other post employment benefits	(18,029,777)
Net position of governmental activities	$ (19,660,659)

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

Transylvania County Schools

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds						Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
REVENUES							
State of North Carolina		$ 23,601,353	$ 180,962	$ 305,961			$ 24,088,276
U.S. Government				491,940	$ 2,927,175		3,419,115
Transylvania County	$ 12,794,494		3,093,002				15,887,496
Other	91,285			171,777		$ 850,988	1,114,050
Total revenues	12,885,779	23,601,353	3,273,964	969,678	2,927,175	850,988	44,508,937
EXPENDITURES							
Current:							
Instructional services	6,655,382	20,850,603	544,672	908,009	2,727,937	610,744	32,297,347
System-wide support services	4,225,543	2,647,358	2,955,972	30,144	100,695		9,959,712
Community services	7,150			48,519	15,452		71,121
Non-programmed charges	1,088,525				83,091		1,171,616
Debt service:							
Principal			179,631				179,631
Total expenditures	11,976,600	23,497,961	3,680,275	986,672	2,927,175	610,744	43,679,427
Excess (deficiency) of revenues over expenditures	909,179	103,392	(406,311)	(16,994)	-	240,244	829,510
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(250,000)	(103,392)	(38,584)				(391,976)
Installment purchase obligations issued			104,299				104,299
Sale of surplus property			5,243				5,243
Total other financing sources (uses)	(250,000)	(103,392)	70,958	-	-	-	(282,434)
Net change in fund balance	659,179	-	(335,353)	(16,994)	-	240,244	547,076
Fund balances-beginning	1,091,547	-	824,611	314,706	-	668,572	2,899,436
Fund balances-ending	$ 1,750,726	$ -	$ 489,258	$ 297,712	$ -	$ 908,816	$ 3,446,512

(continued)

Transylvania
County Schools

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	$	547,076
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,099,500
Contributions to the pension plan in the current year are not included on the Statement of Activities		3,331,319
Contributions to the other post employment benefits plan in the current fiscal year are not included on the Statement of Activities		1,525,915
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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		75,332
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		(4,940,393)
Net other post employment benefits expense		1,473,585
Non-capital other post employment benefits plan		603,500
Net change in compensated absences		541
Total changes in net position of governmental activities	$	3,716,375

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

Transylvania County Schools

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2021

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual Amounts	Variance	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:								
State of North Carolina					$ 23,708,305	$ 24,723,592	$ 23,601,353	$ (1,122,239)
Transylvania County	$ 12,794,494	$ 12,794,494	$ 12,794,494					
Other	110,000	110,000	91,285	$ (18,715)				
Total revenues	12,904,494	12,904,494	12,885,779	(18,715)	23,708,305	24,723,592	23,601,353	(1,122,239)
Expenditures:								
Current:								
Instructional programs:								
Regular instructional	4,249,109	4,261,113	3,843,944	417,169	14,775,444	14,909,896	14,317,766	592,130
Special populations	279,089	279,089	262,414	16,675	2,667,138	3,159,868	3,147,782	12,086
Alternative programs	81,737	81,737	146,571	(64,834)	709,959	785,687	650,324	135,363
School leadership	1,279,258	1,270,254	1,167,028	103,226	1,338,028	1,347,717	1,310,320	37,397
Co-curricular	372,609	372,609	303,128	69,481				
School-based support	1,114,909	1,114,909	932,297	182,612	1,535,035	1,579,917	1,424,411	155,506
Total instructional programs	7,376,711	7,379,711	6,655,382	724,329	21,025,604	21,783,085	20,850,603	932,482
System-wide support services:								
Support and development	614,878	614,878	354,439	260,439	238,062	238,062	229,183	8,879
Special population support and development	58,258	58,258	60,545	(2,287)	32,000	32,000		32,000
Technology support			164,941	(164,941)	4,000	79,178	75,178	4,000
Operational support	2,661,665	2,661,665	2,807,806	(146,141)	1,950,337	2,027,965	1,889,324	138,641
Financial and human resource	553,971	553,971	554,124	(153)	160,984	205,984	200,864	5,120
Accountability	8,770	8,770	1,225	7,545				
Policy, leadership, and public relations	360,744	357,744	282,463	75,281	193,580	253,580	252,809	771
Total system-wide support services	4,258,286	4,255,286	4,225,543	29,743	2,578,963	2,836,769	2,647,358	189,411

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued)
General Fund and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2021

Community services	11,617	11,617	7,150	4,467				
Non-programmed charges	1,131,600	1,131,600	1,088,525	43,075				
Total expenditures	12,778,214	12,778,214	11,976,600	801,614	23,604,567	24,619,854	23,497,961	1,121,893
Revenues over (under) expenditures	126,280	126,280	909,179	782,899	103,738	103,738	103,392	(346)
Other financing sources (uses):								
Transfers to other funds	(250,000)	(250,000)	(250,000)	-	(103,738)	(103,738)	(103,392)	346
Appropriated fund balance	123,720	123,720		(123,720)				
Net change in fund balance	$ -	$ -	659,179	$ 659,179	$ -	$ -	-	$ -
Fund balances, beginning of year			1,091,547				-	
Fund balances, end of year			$ 1,750,726				$ -	

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

Transylvania
County Schools

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2021

	Restricted Grants Fund				Federal Grants Fund			
	Original Budget	Final Budget	Actual Amounts	Variance	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:								
State of North Carolina	$ 338,822	$ 338,732	$ 305,961	$ (32,771)				
U.S. government	127,000	299,708	491,940	192,232	$ 3,045,416	$ 3,510,963	$ 2,927,175	$ (583,788)
Other	255,054	293,585	171,777	(121,808)				
Total revenues	720,876	932,025	969,678	37,653	3,045,416	3,510,963	2,927,175	(583,788)
Expenditures:								
Current:								
Instructional programs:								
Regular instructional	5,000	9,500	8,690	810	284,532	357,237	349,042	8,195
Special populations	361,674	347,974	273,781	74,193	689,467	711,203	702,831	8,372
Alternative programs	396,249	418,890	414,344	4,546	1,073,785	1,125,851	1,036,912	88,939
School-based leadership					163,564	163,564	135,534	28,030
School-based support	43,200	238,408	211,194	27,214	330,158	529,791	503,618	26,173
Total instructional programs	806,123	1,014,772	908,009	106,763	2,541,506	2,887,646	2,727,937	159,709
System-wide support services:								
Support and development		2,500	1,358	1,142		2,500	2,071	429
Special population support and development	28,094	28,094	24,529	3,565	67,100	67,100	49,734	17,366
Technology support	9,063	9,063	4,257	4,806	70,000	70,000	48,890	21,110
Total system-wide support services	37,157	39,657	30,144	9,513	137,100	139,600	100,695	38,905

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued)
General Fund and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2021

Community services	75,684	75,684	48,519	27,165	32,152	162,165	15,452	146,713
Non-programmed charges					334,658	321,552	83,091	238,461
Total expenditures	918,964	1,130,113	986,672	143,441	3,045,416	3,510,963	2,927,175	583,788
Revenues over (under) expenditures	(198,088)	(198,088)	(16,994)	181,094	-	-	-	-
Appropriated fund balance	198,088	198,088	-	(198,088)	-	-	-	-
Net change in fund balance	$ -	$ -	(16,994)	$ (16,994)	$ -	$ -	-	$ -
Fund balances, beginning of year			314,706				-	
Fund balances, end of year			$ 297,712				$ -	

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

Transylvania
County Schools

Exhibit 6

Statement of Net Position
Proprietary Fund
June 30, 2021

	Major Fund School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	$ 595,857
Due from other governments	95,733
Receivables (net)	5,738
Net other post employment benefits asset	2,339
Inventories	124,873
Total current assets	824,540
Noncurrent assets:	
Capital assets, net of depreciation	107,000
Total assets	931,540
DEFERRED OUTFLOWS OF RESOURCES	332,006
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	30,240
Due to other funds	38,444
Total current liabilities	68,684
Noncurrent liabilities:	
Net pension liability	536,774
Net other post employment benefits liability	1,395,032
Compensated absences	41,754
Total noncurrent liabilities	1,973,560
Total liabilities	2,042,244
DEFERRED INFLOWS OF RESOURCES	770,427
NET POSITION	
Net investment in capital assets	107,000
Restricted for DIPNC other post employment benefits	2,339
Unrestricted	(1,658,464)
Total net position	$ (1,549,125)

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

Transylvania County Schools

Exhibit 7

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Major Fund School Food Service
OPERATING REVENUES	
Food sales	$ 115,099
Other	11,608
Total operating revenues	126,707
OPERATING EXPENSES	
Salaries and benefits	1,051,062
Contracted services	33,506
Materials and supplies	76,501
Food cost:	
Purchase of food	466,676
Donated commodities	183,134
Indirect costs	128,611
Depreciation	23,500
Total operating expenses	1,962,990
Operating income (loss)	(1,836,283)
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	1,682,964
Federal commodities	183,134
Non-capital OPEB contribution	16,747
Interest earned	352
Indirect costs not paid	128,611
Total nonoperating revenue (expenses)	2,011,808
Income (loss) before contributions and transfers	175,525
Transfers from other funds	391,976
Change in net position	567,501
Total net position - beginning	(2,116,626)
Total net position - ending	$ (1,549,125)

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

Transylvania
County Schools

Exhibit 8

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Major Fund School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 111,765
Cash paid for goods and services	(602,583)
Cash paid to employees for services	(994,770)
Net cash (used) by operating activities	(1,485,588)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal, state, and local grants and reimbursements	1,682,964
Transfers from other funds	288,584
Net cash provided by noncapital financing activities	1,971,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(51,873)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	352
Net increase in cash and cash equivalents	434,439
Balances - beginning	161,418
Balances - ending	$ 595,857

(continued)

Transylvania County Schools

Exhibit 8

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

Reconciliation of operating income to net cash provided by operating activities:

Operating (loss)	$	(1,836,283)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	$	23,500
Donated commodities consumed		183,134
Salaries paid by special revenue fund		103,392
Indirect costs not paid		128,611
Non-capital other post employment benefits plan contribution		16,747
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) in due from other governments		(18,911)
(Increase) in accounts receivable		(61)
(Increase) in net other post employment benefits asset		(214)
(Increase) in inventory		(21,601)
Increase in net pension liability		72,720
(Decrease) in net other post employment benefits liability		(143,143)
(Increase) in deferred outflows		(10,003)
Increase in deferred inflows		29,340
(Decrease) in accounts payable and accrued liabilities		(4,299)
(Decrease) in long-term liabilities		(8,517)
Total adjustments	$	350,695
Net cash provided by operating activities	$	(1,485,588)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of $103,392 to administrative personnel of the School Food Service Fund during the year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

Indirect costs of $128,611 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue on Exhibit 7.

The School Food Service Fund received donated commodities with a value of $183,134 during the year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of $183,134 worth of donated commodities during the year as an operating expense. These transactions are reported on Exhibit 7.

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

Transylvania County Schools

Exhibit 9

Statement of Fiduciary Net Position

June 30, 2021

	Private-Purpose Trust Fund
Assets	
Cash and cash equivalents	$ 349,582
Net Position	
Assets held in trust for private purpose	$ 349,582

Statement of Change in Fiduciary Net Position

For the Year Ended June 30, 2021

	Private-Purpose Trust Fund
Additions:	
Contributions and other revenue	$ 39,063
Deductions:	
Scholarships	(43,550)
Change in net position	(4,487)
Net position, beginning	354,069
Net position, ending	$ 349,582

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

Summary of Significant Accounting Policies

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

A. Reporting Entity

The Transylvania County Schools (Board) is a Local Education Agency empowered by State law [Chapter 115C, Article 31 of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Transylvania County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities present information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities on 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, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. The fiduciary fund is presented separately.

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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].
- *State Public School Fund.* The State Public School Fund, also required by G.S. 115C-426, 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) and is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Transylvania County appropriations, restricted sales tax moneys, proceeds of Transylvania County bonds issued for public school construction, and lottery proceeds, as well as certain State assistance.
- *Restricted Grants Fund.* The Restricted Grants Fund accounts for all revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax revenues distributed using the ad valorem method pursuant to G.S. 105-472(b)(2), sales tax refunds, gifts and grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received for prekindergarten programs, and special programs.
- *Federal Grants Fund.* The Federal Grants Fund includes appropriations from the federal Department of Education for the current operating expenditures of the public school system.
- *Individual Schools Fund.* The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The Individual Schools Fund is reported as a special revenue fund.

The Board reports the following major enterprise fund:

- *School Food Service.* The School Food Service Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

The Board reports the following fiduciary fund:

- *Private-purpose Trust Fund* – The Connestee, Lollis, New Century Scholars, and Bjerg scholarships provide college tuition funds for the benefit of graduating students in the district. The Wenzlick Fund is used to account for endowment money under the control of the board for the enrichment of vocational education students in the district.

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These 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 to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. As required by G.S. 115C-425, annual budgets are adopted for all funds, except for the individual schools special revenue fund. While no budget is required for funds of individual schools, such funds must be accounted for in accordance with the provisions of G.S. 115C-448. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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), is an SEC-registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P Global Ratings and AAAmf by Moody's Investors Service. The NCCMT Government Portfolios is reported at fair value.

The Short-Term Investment Fund (STIF) is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs – other than quoted prices – included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at $1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2021 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

Cash and Cash Equivalents:

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

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.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the Board to capitalize all capital assets costing $5,000 or more with an estimated useful life of two or more years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Transylvania County holds title to certain properties, which are not reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	Years
Buildings	40
Equipment and furniture	12
Vehicles	7
Computer equipment	5

Deferred outflows of resources and deferred inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources and for deferred inflows 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 other post employment benefits (OPEB) related deferrals and contributions made to the plans after 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 including prepaid items in the Enterprise Fund and pension and OPEB related deferrals.

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.

Compensated Absences:

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2021 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences based on prior years' records has been made.

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.

Net Position and Fund Balances:

Net position - Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

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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.
- Assets held for resale - portion of fund balance that is not an available resource because it represents the year-end balance of assets held for resale, 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 North Carolina General Statute section 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 purposes imposed by majority vote by quorum of the Board'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.

Assigned fund balance – portion of fund balance that the Board 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 as restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to modify the appropriations by resource or appropriation within funds up to $100,000.

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

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

Defined Benefit Pension Plan and Other Post Employment Benefit (OPEB) Plans:

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

Stewardship, Compliance and Accountability

A. Excess of expenditures over appropriations

During the fiscal year ended June 30, 2021 the Board reported expenditures within the General Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by $378,356.

Management will amend procedures to ensure compliance with preaudit requirements.

Detail Notes on All Funds

A. Assets

Deposits:

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report the adequacy of their pooled collateral covering uninsured deposits to the State Treasurer. 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, 2021, the Board had deposits with banks and savings and loans with a carrying amount of $4,238,185 and with the State Treasurer of $0. The bank balances with the financial institutions and the State Treasurer were $5,368,766 and $1,690,346, respectively. Of these balances, $500,000 was covered by federal depository insurance and $6,559,112 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. At June 30, 2021 the Board had $60 cash on hand.

Investments:

At June 30, 2021, the Board had $372,199 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2021. The Board has no policy for managing interest rate risk or credit risk.

Capital Assets:

Table I is a summary of changes in the Board's governmental capital assets.

Table I - Changes in Governmental Capital Assets

	7/1/2020 Balance	Additions	Retirements	Transfers	6/30/2021 Balance
Land and improvements	$ 12,106,140	$ -	$ -	$ -	$ 12,106,140
Construction in Progress	1,452,659	1,912,591	-	-	3,365,250
Buildings	52,335,147	270,308	-	-	52,605,455
Furniture and equipment	577,930	22,500	-	-	600,430
Vehicles	4,592,488	301,054	-	-	4,893,542
Accumulated depreciation	(33,061,222)	(1,406,953)	-	-	(34,468,175)
TOTAL	$ 38,003,142	$ 1,099,500	$ -	$ -	$ 39,102,642

Table II is a summary of changes in the Board's Proprietary Fund capital assets.

Table II - Changes in Proprietary Capital Assets

	7/1/2020 Balance	Additions	Retirements	Transfers	6/30/2021 Balance
Furniture and equipment	$ 774,892	$ 51,873	$ -	$ -	$ 826,765
Vehicles	77,708	-	-	-	77,708
Accumulated depreciation	(773,973)	(23,500)	-	-	(797,473)
TOTAL	$ 78,627	$ 28,373	$ -	$ -	$ 107,000

Financing Commitments:

Legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. The Board has entered into an agreement to purchase 5 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the Board out of funds allocated to the Board. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2021, has been recorded.

B. Liabilities

Pension Plan and Other Post Employment Obligations:

Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either

completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an 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, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions and investment income, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $3,423,761 for the year ended June 30, 2021.

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 any other benefit provided by TSERS.

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

At June 30, 2021, the Board reported a liability of $18,112,122 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 and at June 30, 2019, the Board's proportion was 0.14991% and 0.14873% respectively.

For the year ended June 30, 2021, the Board recognized pension expense of $5,077,484. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 998,075	
Changes of assumptions	613,769	
Net difference between projected and actual earnings on pension plan investments	2,003,015	
Changes in proportion and differences between Board contributions and proportionate share of contributions	28,918	178,940
Board contributions subsequent to the measurement date	3,423,761	
TOTAL	$ 7,067,538	$ 178,940

$3,423,761 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	$ 1,147,202
2023	913,477
2024	807,443
2025	596,715
TOTAL	$ 3,464,837

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 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 actuarial assumptions used for the December 31, 2019 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, 2019 are summarized in the following table:

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

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 Board's proportionate share of the net pension liability 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability	$ 32,597,565	$ 18,112,122	$ 5,961,832

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.

Other Post Employment Benefits (OPEB):

Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by 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 employers. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct 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 ended June 30, 2021, the Board contributed 6.68% of covered payroll which amounted to $1,547,410.

At June 30, 2021, the Board reported a liability of $36,208,317 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 and June 30, 2019, the Board's proportions were 0.13052% and 0.13120%, respectively.

$1,547,410 reported as deferred outflows of resources related to OPEB resulting from Board contributions after the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	$ 5,671,299
2023	5,667,323
2024	2,864,924
2025	1,237,215
2026	1,237,480
TOTAL	$ 16,678,241

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

Inflation	3.0 percent
Salary increases based on service	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent
Healthcare cost trend rate – medical	6.5 percent grading down to 5.0 percent by 2024 for non-MA and MA coverage
Healthcare cost trend rate – prescription drug	9.5 percent grading down to 5.0 percent by 2028
Healthcare cost trend rate –administrative	3.0 percent
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 2.21% at June 30, 2020 compared to 3.5% at June 30, 2019. 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 2.21% 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, 2020.

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 Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	$ 42,940,773	$ 36,208,317	$ 30,784,202

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 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 rates:

	1% Decrease in Trend Rates	Current Trend Rates (6.5% Medical 7.25% Prescription, 3.0%Administrative)	1% Increase in Trend Rates
Net OPEB liability	$ 29,190,450	$ 36,208,317	$ 45,588,640

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

Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided 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 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 Worker's Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 per 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 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, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $20,848 for the year ended June 30, 2021.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another post employment benefit.

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

At June 30, 2021, Board reported an asset of $64,370 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Board's proportion was 0.13085%.

$20,848 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	$ 13,502
2022	9,123
2023	4,671
2024	7,503
2025	1,018
Thereafter	2,752
TOTAL	$ 38,569

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including 3.5 percent inflation and productivity factor
Investment rate of return	3.75 percent, 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 Board's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.75 percent) or 1 percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net DIPNC OPEB asset	$ 55,593	$ 64,370	$ 72,892

Common actuarial assumptions for both OPEB plans. The total OPEB asset and liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB asset and liability was calculated using update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. 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, 2020. 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, 2020 is 1.2%.

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

Total OPEB Expense, OPEB Liability (Asset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	RHBF	DIPNC	Total
OPEB Expense	$ (1,563,569)	$ 49,094	$ (1,514,475)
OPEB Liability (Asset)	36,208,317	(64,370)	36,143,947
Proportionate share of the net OPEB liability (asset)	0.13052%	0.13085%	
Deferred Outflow of Resources			
Differences between expected and actual experience	32,802	46,631	79,433
Changes of assumptions	1,587,941	5,005	1,592,946
Net difference between projected and actual earnings on plan investments	76,277	-	76,277
Changes in proportion and differences between Board contributions and proportionate share of contributions	328,744	3,093	331,837
Board contributions subsequent to the measurement date	1,547,410	20,848	1,568,258
Deferred Inflows of Resources			
Differences between expected and actual experience	1,416,514	-	1,416,514
Changes of assumptions	14,693,907	5,069	14,698,976
Net difference between projected and actual earnings on plan investments	-	10,905	10,905
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,593,584	186	2,593,770

Deferred Outflows of Resources and Deferred Inflows of Resources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,077,508	$ 1,416,514
Changes of assumptions	2,206,715	14,698,976
Net difference between projected and actual earnings on plan investments	2,079,292	10,905
Changes in proportion and differences between Board contributions and proportionate share of contributions	360,755	2,772,710
Contributions subsequent to the measurement date	4,992,019	-
Revenues not yet earned (Business-type Activities)	-	38,336
TOTAL	$ 10,716,289	$ 18,937,441

Risk Management:
The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of $1 million per claim. The Trust has an annual aggregate limit for 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 either purchased through private insurers or self-insured by the local board. Coverage is provided to the extent that 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.

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

In accordance with G.S. 115C-442, the Board's employees who have custody at any given time of the Board's funds are performance bonded through a commercial surety bond. The Chief Finance Officer is bonded for $250,000. The remaining employees who have access to funds are bonded under a blanket bond for $175,000. 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.

C. Financing Commitments

Long-Term Obligations:

Table III is a summary of changes in the Board's outstanding debt for the year ended June 30, 2021.

Table III - Changes in Long-term Debt

Governmental Activities:	7/1/2020 Balance	Additions	Reductions	6/30/2021 Balance	Current Portion
Installment purchases	$ 228,375	$ 104,299	$ (179,631)	$ 153,043	$ 129,478
Net pension liability	14,954,721	2,620,627		17,575,348	
Net OPEB liability	39,971,725		(5,158,440)	34,813,285	
Compensated absences	1,947,978	1,245,040	(1,245,581)	1,947,437	1,403,527
Total	$ 57,102,799	$ 3,969,966	$ (6,583,652)	$ 54,489,113	$ 1,533,005
Business-type Activities:					
Net pension liability	$ 464,054	$ 72,720		$ 536,774	
Net OPEB liability	1,538,175		$ (143,143)	1,395,032	
Compensated absences	50,271	48,278	(56,795)	41,754	$ 29,795
Total	$ 2,052,500	$ 120,998	$ (199,938)	$ 1,973,560	$ 29,795

Due to/from other funds:

Due to/from other funds at June 30, 2021 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	School Food Service Fund	$ 38,444

Interfund Balances and Activity:

Transfers of $250,000 from the General Fund, $103,392 from the State Public School Fund, and $38,584 from the Capital Outlay Fund were made to the School Food Service Fund during the June 30, 2021 year for amounts appropriated by Transylvania County, for administrative costs, and for School Food Service equipment acquisitions, respectively.

Summary Disclosure of Significant Contingencies

A. 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 refund of grant monies.

B. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the Board continued to be in litigation resulting from an accident that occurred during a street festival event that the Board sponsored in May 2018. In the opinion of Board management and legal counsel, the ultimate effect of this legal matter will not have a material adverse effect on the Board's financial position.

C. Subsequent Events

Subsequent events have been evaluated through January 19, 2022, which is the date the financial statements were available to be issued.

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Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Eight Years

	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.14991%	0.14873%	0.15223%	0.15397%	0.15733%	0.15524%	0.15125%	0.15230%
Board's proportionate share of the net pension liability (asset)	$ 18,112,122	$ 15,418,775	$ 15,156,154	$ 12,216,656	$ 14,460,249	$ 5,720,900	$ 1,773,286	$ 9,246,162
Board's covered payroll	$ 23,135,803	$ 22,513,082	$ 21,916,412	$ 21,342,353	$ 21,136,984	$ 21,213,316	$ 20,330,813	$ 19,974,710
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	78.29%	68.49%	69.15%	57.24%	68.41%	26.97%	8.72%	46.29%
Plan fiduciary net position as a percentage of the total pension liability	92.01%	91.89%	89.51%	87.32%	94.64%	98.24%	90.60%	90.60%

Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Eight Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 3,423,761	$ 3,000,714	$ 2,766,858	$ 2,362,589	$ 2,129,967	$ 1,934,034	$ 1,941,018	$ 1,773,286
Contributions in relation to the contractually required contribution	3,423,761	3,000,714	2,766,858	2,362,589	2,129,967	1,934,034	1,941,018	1,773,286
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,164,826	$ 23,135,803	$ 22,513,082	$ 21,916,412	$ 21,342,353	$ 21,136,984	$ 21,213,316	$ 20,330,813
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%	9.15%	9.15%	8.72%

Transylvania
County Schools

Required Supplementary Information
Schedule of the Proportionate Share of the Net Other Post Employment Benefits Liability
Retiree Health Benefits Fund
Last Five Years

	2021	2020	2019	2018	2017
Board's proportion of the net other post employment benefits liability (asset)	0.13052%	0.13120%	0.13639%	0.14004%	0.13757%
Board's proportionate share of the net other post employment benefits liability (asset)	$ 36,208,317	$ 41,509,900	$ 38,855,529	$ 45,915,902	$ 59,847,902
Board's covered payroll	$ 23,135,803	$ 22,513,082	$ 21,916,412	$ 21,342,353	$ 21,136,984
Board's proportionate share of the net other post employment benefits liability (asset) as a percentage of its covered payroll	156.50%	184.38%	177.29%	215.14%	283.14%
Plan fiduciary net position as a percentage of the total other post employment benefits liability	4.40%	3.52%	3.52%	2.41%	2.41%

Schedule of Board Contributions
Retiree Health Benefits Fund
Last Five Years

	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,547,410	$ 1,496,886	$ 1,411,570	$ 1,325,943	$ 1,239,991
Contributions in relation to the contractually required contribution	1,547,410	1,496,886	1,411,570	1,325,943	1,239,991
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,164,826	$ 23,135,803	$ 22,513,082	$ 21,916,412	$ 21,342,353
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%

Required Supplementary Information
Schedule of the Proportionate Share of the Net Other Post Employment Benefits Asset
Disability Income Plan of North Carolina
Last Five Years

	2021	2020	2019	2018	2017
Board's proportion of the net other post employment benefits asset	0.13085%	0.13085%	0.13466%	0.13588%	0.14008%
Board's proportionate share of the net other post employment benefits asset	$ 64,370	$ 56,462	$ 40,904	$ 83,050	$ 86,990
Board's covered payroll	$23,135,803	$22,513,082	$21,916,412	$21,342,353	$21,136,984
Board's proportionate share of the net other post employment benefits asset as a percentage of its covered payroll	0.28%	0.25%	0.19%	0.39%	0.41%
Plan fiduciary net position as a percentage of the total other post employment benefits asset	116.47%	116.37%	116.23%	116.06%	117.06%

Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Five Years

	2021	2020	2019	2018	2017
Contractually required contribution	$ 20,848	$ 23,136	$ 31,518	$ 30,683	$ 81,101
Contributions in relation to the contractually required contribution	20,848	23,136	31,518	30,683	81,101
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$23,164,826	$23,135,803	$22,513,082	$21,916,412	$21,342,353
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%

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County Schools

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance
Revenues:			
State of North Carolina:			
Sales taxes and grants	$ 9,136	$ 1,331	$ (7,805)
Public School Capital Fund - Lottery	570,000		(570,000)
State appropriations-buses	338,079	179,631	(158,448)
Total State of North Carolina	917,215	180,962	(736,253)
Transylvania County:			
County appropriations	3,808,886	3,093,002	(715,884)
Other:			
Miscellaneous	600		(600)
Total Revenues	4,726,701	3,273,964	(1,452,737)
Expenditures:			
Instructional programs:			
Regular	115,876	90,256	25,620
Co-curricular	99,395	99,021	374
School-based support	460,100	355,395	104,705
Total instructional programs	675,371	544,672	130,699
Support services:			
Operational	4,124,425	2,953,704	1,170,721
Policy and leadership	3,000	2,268	732
Total support services	4,127,425	2,955,972	1,171,453
Debt Service:			
Principal	338,079	179,631	158,448

(continued)

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County Schools

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2021

Total expenditures	5,140,875	3,680,275	1,460,600
Excess of revenues over expenditures	(414,174)	(406,311)	7,863
Other financing sources (uses):			
Transfer to other funds	(49,500)	(38,584)	10,916
Installment purchase obligations issued	-	104,299	104,299
Sale of surplus property	-	5,243	5,243
Total other financing sources (uses)	(49,500)	70,958	120,458
Excess of revenues and other sources (uses) over (under) expenditures	(463,674)	(335,353)	128,321
Fund balance appropriated	463,674		(463,674)
Net change in fund balance	$ -	(335,353)	$ (335,353)
Fund balance - beginning		824,611	
Fund balance - ending		$ 489,258	

Transylvania
County Schools

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance
Operating revenues, food sales		$ 115,099	
Other		11,608	
Total operating revenues	577,191	126,707	(450,484)
Operating expenditures:			
Business support services:			
Salaries and benefits		1,114,908	
Contracted services		33,506	
Materials and supplies		76,501	
Purchase of food		488,277	
Donated commodities		183,134	
Indirect costs		128,611	
Total business support services	2,422,608	2,024,937	397,671
Capital outlay	53,013	51,873	1,140
Total operating expenditures	2,475,621	2,076,810	398,811
Operating loss	(1,898,430)	(1,950,103)	(51,673)
Nonoperating revenues:			
Federal reimbursements		1,682,964	
Federal commodities		183,134	
Interest earned		352	
Total nonoperating revenues	1,648,430	1,866,450	218,020
Excess of revenues over (under) expenditures before other financing sources	(250,000)	(83,653)	166,347
Other financing sources:			
Transfers from other funds	250,000	391,976	141,976
Excess of revenues and other sources over expenditures	$ -	$ 308,323	$ 308,323

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County Schools

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2021

Reconciliation of modified accrual to full accrual basis:

Excess of revenues and other sources over expenditures	$	308,323
Reconciling items:		
Depreciation		(23,500)
Non-capital other post employment benefits contribution		16,747
Net other post employment benefits asset		214
Net pension liability		(72,720)
Net other post employment benefits liability		143,143
Deferred outflows		10,003
Deferred inflows		(25,310)
Indirect cost not paid		128,611
Equipment acquisitions		51,873
Decrease in compensated absences		8,516
Increase in inventory		21,601
Change in net position (full accrual)	$	567,501