

**Ashe County
Board of Education**

Financial Statements
Year Ended June 30, 2022

ASHE COUNTY BOARD OF EDUCATION

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Ashe County Board of Education
Jefferson, North Carolina

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ashe County Board of Education, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise of the Ashe County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ashe County Board of Education as of June 30, 2022, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grants Fund, and the Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 14 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedule of Board Contributions on pages 55 through 60, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of Ashe County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ashe County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashe County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 24, 2022
Elon, North Carolina
(336) 380-4123

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

This section of the Ashe County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

State/Federal Levels

- Ashe County's 2021/22 State funding was based on an average daily membership (ADM) of 2,890 students compared to 2,936 in 2020/21.
- Based upon the first month in 2021/22, actual student enrollment in Ashe was 2,714 compared to 2,790 in 2020/21.
- The State retirement contribution increased from 21.68 to 22.89 percent.
- Monthly hospital insurance increased from \$6,326 to \$7,019.
- Following legislation enacted in 2011/12 by the General Assembly, the Division of Child Development and Early Education and the Division of Health and Human Services (DHHS) assumed all functions of regulation, monitoring, payment and reimbursement for the NC Pre-Kindergarten Program. Due to COVID-19, NC DHHS provided reimbursement on a per classroom basis instead of a per child allotment. This measure was taken to ensure sites stayed open to provide child care for essential workers, and to stabilize the child care community workforce. Ashe County Schools received \$8,514 monthly for 4 classrooms in FY 2022.
- Excluding Child Nutrition, the per pupil expenditures (PPE) for FY 2022 were as follows — State @ \$9,321 Federal @ \$1,589, Local @ \$2,447 for a total of \$13,357 PPE. The total PPE for the prior year was \$11,822
- Funding for the customary Federal grants remained relatively level. However, Ashe County Schools had carryover funding from COVID-19 funds of \$8,093,740 and received an additional \$3,206,890 for a total of COVID-19 funding of \$11,300,630 in to mitigate the effects of COVID-19.

Key Takeaways for State funding

- For the first time since 2018, a state budget was passed in late fall of 2021
- Most funding allotments were held-harmless from Average Daily Membership (ADM) adjustments
- Most state employees received a 5 percent increase over the 2021-2023 biennium budget
- Teachers and Instructional Support Personnel received a 1.3 percent increase for 2021/22
- Funding was provided for salary supplements to state-paid teachers, instructional support personnel and administrators in counties with less ability to provide an adequate local supplement
- The state mandated a \$13 minimum wage for 2021/22 and a \$15 minimum wage for 2022/23 for state funded local employees of public schools
- A \$1,000 bonus and an additional \$500 bonus was provided to all state employees and local education employees using Federal State Fiscal Recovery funds

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Local Level

- The school system received level funding in most County appropriations categories—the total allotments per fund were \$5,323,091 in current expense and \$388,049 in capital outlay, of which \$118,049 was for technology.
- The school system paid \$55,686 in tuition from local funds for the 31 Ashe County students enrolled at Two Rivers Charter School located in Watauga County. The NC Virtual Academy received \$2,370 (2 students), NC Cyber Academy received \$2,370 (3 students), and Marjorie Williams Academy received \$2,597 (3 students).
- In response to the under-funded mandate to provide supplement funding to state-paid teachers, instructional support personnel and administrators, the Ashe County Board of Education provided a matching supplement to non-state paid teachers, instructional support personnel and administrators, as well as an increased supplement of \$1,000 to non-certified employees in order to create equity

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for the enterprise fund*

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

The second type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide

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

Government-wide Statements

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

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

- Over time, increases or decreases in the Board's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, 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 must be considered.

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

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

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

Fund Financial Statements

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

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

Ashe County Board of Education has two types of funds:

Governmental Funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Other Special Revenue Fund, the Capital Outlay Fund, and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, and 5 of this report.

Proprietary Fund: 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. Ashe County Board of Education has one proprietary fund – an enterprise fund – the School Food Service Fund.

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

Financial Analysis of the Board of Education as a Whole

Net position is an indicator of the fiscal health of the Board. Net position for governmental activities was \$(14,715,716) as of June 30, 2022. Other than unrestricted net position, the largest component of net position is net investment in capital assets of \$27,052,617.

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Current assets	\$ 6,088,340	\$ 5,333,353	\$ 1,548,926	\$ 1,022,558	\$ 7,637,266	\$ 6,355,911
Capital assets	27,412,984	28,487,699	53,937	75,062	27,466,921	28,562,761
Total assets	<u>33,501,324</u>	<u>33,821,052</u>	<u>1,602,863</u>	<u>1,097,620</u>	<u>35,104,187</u>	<u>34,918,672</u>
Deferred outflow s of resources	<u>9,513,891</u>	<u>8,730,583</u>	<u>257,840</u>	<u>236,700</u>	<u>9,771,731</u>	<u>8,967,283</u>
Current liabilities	264,152	172,443	27,311	31,896	291,463	204,339
Long-term liabilities	<u>38,594,166</u>	<u>46,242,993</u>	<u>1,041,340</u>	<u>1,226,829</u>	<u>39,635,506</u>	<u>47,469,822</u>
Total liabilities	<u>38,858,318</u>	<u>46,416,436</u>	<u>1,068,651</u>	<u>1,258,725</u>	<u>39,926,969</u>	<u>47,675,161</u>
Deferred inflow s of resources	<u>18,872,613</u>	<u>15,574,540</u>	<u>511,474</u>	<u>419,540</u>	<u>19,384,087</u>	<u>15,994,080</u>
Net investment in capital assets	27,052,617	27,722,468	53,937	75,062	27,106,554	27,797,530
Restricted net position	2,144,083	1,961,161	434	1,375	2,144,517	1,962,536
Unrestricted net position	<u>(43,912,416)</u>	<u>(49,122,970)</u>	<u>226,207</u>	<u>(420,382)</u>	<u>(43,686,209)</u>	<u>(49,543,352)</u>
Total net position	<u>\$ (14,715,716)</u>	<u>\$ (19,439,341)</u>	<u>\$ 280,578</u>	<u>\$ (343,945)</u>	<u>\$ (14,435,138)</u>	<u>\$ (19,783,286)</u>

Also note that the Board carries capital assets for which Ashe County carries the offsetting debt.

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

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

**Table 2
Condensed Statement of Position
For the Fiscal Years Ended June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Revenues:						
Program revenues:						
Charges for services	\$ 56,433	\$ 59,110	\$ 115,059	\$ 44,642	\$ 171,492	\$ 103,752
Operating grants and contributions	26,610,292	25,143,830	2,218,907	1,631,266	28,829,199	26,775,096
Capital grants and contributions	404,864	280,196	-	-	404,864	280,196
General revenues:						
Other revenues	11,832,973	9,115,580	495	772	11,833,468	9,116,352
Total revenues	<u>38,904,562</u>	<u>34,598,716</u>	<u>2,334,461</u>	<u>1,676,680</u>	<u>41,239,023</u>	<u>36,275,396</u>
Expenses:						
Governmental activities:						
Instructional services	27,036,528	26,200,684	-	-	27,036,528	26,200,684
System-wide support services	6,723,905	7,284,815	-	-	6,723,905	7,284,815
Ancillary services	77,195	25,367	-	-	77,195	25,367
Non-programmed charges	141,739	130,840	-	-	141,739	130,840
Depreciation	102,283	77,781	-	-	102,283	77,781
Business-type activities:						
School food service	-	-	1,809,225	1,448,996	1,809,225	1,448,996
Total expenses	<u>34,081,650</u>	<u>33,719,487</u>	<u>1,809,225</u>	<u>1,448,996</u>	<u>35,890,875</u>	<u>35,168,483</u>
Revenues over (under) expenses	4,822,912	879,229	525,236	227,684	5,348,148	1,106,913
Transfers in (out)	(99,287)	(86,982)	99,287	86,982	-	-
Increase (decrease) in net position	4,723,625	792,247	624,523	314,666	5,348,148	1,106,913
Beginning net position	(19,439,341)	(20,231,588)	(343,945)	(658,611)	(19,783,286)	(20,890,199)
Ending net position	<u>\$ (14,715,716)</u>	<u>\$ (19,439,341)</u>	<u>\$ 280,578</u>	<u>\$ (343,945)</u>	<u>\$ (14,435,138)</u>	<u>\$ (19,783,286)</u>

Total governmental activities generated revenues of \$38.9 million while expenses in this category totaled \$34.1 million for the year ended June 30, 2022. Comparatively, revenues were \$34.6 million and expenses totaled \$33.7 million for the year ended June 30, 2021. The increase in governmental activities net position, including transfers, stands at \$4,723,625 at June 30, 2022, compared to an increase of \$792,247 in 2021. The increase in net position was primarily due to results of operations and a decrease in the Board's proportionate share of the net OPEB liability. Instructional services

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

comprised 79% of total governmental-type expenses while system-wide support services made up 20% of those expenses for 2022. The Board's primary source of revenues were funding from the State of North Carolina, Ashe County, and the United States Government, which respectively comprised 65%, 15%, and 16% of our total revenues. Business-type activities generated revenue of \$2.3 million which was \$624,523 more than expenses.

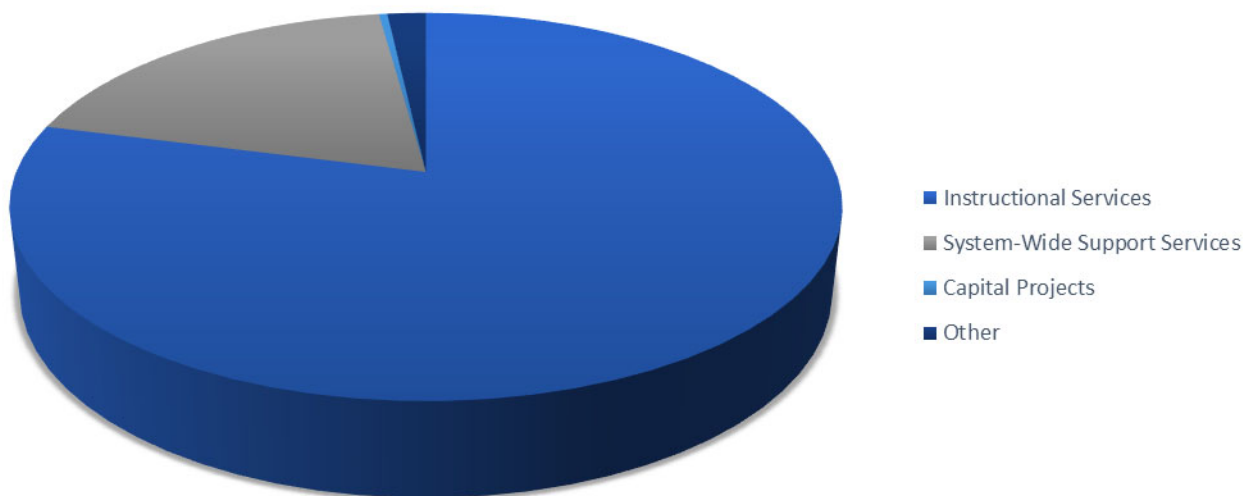
Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$5,808,165, a \$698,986 increase from last year. The increase in fund balance was expected based on current funding the Board receives as compared to anticipated expenditures. The General Fund reported a \$40,203 increase in fund balance, ending the year with \$2,817,191 in fund balance. The individual schools fund reported an increase in fund balance of \$95,451, the capital outlay fund reported an increase of \$26,212, and the other special revenue fund reported an increase of \$537,120. The primary cause of the increased in fund balances are due to additional funds received by the district related to COVID-19.

Proprietary Funds: The Board's business-type fund had an increase in net position of \$624,523. The increase in net position was primarily attributable to a decrease in the fund's proportionate share of the net pension and OPEB liabilities and transfers from the State Public School Fund.

Categorization of Expenditures for Governmental Funds



Expenditures are presented on the modified accrual basis of accounting

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

General Fund Budgetary Highlights

The Board approved several budget amendments to account for changes in revenue and expenditure projections. Budget amendments are submitted to the Board as needed to reflect new revenues in addition to revisions to expenditures estimated in the original budget. Budget amendments were needed during the year in the General Fund to reflect changes in the current economic environment. There were no significant expenditures in excess of the budgeted expenditures. In addition, there were no significant changes from the original budget to the final budget.

Capital Assets

Capital assets decreased by \$1,095,840 from the previous year. This was largely due to current year depreciation expense exceeding the amount of capital additions during the year. The following is a summary of the capital assets, net of depreciation at year-end.

A more detailed description of the capital assets is available in Note 3 of the basic financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2022 and 2021**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Land	\$ 1,059,053	\$ 1,059,053	\$ -	\$ -	\$ 1,059,053	\$ 1,059,053
Construction in progress	157,050	-	-	-	157,050	-
Buildings and Improvements	24,340,537	25,180,989	-	-	24,340,537	25,180,989
Equipment and furniture	387,217	346,447	53,937	75,062	441,154	421,509
Vehicles	1,469,127	1,901,210	-	-	1,469,127	1,901,210
Total	<u>\$ 27,412,984</u>	<u>\$ 28,487,699</u>	<u>\$ 53,937</u>	<u>\$ 75,062</u>	<u>\$ 27,466,921</u>	<u>\$ 28,562,761</u>

Debt Outstanding

During the year, the Board's long-term debt (installment purchase agreements for school buses) decreased by approximately \$405,000. This decrease was due to principal payments exceeding new installment purchase agreements. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purposes that debt can be used.

A more detailed description of the long-term debt is available in Note 3 of the basic financial statements.

Economic Factors at the State Level Based Upon Fiscal Research Division

In late fall of 2021, North Carolina's General Assembly passed a \$26 billion budget for 2021/22 and a \$27 billion budget for 2022/23. The 2021/22 budget represented a 4.3 percent increase over 2020/21. The general fund exceeded the budgeted revenue by 6.2 billion. The Fiscal Research Division forecasted revenue growth of 3.8 percent in the first year of the biennium budget and 3.4 percent in the second year.

At the beginning of 2021/22 school year, the education system saw mostly level funding in customary allotments due to the General Assembly holding Public School Units (PSU) harmless for Average Daily Membership declines. Additional funding was provided from the American Rescue Act to help mitigate the effects of COVID-19.

The economic climate will always impact the State budget and the State Public School Fund. Local Education Agencies (LEAs) are dependent upon State revenue allocations to fund the primary operations of the school system as set forth in State law. School systems across the state continue to be faced with budgetary reductions and operating cost increases that significantly impact local budgets. The uncertain outlook at both the federal and state levels was certainly challenging in the 2021/22 budget year and will continue in the upcoming 2022/22 budget year. The Board will continue future budget development in a conservative and fiscally prudent manner.

Overall, Ashe County's economy continued to rally during FY2021-2022. Business establishments that had shuttered or had altered schedules were returning to a new normal. The housing market escalated with the exodus of people from crowded cities with the remote working environment being available to them from anywhere with reliable broadband infrastructure. With occupancy tax revenues almost the same again for FY2021-2022, both fiscal years of FY2021 and FY2022 were almost double that of FY2020. Sales tax numbers reflected a continued positive outlook as well with revenues being up 6.76% over the prior year and 25% over FY2020. Property and home sales drove Register of Deeds and Building Inspections revenues up over the prior year. Demand for Christmas tree and greenery products continued to be substantial. Numerous growers had shortages and were not able to meet the increased demand. Jail revenues saw the biggest decline with court proceedings not yet returning to a regular schedule for the entire year and all detention facilities not swapping inmates more than required to keep down COVID outbreaks in their facilities.

A groundbreaking was held at the new Industrial Park on September 16, 2022. For the first time in many years, Ashe County will have a new industrial park to market to businesses and industries. The Park, located off Ray Taylor road near GE Aviation, will provide companies maximum flexibility with lot sizes ranging from two to forty-one acres. Vannoy Construction was awarded the contract for the project and will be working on-site before the groundbreaking in September. The first phase of the project is expected to be finished before the end of 2022. Over 1.2 million dollars in grant funding has been secured which will cover 86% of the park's development costs. The county's goal for the park is to attract businesses, with the highest possibility of growth and expansion in Ashe County that will offer good-paying jobs. By partnering with a professional consulting firm to determine the needs that are best suited to Ashe County, the analysis showed that small companies in advanced

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

manufacturing, outdoor sports, and recreation equipment, and creative industries match the strengths and assets that Ashe County has to offer.

With a civilian labor force of a little less than 13,000 and a participation rate just under 60%, the year-ending unemployment rate for Ashe County (June 2022) was 3.8%. One year earlier the rate was 4.1%. Rates ending both fiscal years were lower than the overall state unemployment rate. The largest industry sector in Ashe County is Retail Trade which employs 1,251. The next largest sectors are Health Care and Social Assistance with 1,117 workers and Construction with 1,116 workers. The industry cluster (a geographic concentration of interrelated industries or occupations) with the highest concentration is Auto/Auto-related with a location quotient of 5.03. This cluster employs 735 workers with an average wage of \$47,782. Employment in this cluster is projected to expand by about 1.6% per year over the next ten years.

The county ended FY2021-2022 without using any undesignated fund balance. Reserves continue to be accumulated to pay the debt service on the proposed new middle school. ARP projects are being designed and proposals are being secured for projects during FY2022-2023, along with the construction of the new Industrial Park. Construction of these capital projects, along with the continuation of the Hwy 221 road construction project, and ongoing projects at the Ashe County Airport will provide an opportunity for local contractors to remain working within the county instead of traveling elsewhere while bringing in others from outside the county requiring temporary lodging, food, clothing, fuel, etc. while they are working in the county. North Carolina Tourism Reports (Tourism Economics, 2022) reflect that total visitor spending in Ashe County for 2021 was \$104 million which was a 26.6% growth rate over 2020 and savings for taxes collected from visitor spending relates to \$318.90 per Ashe County resident.

During the next fiscal year, all of the information provided herein should only be advantageous to the success of Ashe County's growing economy.

Impact of Coronavirus on School

During the fiscal year, the state and nation continued to be affected by the coronavirus (COVID-19) pandemic. Educational services returned to the traditional classroom environment. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment, remote learning educational tools, learning loss remediation as a result of the online learning challenges and an increase in salaries due to Board's expansions of summer school programs and hiring, retention and COVID-19 bonuses. The Board received significant grants from the federal government to assist with these additional expenses incurred due to the world-wide pandemic.

**ASHE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Requests for Information

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

Amanda Coldiron
Finance Officer
Ashe County Board of Education
PO Box 604
320 South Street
Jefferson, NC 28640

ASHE COUNTY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,842,473	\$ 1,418,151	\$ 7,260,624
Receivables (net)	229,844	-	229,844
Due from other governments	-	25,352	25,352
Net OPEB asset	16,023	434	16,457
Inventories	-	104,989	104,989
Capital assets			
Land, improvements, and construction in progress	1,216,103	-	1,216,103
Other capital assets, net of depreciation	26,196,881	53,937	26,250,818
Total capital assets	27,412,984	53,937	27,466,921
Total assets	33,501,324	1,602,863	35,104,187
DEFERRED OUTFLOWS OF RESOURCES	9,513,891	257,840	9,771,731
LIABILITIES			
Accounts payable and accrued expenses	264,152	7,359	271,511
Unearned revenues	-	19,952	19,952
Long-term liabilities:			
Due within one year	1,104,617	31,218	1,135,835
Due in more than one year			
Net pension liability	5,231,047	141,769	5,372,816
Net OPEB liability	30,187,762	818,130	31,005,892
Due in more than one year	2,070,740	50,223	2,120,963
Total liabilities	38,858,318	1,068,651	39,926,969
DEFERRED INFLOWS OF RESOURCES	18,872,613	511,474	19,384,087
NET POSITION			
Net investment in capital assets	27,052,617	53,937	27,106,554
Restricted for:			
Individual schools	713,707	-	713,707
Stabilization by State statute	207,759	-	207,759
School Capital Outlay	1,206,594	-	1,206,594
DIPNC OPEB plan	16,023	434	16,457
Unrestricted	(43,912,416)	226,207	(43,686,209)
Total net position	\$ (14,715,716)	\$ 280,578	\$ (14,435,138)

ASHE COUNTY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 16,086,467	\$ 56,433	\$ 13,818,144	\$ -	\$ (2,211,890)	\$ -	\$ (2,211,890)
Special populations	2,819,457	-	2,736,792	-	(82,665)	-	(82,665)
Alternative programs	2,743,901	-	1,307,394	-	(1,436,507)	-	(1,436,507)
School Leadership	1,831,738	-	1,710,210	-	(121,528)	-	(121,528)
Co-curricular	170,679	-	7,346	-	(163,333)	-	(163,333)
School-based support	3,384,286	-	2,847,407	-	(536,879)	-	(536,879)
System-wide Support services:							
Support and development	218,306	-	96,467	-	(121,839)	-	(121,839)
Special population support	260,016	-	216,938	-	(43,078)	-	(43,078)
Alternative programs	105,741	-	114,504	-	8,763	-	8,763
Technology support	203,933	-	175,418	-	(28,515)	-	(28,515)
Operational support	4,227,469	-	3,091,107	404,864	(731,498)	-	(731,498)
Financial and human resource services	740,283	-	276,210	-	(464,073)	-	(464,073)
Accountability	568,469	-	2,261	-	(566,208)	-	(566,208)
System-wide pupil support services	336	-	-	-	(336)	-	(336)
Policy, leadership and public relations	399,352	-	169,686	-	(229,666)	-	(229,666)
Ancillary services	77,195	-	40,408	-	(36,787)	-	(36,787)
Non-programmed charges	141,739	-	-	-	(141,739)	-	(141,739)
Unallocated depreciation expense**	102,283	-	-	-	(102,283)	-	(102,283)
Total governmental activities	34,081,650	56,433	26,610,292	404,864	(7,010,061)	-	(7,010,061)
Business-type activities:							
School food service	1,809,225	115,059	2,218,907	-	-	524,741	524,741
Total primary government	\$ 35,890,875	\$ 171,492	\$ 28,829,199	\$ 404,864	(7,010,061)	524,741	(6,485,320)
General revenues:							
Unrestricted county appropriations - operating					5,323,091	-	5,323,091
Unrestricted county appropriations - capital					388,049	-	388,049
Unrestricted State appropriations - operating					107,264	-	107,264
Investment earnings, unrestricted					4,450	495	4,945
Miscellaneous, unrestricted					6,010,119	-	6,010,119
Transfers					(99,287)	99,287	-
Total general revenues					11,733,686	99,782	11,833,468
Change in net position					4,723,625	624,523	5,348,148
Net position-beginning					(19,439,341)	(343,945)	(19,783,286)
Net position-ending					\$ (14,715,716)	\$ 280,578	\$ (14,435,138)

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

ASHE COUNTY SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	
ASSETS							
Cash and cash equivalents	\$ 3,068,902	\$ -	\$ 603,658	\$ 1,279,509	\$ -	\$ 890,404	\$ 5,842,473
Receivables (net)	27,490	-	-	22,085	-	180,269	229,844
Due from other funds	-	-	110,049	-	-	-	110,049
Total assets	<u>\$ 3,096,392</u>	<u>\$ -</u>	<u>\$ 713,707</u>	<u>\$ 1,301,594</u>	<u>\$ -</u>	<u>\$ 1,070,673</u>	<u>\$ 6,182,366</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 169,152	\$ -	\$ -	\$ 95,000	\$ -	\$ -	\$ 264,152
Due to other funds	110,049	-	-	-	-	-	110,049
Total liabilities	<u>279,201</u>	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>374,201</u>
Fund balances:							
Restricted							
Stabilization by State statute	27,490	-	-	-	-	180,269	207,759
School capital outlay	-	-	-	1,206,594	-	-	1,206,594
Individual schools	-	-	713,707	-	-	-	713,707
Assigned:							
Subsequent year's expenditures	1,058,691	-	-	-	-	-	1,058,691
Special revenues	-	-	-	-	-	890,404	890,404
Unassigned:	<u>1,731,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,010</u>
Total fund balances	<u>2,817,191</u>	<u>-</u>	<u>713,707</u>	<u>1,206,594</u>	<u>-</u>	<u>1,070,673</u>	<u>5,808,165</u>
Total liabilities and fund balances	<u>\$ 3,096,392</u>	<u>\$ -</u>	<u>\$ 713,707</u>	<u>\$ 1,301,594</u>	<u>\$ -</u>	<u>\$ 1,070,673</u>	

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

Net OPEB asset	16,023
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,412,984
Deferred outflows of resources related to pensions	5,384,083
Deferred outflows of resources related to OPEB	4,129,808
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(3,175,357)
Net pension liability	(5,231,047)
Net OPEB liability	(30,187,762)
Deferred inflows of resources related to pensions	(7,178,790)
Deferred inflows of resources related to OPEB	(11,693,823)
Net position of governmental activities	<u>\$ (14,715,716)</u>

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	
REVENUES							
State of North Carolina	\$ -	\$ 23,945,015	\$ -	\$ 511,311	\$ -	\$ 743,742	\$ 25,200,068
Ashe County	5,323,091	-	-	388,049	-	-	5,711,140
U.S. Government	-	676,015	-	-	4,498,247	922,829	6,097,091
Other	111,714	-	884,358	14,566	-	885,625	1,896,263
Total revenues	5,434,805	24,621,030	884,358	913,926	4,498,247	2,552,196	38,904,562
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	1,721,870	13,703,291	788,907	183,932	1,033,384	113,843	17,545,227
Special populations	93,902	2,663,221	-	-	466,208	97	3,223,428
Alternative programs	47,478	485,270	-	-	1,781,140	814,892	3,128,780
School Leadership	369,086	1,703,445	-	-	14,885	6,705	2,094,121
Co-curricular	182,071	-	-	4,000	1,707	7,281	195,059
School-based support	258,881	2,004,498	-	-	761,837	835,494	3,860,710
System-wide support services:							
Support and development	153,078	64,040	-	-	-	32,142	249,260
Special population support	7,194	101,085	-	-	72,993	114,834	296,106
Alternative programs	2,775	114,504	-	-	3,612	-	120,891
Technology support	57,729	170,919	-	-	-	4,459	233,107
Operational support	1,450,688	3,036,880	-	52,341	238,977	53,750	4,832,636
Financial and human resource services	568,623	262,235	-	-	1,500	13,852	846,210
Accountability	103,528	2,261	-	-	-	-	105,789
System-wide pupil support services	384	-	-	-	-	-	384
Policy, leadership and public relations	286,885	169,686	-	-	-	-	456,571
Ancillary services	27,407	40,408	-	-	20,440	-	88,255
Non-programmed charges	63,023	-	-	-	101,564	17,727	182,314
Capital outlay	-	-	-	242,577	-	-	242,577
Debt service - principal	-	-	-	404,864	-	-	404,864
Total expenditures	5,394,602	24,521,743	788,907	887,714	4,498,247	2,015,076	38,106,289
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	-	(99,287)	-	-	-	-	(99,287)
Net change in fund balance	40,203	-	95,451	26,212	-	537,120	698,986
Fund balances-beginning	2,776,988	-	618,256	1,180,382	-	533,553	5,109,179
Fund balances-ending	\$ 2,817,191	\$ -	\$ 713,707	\$ 1,206,594	\$ -	\$ 1,070,673	\$ 5,808,165

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ 698,986
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.	(1,074,714)
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	1,218,283
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	3,127,816
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	182,598
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. This amount is the net effect of these differences.	404,864
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	(1,186,064)
Net OPEB expense	1,841,669
Compensated absences	(489,813)
Total changes in net position of governmental activities	<u>\$ 4,723,625</u>

ASHE COUNTY SCHOOLS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL
REVENUE FUND****For the Year Ended June 30, 2022****Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Ashe County	5,373,080	5,323,080	5,323,091	11
U.S. Government	-	-	-	-
Other	-	70,000	111,714	41,714
Total revenues	5,373,080	5,393,080	5,434,805	41,725
Expenditures:				
Current:				
Instructional services	3,110,089	3,110,089	2,673,288	436,801
System-wide support services	3,229,078	3,229,078	2,630,884	598,194
Ancillary services	12,000	32,000	27,407	4,593
Non-programmed charges	75,000	75,000	63,023	11,977
Total expenditures	6,426,167	6,446,167	5,394,602	1,051,565
Revenues over (under) expenditures	(1,053,087)	(1,053,087)	40,203	1,093,290
Other financing uses:				
Transfer to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	(1,053,087)	(1,053,087)	40,203	1,093,290
Appropriated fund balance	1,053,087	1,053,087	-	(1,053,087)
Revenues and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	40,203	\$ 40,203
Fund balances, beginning of year			2,776,988	
Fund balances, end of year			\$ 2,817,191	

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR
SPECIAL REVENUE FUND
For the Year Ended June 30, 2022

Exhibit 5
(Continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 23,338,260	\$ 25,038,260	\$ 23,945,015	\$ (1,093,245)
Ashe County	-	-	-	-
U.S. Government	-	-	676,015	676,015
Other	-	-	-	-
Total revenues	23,338,260	25,038,260	24,621,030	(417,230)
Expenditures:				
Current:				
Instructional services	19,513,367	20,763,367	20,559,725	203,642
System-wide support services	3,733,479	4,033,479	3,921,610	111,869
Ancillary services	91,414	241,414	40,408	201,006
Non-programmed charges	-	-	-	-
Total expenditures	23,338,260	25,038,260	24,521,743	516,517
Revenues over (under) expenditures	-	-	99,287	99,287
Other financing uses:				
Transfer to other funds	-	-	(99,287)	(99,287)
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL
REVENUE FUND
For the Year Ended June 30, 2022

Exhibit 5
(Continued)

	Federal Grants Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Ashe County	-	-	-	-
U.S. Government	11,070,724	11,070,724	4,498,247	(6,572,477)
Other	-	-	-	-
Total revenues	<u>11,070,724</u>	<u>11,070,724</u>	<u>4,498,247</u>	<u>(6,572,477)</u>
Expenditures:				
Current:				
Instructional services	8,738,943	8,738,943	4,059,161	4,679,782
System-wide support services	1,886,683	1,886,683	317,082	1,569,601
Ancillary services	192,874	192,874	20,440	172,434
Non-programmed charges	<u>252,224</u>	<u>252,224</u>	<u>101,564</u>	<u>150,660</u>
Total expenditures	<u>11,070,724</u>	<u>11,070,724</u>	<u>4,498,247</u>	<u>6,572,477</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL
REVENUE FUND
For the Year Ended June 30, 2022

Exhibit 5
(Continued)

	Other Special Revenue Fund			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
State of North Carolina	\$ 2,112,506	\$ 2,112,506	\$ 743,742	\$ (1,368,764)
Ashe County	168,627	168,627	-	(168,627)
U.S. Government	-	-	922,829	922,829
Other	-	70,000	885,625	815,625
Total revenues	<u>2,281,133</u>	<u>2,351,133</u>	<u>2,552,196</u>	<u>201,063</u>
Expenditures:				
Current:				
Instructional services	2,111,514	2,111,514	1,778,312	333,202
System-wide support services	249,345	314,345	219,037	95,308
Ancillary services	62,580	62,580	-	62,580
Non-programmed charges	13,901	18,901	17,727	1,174
Total expenditures	<u>2,437,340</u>	<u>2,507,340</u>	<u>2,015,076</u>	<u>492,264</u>
Revenues over (under) expenditures	(156,207)	(156,207)	537,120	693,327
Other financing uses:				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other uses	(156,207)	(156,207)	537,120	693,327
Appropriated fund balance	<u>156,207</u>	<u>156,207</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	537,120	<u>\$ -</u>
Fund balances, beginning of year			533,553	
Fund balances, end of year			<u>\$ 1,070,673</u>	

ASHE COUNTY SCHOOLS
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

Exhibit 6

	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,418,151
Due from other governments	25,352
OPEB asset	434
Inventories	104,989
Total current assets	<u>1,548,926</u>
Noncurrent assets:	
Capital assets, net	<u>53,937</u>
Total assets	<u>1,602,863</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>257,840</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	7,359
Unearned revenues	19,952
Compensated absences	31,218
Total current liabilities	<u>58,529</u>
Noncurrent liabilities:	
Net pension liability	141,769
Net OPEB liability	818,130
Compensated absences	50,223
Total liabilities	<u>1,068,651</u>
DEFERRED INFLOWS OF RESOURCES	<u>511,474</u>
NET POSITION	
Net investment in capital assets	53,937
DIPNC OPEB plan	434
Unrestricted	226,207
Total net position	<u>\$ 280,578</u>

ASHE COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 7

	<u>Major Fund</u>
	<u>School Food Service</u>
OPERATING REVENUES	
Food sales	\$ 115,059
OPERATING EXPENSES	
Purchase of food	769,483
Salaries and benefits	878,302
Indirect costs	80,708
Materials and supplies	15,454
Repairs and maintenance	18,303
Contracted services	6,285
Depreciation	21,125
Computer software and supplies	14,960
Other	4,605
Total operating expenses	1,809,225
Operating loss	(1,694,166)
NONOPERATING REVENUES	
Federal reimbursements	2,045,882
Federal commodities	141,767
Interest earned	495
Contributions and donations	550
Indirect costs not paid	30,708
Total nonoperating revenues	2,219,402
Income (loss) before transfer from other fund	525,236
Transfer from other fund	99,287
Change in net position	624,523
Total net position - beginning	(343,945)
Total net position - ending	\$ 280,578

ASHE COUNTY SCHOOLS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 8

	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 104,249
Cash paid for goods and services	(716,702)
Cash paid to employees for services	(892,769)
Net cash used by operating activities	<u>(1,505,222)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	2,050,062
Contributions and donations	550
Net cash provided by noncapital financing activities	<u>2,050,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>495</u>
Net increase (decrease) in cash and cash equivalents	545,885
Balance-beginning of the year	<u>872,266</u>
Balance-end of the year	<u><u>\$ 1,418,151</u></u>

ASHE COUNTY SCHOOLS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 8

	Major Fund
	School Food Service
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (1,694,166)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	21,125
Donated commodities consumed	141,767
Indirect costs not paid	30,708
Salaries paid by the State Public School Fund	99,287
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in net OPEB asset	941
(Increase) decrease in inventories	14,396
Increase (decrease) in accounts payable and accrued liabilities	6,225
(Increase) decrease in deferred outflows	(21,140)
Increase (decrease) in net pension liability	(246,671)
Increase (decrease) in net OPEB liability	36,633
Increase (decrease) in deferred inflows	91,934
Increase (decrease) in unearned revenues	(10,810)
Increase (decrease) in compensated absences	24,549
Total adjustments	188,944
Net cash used by operating activities	\$ (1,505,222)

Noncash investing, capital, and financing activities:

Indirect costs of \$30,708 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7 and C-1.

The School Food Service Fund received donated commodities with a value of \$141,767 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The State Public School Fund contributed \$99,287 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund.

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

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government 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 Board has chosen to report the Individual Schools Fund as a major fund to more clearly reflect the operations of each individual fund.

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). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Ashe County appropriations, restricted sales tax moneys, proceeds of Ashe County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for certain grants, reimbursements, indirect costs and other financial resources received by the Board.

The Board reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

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 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$25,000) within funds. Such transfers do not require approval from the governing board. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$25,000. All amendments must be approved by the governing board. During the year, several 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.

Assets, Liabilities, 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), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

Cash and Cash Equivalents

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

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

The Board's capital assets are recorded at original cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

For governmental activities fixed assets, it is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. For business-type activities fixed assets, it is the policy of the Board to capitalize all capital assets costing more than \$500 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities, such as student desks, are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

	Years
Buildings	50
Improvements	20
Equipment and furniture	10
Buses	10
Vehicles	5
Computer equipment	3

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

Deferred Outflows and Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements, 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, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the that fund.

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

Reconciliation of Government-wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(20,523,881) consists of several elements as follows:

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 61,110,009
Less Accumulated Depreciation	<u>33,697,025</u>
Net capital position	27,412,984
Net OPEB Asset	16,023
Pension related deferred outflows of resources	5,384,083
Differences between contributions and proportional share of contributions and changes in proportion	
OPEB related deferred outflows of resources	4,129,808
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Net pension liability	(5,231,047)
Net OPEB liability	(30,187,762)
Compensated absences	(2,814,990)
Installment purchases	(360,367)
Deferred inflows of resources related to pensions	(7,178,790)
Deferred inflows of resources related to OPEB	<u>(11,693,823)</u>
Total adjustment	\$ <u>(20,523,881)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,024,639 as follows:

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 688,119
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,762,833)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,127,816
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,218,283
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	182,598
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(1,186,064)
OPEB expense	1,841,669
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(489,813)
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. This amount is the net effect of these differences in the treatment of long-term debt.	<u>404,864</u>
Total adjustment	<u>\$ 4,024,639</u>

Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

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 unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$3,866,793 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$4,521,739 and \$640,999, respectively. Of these balances, \$862,440 was covered by federal depository insurance and \$4,300,298 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2022, the Board of Education had \$3,393,831 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, 2022. The Board has no policy for managing interest rate risk or credit risk.

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Accounts Receivable

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

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (110,049)	\$ -	\$ 27,490	\$ (82,559)
Other governmental activities	<u>110,049</u>	<u>-</u>	<u>202,354</u>	<u>312,403</u>
Total governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,844</u>	<u>\$ 229,844</u>
Business-type activities:				
School Food Service Fund	<u>\$ -</u>	<u>\$ 25,352</u>	<u>\$ -</u>	<u>\$ 25,352</u>

Due from other governments consists of the following:

Business-type activities:	
School Food Service Fund	<u>\$ 25,352</u> Federal funds

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,059,053	\$ -	\$ -	\$ 1,059,053
Construction in progress	-	157,050	-	157,050
Total capital assets not being depreciated	1,059,053	157,050	-	1,216,103
Capital assets being depreciated:				
Buildings and improvements	49,422,284	344,160	-	49,766,444
Equipment and furniture	2,199,396	143,053	18,531	2,323,918
Vehicles	7,798,074	43,855	38,385	7,803,544
Total capital assets being depreciated	59,419,754	531,068	56,916	59,893,906
Less accumulated depreciation for:				
Buildings and improvements	24,241,295	1,184,612	-	25,425,907
Equipment and furniture	1,852,949	102,283	18,531	1,936,701
Vehicles	5,896,864	475,938	38,385	6,334,417
Total accumulated depreciation	31,991,108	1,762,833	56,916	33,697,025
Total capital assets being depreciated, net	27,428,646			26,196,881
Governmental activity capital assets, net	\$ 28,487,699			\$ 27,412,984

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,778,313	\$ -	\$ -	\$ 1,778,313
Less accumulated depreciation for:				
Furniture and office equipment	1,703,251	21,125	-	1,724,376
School Food Service capital assets, net	\$ 75,062			\$ 53,937

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 1,184,612
System-wide support services	475,938
Unallocated depreciation	102,283
Total	<u>\$ 1,762,833</u>

Construction Commitments

Ashe County Board of Education has an active HVAC project as of June 30, 2022 for the benefit of Ashe County Board of Education. At year end, commitments with contractors for school construction and renovations are as follows:

	<u>Spent-to-date</u>	<u>Total Commitment</u>
Mountain View Elementary - HVAC Project	<u>\$ 157,050</u>	<u>\$ 364,100</u>

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

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

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eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2022, was 16.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,212,585 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$5,372,816 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .11% and .12%, respectively.

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For the year ended June 30, 2022, the Board recognized pension expense of (\$1,218,117). At June 30, 2022, 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	\$302,013	\$ 122,023
Changes of assumptions	2,015,401	-
Net difference between projected and actual earnings on pension plan investments	-	6,656,986
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	594,336
Board contributions subsequent to the measurement date	3,212,585	-
Total	\$ 5,529,999	\$ 7,373,345

\$3,212,585 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (906,738)
2024	(1,011,923)
2025	(1,095,599)
2026	(2,041,671)
2027	-
Thereafter	-
Total	<u>\$ (5,055,931)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.5%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 actuarial valuation were based on the actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. 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

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all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Discounted Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 18,022,450	\$ 5,372,816	\$ (5,142,200)

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

b. Other Post-employment Benefits

Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are 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

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become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.29% of covered payroll which amounted to \$1,233,648. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$187,546.

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At June 30, 2022, Board reported a liability of \$31,005,892 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and at June 30, 2020, the Boards proportion was .10%, and .11%, respectively.

\$1,233,648 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (4,462,218)
2024	(2,399,004)
2025	(1,031,135)
2026	(1,127,440)
2027	(49,495)
Thereafter	(1)
Total	<u>\$ (9,069,293)</u>

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%

Healthcare cost trend rates:

Medical	5.00-6.00%
Prescription drug	5.00-9.50%
Administrative costs	3.00%

Post-retirement mortality rates

Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16%, a decrease of 0.05% from the prior year discount rate of 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to

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measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discounted Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 25,109,543	\$ 31,005,892	\$ 38,827,941

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

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.0-5.0%, Pharmacy - 4.0-8.5%, Medicare Advantage - 4.0% Administrative - 2.0%)	1% Increase (Medical - 5.0-6.0%, Pharmacy - 5.0-9.5%, Medicare Advantage - 5.0% Administrative - 3.0%)	1% Increase (Medical - 6.0-7.0%, Pharmacy - 6.0-10.5%, Medicare Advantage - 6.0% Administrative - 4.0%)
Net OPEB liability	\$ 25,109,543	\$ 31,005,892	\$ 38,827,941

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

Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, 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 \$17,652 for the year ended June 30, 2022.

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

At June 30, 2022, Board reported an OPEB asset of \$16,457 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and at June 30, 2020, the Boards proportion was .10%, and .11%, respectively.

\$17,652 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:

2023	\$	12,318
2024		8,890
2025		11,073
2026		5,854
2027		2,954
Thereafter		<u>7,894</u>
Total	\$	<u><u>48,983</u></u>

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

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

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

	<u>1% Decrease (2.00%)</u>	<u>Discounted Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$ 10,390	\$ 16,457	\$ 22,068

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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

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return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 1,927,219	\$ (37,927)	\$ 1,889,292
OPEB liability (asset)	31,005,892	(16,457)	30,989,435
Proportionate share of the net OPEB liability (asset)	0.100%	0.101%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	183,054	41,959	225,013
Changes of assumptions	2,536,015	2,890	2,538,905
Net difference between projected and actual earnings on plan investments	-	1,606	1,606
Changes in proportion and differences between Board contributions and proportionate share of contributions	216,406	8,502	224,908
Board contributions subsequent to the measurement date	1,233,648	17,652	1,251,300
Deferred of Inflows of Resources			
Differences between expected and actual experience	577,164	-	577,164
Changes of assumptions	7,535,106	5,974	7,541,080
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,876,637	-	3,876,637
Net difference between projected and actual earnings on plan investments	15,861	-	15,861

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Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2022 are as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 169,152
Other Governmental	<u>95,000</u>
Total Governmental Activities	<u>\$ 264,152</u>
Business-types Activities	
School Food Service	<u>\$ 7,359</u>

Unearned Revenues

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

	<u>Unearned Revenue</u>
Prepayments of meals (School Food Service Fund)	<u>\$ 19,952</u>

Deferred Inflows of resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 224,908	\$ 4,470,973
Changes of assumptions	4,554,306	7,541,080
Difference between projected and actual earnings on plan investments	1,607	6,672,847
Board contributions subsequent to the measurement date	4,463,884	-
Difference between expected and actual experience	<u>527,026</u>	<u>699,187</u>
Totals	<u>\$ 9,771,731</u>	<u>\$ 19,384,087</u>

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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 State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The Board purchases workers' compensation coverage for locally and federally funded employees from Key Risk Insurance Company. The Board purchases General Liability from the North Carolina School Board Trust with a \$2,550,000 General Aggregate Limit, the Board's Errors and Omissions is \$850,000 per occurrence and \$2,550,000 Aggregate Annual Limit.

The Board insures its tangible property with the NC Public School Insurance Fund. The fund provides coverage for \$10,000,000. The Board purchases automobile liability insurance from Montgomery Insurance and has a \$1,000,000 limit. The Board participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-fund risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through an employee dishonesty blanket bond for \$25,000. The finance officer is bonded for \$250,000.

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.

Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party direct placement financing arrangements. As of June 30, 2022, the Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts require annual payments from \$22,429 to \$24,895.

The future minimum payments of the installment purchases as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	Governmental Activities
	<u>Principal</u>
2023	\$ 239,867
2024	120,500
Totals	<u>\$ 360,367</u>

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Long-Term Obligation Activity

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

	July 1, 2021	Increases	Decreases	June 30, 2022	Current Portion
Governmental activities:					
Direct Placement:					
Installment purchases	\$ 765,231	\$ -	\$ 404,864	\$ 360,367	\$ 190,661
Net pension liability	14,327,432	-	9,096,385	5,231,047	-
Net OPEB liability	28,825,153	1,362,609	-	30,187,762	-
Compensated absences	2,325,177	1,843,169	1,353,356	2,814,990	913,956
Total governmental activities	<u>\$ 46,242,993</u>	<u>\$ 3,205,778</u>	<u>\$ 10,854,605</u>	<u>\$ 38,594,166</u>	<u>\$ 1,104,617</u>
Business-type activities:					
Net pension liability	\$ 388,440	\$ -	\$ 246,671	\$ 141,769	\$ -
Net OPEB liability	781,497	36,633	-	818,130	-
Compensated absences	56,892	75,172	50,623	81,441	31,218
Total business-type activities	<u>\$ 1,226,829</u>	<u>\$ 111,805</u>	<u>\$ 297,294</u>	<u>\$ 1,041,340</u>	<u>\$ 31,218</u>

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds.

Transfers to/from other Funds

During the year ended June 30, 2022, the State Public School Fund transferred \$99,287 to the School Food Service Fund to pay for certain wages.

Fund Balance

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

Total fund balance - General Fund	\$ 2,817,191
Less:	
Stabilization by State statute	27,490
Appropriated Fund Balance in 2023 budget	<u>1,058,691</u>
Remaining fund balance	<u>\$ 1,731,010</u>

ASHE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

ASHE COUNTY SCHOOLS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018
Board's proportion of the net pension liability (asset)	0.115%	0.122%	0.125%	0.127%	0.128%
Board's proportionate share of the net pension liability (asset)	\$ 5,372,816	\$ 14,715,872	\$ 12,986,687	\$ 12,658,172	\$ 10,144,976
Board's covered payroll	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912	\$ 18,243,711
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.81%	77.03%	67.09%	68.53%	55.61%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%

	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.131%	0.132%	0.130%	0.134%
Board's proportionate share of the net pension liability (asset)	\$ 12,080,694	\$ 4,875,885	\$ 1,528,134	\$ 8,110,881
Board's covered payroll	\$ 17,876,769	\$ 17,864,326	\$ 17,081,593	\$ 17,251,462
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.58%	27.29%	8.95%	47.02%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	96.64%	98.24%	90.60%

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

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 3,212,585	\$ 2,855,198	\$ 2,477,838	\$ 2,378,882	\$ 1,991,057
Contributions in relation to the contractually required contribution	<u>3,212,585</u>	<u>2,855,198</u>	<u>2,477,838</u>	<u>2,378,882</u>	<u>1,991,057</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 19,612,848	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912
Contributions as a percentage of covered-employee payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,820,722	\$ 1,635,724	\$ 1,634,586	\$ 1,484,390
Contributions in relation to the contractually required contribution	<u>1,820,722</u>	<u>1,635,724</u>	<u>1,634,586</u>	<u>1,484,390</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,243,711	\$ 17,876,769	\$ 17,864,326	\$ 17,081,593
Contributions as a percentage of covered-employee payroll	9.98%	9.15%	9.15%	8.69%

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
Last Six Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability (asset)	0.100%	0.107%	0.109%	0.112%	0.116%
Board's proportionate share of the net OPEB liability (asset)	\$ 31,005,892	\$ 29,606,650	\$ 34,461,185	\$ 31,808,394	\$ 38,072,097
Board's covered payroll	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912	\$ 18,243,711
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	160.50%	154.97%	178.04%	172.22%	208.69%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.113%
Board's proportionate share of the net OPEB liability (asset)	\$ 49,174,198
Board's covered payroll	\$ 17,876,769
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	275.07%
Plan fiduciary net position as a percentage of the total OPEB liability	2.41%

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

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,233,648	\$ 1,290,441	\$ 1,236,053	\$ 1,213,636	\$ 1,117,430
Contributions in relation to the contractually required contribution	1,233,648	1,290,441	1,236,053	1,213,636	1,117,430
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 19,612,848	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912
Contributions as a percentage of covered-employee payroll	6.29%	6.68%	6.47%	6.27%	6.05%

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,059,191	\$ 1,000,726	\$ 980,394	\$ 922,958	\$ 910,867
Contributions in relation to the contractually required contribution	1,059,191	1,000,726	980,394	922,958	910,867
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,243,711	\$ 17,876,769	\$ 17,864,326	\$ 17,081,593	\$ 17,186,170
Contributions as a percentage of covered-employee payroll	5.81%	5.60%	5.49%	5.40%	5.30%

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Six Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB asset	0.101%	0.106%	0.110%	0.110%	0.112%
Board's proportionate share of the net OPEB asset	\$ 16,457	\$ 52,106	\$ 47,344	\$ 33,435	\$ 68,381
Board's covered payroll	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912	\$ 18,243,711
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.09%	0.27%	0.24%	0.18%	0.37%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	116.23%

	<u>2017</u>
Board's proportion of the net OPEB asset	0.116%
Board's proportionate share of the net OPEB asset	\$ 72,303
Board's covered payroll	\$ 17,876,769
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.40%
Plan fiduciary net position as a percentage of the total OPEB asset	116.06%

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

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 17,652	\$ 17,386	\$ 19,104	\$ 27,099	\$ 25,858
Contributions in relation to the contractually required contribution	17,652	17,386	19,104	27,099	25,858
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 19,612,848	\$ 19,317,984	\$ 19,104,376	\$ 19,356,241	\$ 18,469,912
Contributions as a percentage of covered-employee payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 69,276	\$ 73,121	\$ 73,217	\$ 74,878	\$ 75,619
Contributions in relation to the contractually required contribution	69,276	73,121	73,217	74,878	75,619
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,243,711	\$ 17,876,769	\$ 17,864,326	\$ 17,081,593	\$ 17,186,170
Contributions as a percentage of covered-employee payroll	0.38%	0.41%	0.41%	0.44%	0.44%

This schedule is required supplementary information.

ASHE COUNTY SCHOOLS**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL****For the Year Ended June 30, 2022****Exhibit A-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ashe County:			
Appropriations from general revenues	\$ 5,323,080	5,323,091	\$ 11
Other :			
Fines and forfeitures		107,264	
Interest earned on investments		4,450	
Total	70,000	111,714	41,714
Total revenues	5,393,080	5,434,805	41,725
Expenditures:			
Instructional services:			
Regular instructional		1,721,870	
Special populations		93,902	
Alternative programs		47,478	
School Leadership		369,086	
Co-curricular		182,071	
School-based support		258,881	
Total instructional services	3,110,089	2,673,288	436,801
System-wide support services:			
Support and development		153,078	
Special population support		7,194	
Alternative programs and services support		2,775	
Technology support		57,729	
Operational support		1,450,688	
Financial and human resource services		568,623	
Accountability		103,528	
System-wide pupil support services		384	
Policy, leadership and public relations		286,885	
Total system-wide support services	3,229,078	2,630,884	598,194
Ancillary services	32,000	27,407	4,593
Non-programmed charges	75,000	63,023	11,977
Total expenditures	6,446,167	5,394,602	1,051,565

ASHE COUNTY SCHOOLS**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL****For the Year Ended June 30, 2022**

			Exhibit A-1 (Continued)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues over (under) expenditures	(1,053,087)	40,203	1,093,290
Appropriated fund balance	<u>1,053,087</u>	<u>-</u>	<u>(1,053,087)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	40,203	<u>\$ 40,203</u>
Fund balances:			
Beginning of year, July 1		<u>2,776,988</u>	
End of year, June 30		<u>\$ 2,817,191</u>	

**ASHE COUNTY SCHOOLS
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2022**

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 281,500	\$ 404,864	\$ 123,364
State appropriations - SCIF athletic grant	-	106,447	106,447
Ashe County:			
County appropriations - general	1,239,072	388,049	(851,023)
Other			
Interest earned on investments		2,348	
Miscellaneous		12,218	
	375,000	14,566	(360,434)
Total revenues	1,895,572	913,926	(981,646)
Expenditures:			
Current:			
Instructional services	300,970	187,932	113,038
System-wide support services	881,500	52,341	829,159
Capital Outlay	280,196	242,577	37,619
Debt service - principal	564,680	404,864	159,816
Total expenditures	2,027,346	887,714	1,139,632
Revenues over (under) expenditures	(131,774)	26,212	157,986
Appropriated fund balance	131,774	-	(131,774)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	\$ -	26,212	\$ 26,212
Fund balances:			
Beginning of year, July 1		1,180,382	
End of year, June 30		\$ 1,206,594	

ASHE COUNTY SCHOOLS
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP)
For the Year Ended June 30, 2022

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ 178,514	\$ 115,059	\$ (63,455)
Operating expenditures:			
Business support services	2,019,257	1,806,750	212,507
Capital outlay	145,000	-	145,000
Total expenditures	2,164,257	1,806,750	357,507
Operating loss	(1,985,743)	(1,691,691)	294,052
Nonoperating revenues:			
Federal reimbursements		2,045,882	
Federal commodities		141,767	
Contributions and donations		550	
Interest earned		495	
	1,540,212	2,188,694	648,482
Other financing sources:			
Transfer from other fund	-	99,287	99,287
Revenues and other financing sources over (under) expenditures	(445,531)	596,290	1,041,821
Appropriated fund balance	445,531	-	(445,531)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	\$ -	596,290	\$ 596,290
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(21,125)	
Indirect costs		(80,708)	
Indirect costs not paid		30,708	
(Increase) decrease in compensated absences		(24,549)	
Increase (decrease) in inventories		(14,396)	
Net pension liability		246,671	
Net OPEB liability		(37,574)	
Deferred outflows		21,140	
Deferred inflows		(91,934)	
Change in net position - full accrual		\$ 624,523	

Compliance Section



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

INDEPENDENT AUDITORS' REPORT

**To the Ashe County Board of Education
Jefferson, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ashe County Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Ashe County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 24, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

October 24, 2022
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

**To the Ashe County Board of Education
Jefferson, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ashe County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Ashe County Board of Education's major federal programs for the year ended June 30, 2022. Ashe County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ashe County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Ashe County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ashe County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

October 24, 2022
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

**To the Ashe County Board of Education
Jefferson, North Carolina**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Ashe County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Ashe County Board of Education's major state programs for the year ended June 30, 2022. The Ashe County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ashe County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Anderson Smith & Wike PLLC

*October 24, 2022
Elon, North Carolina*

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

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes Xnone reported

Noncompliance material to financial statements noted

___yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes Xnone reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___yes Xno

Identification of major federal programs:

Assistance Listing Numbers

Names of Federal Program or Cluster

84.010

Title 1

84.425

COVID-19 - Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

Xyes ___no

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

State Awards

Internal control over major State program:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes Xnone reported

Type of auditors' report issued on compliance for major State program: Unmodified

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

Identification of major State program:

Program Name

State Public School Fund

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

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

ASHE COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Cost

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

ASHE COUNTY BOARD OF EDUCATION
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

No findings reported in the prior year.

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 141,767
Cash Assistance:			
Seamless Summer Program	10.555		1,966,721
Supply Chain Assistance Funds	10.555		58,465
Summer Food Service Program for Children	10.559		20,696
Cash Assistance Subtotal			<u>2,045,882</u>
Total Child Nutrition Cluster:			<u>2,187,649</u>
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	1,011,524
Rural and Low Income Education	84.658	PRC 109	35,821
Title I, Migrant Education	84.011	PRC 051	63,990
IDEA VI-B Sips	84.323	PRC 082	15,802
Education for Homeless Children	84.196	PRC 026	20,458
Supporting Effective Instruction State Grants	84.367	PRC 103	137,103
Student Support and Academic Enrichment Program	84.424	PRC 108	99,609
English Language Acquisition Grants	84.365	PRC 104 & 111	29,268
COVID-19 - Education Stabilization Fund			
CARES Act - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	167,396
CARES Act - ESSER I - Digital Curricula	84.425D	PRC 165	21,244
CARES Act - ESSER I - Learning Management System	84.425D	PRC 166	7,480
CARES Act - ESSER I - Exceptional Children Grants	84.425D	PRC 167	17,654
CARES Act - ESSER I - ICARES	84.425D	PRC 168	90,875
CARES Act - GEER I - Specialized Instructional			
Support Personnel for COVID-19 Response	84.425C	PRC 169	47,305
CARES Act - GEER I - Supplemental Instructional Services	84.425C	PRC 170	25,651
CRRSA - K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	1,135,606
ESSER II - Supplemental Contract Instructional Support Funding	84.425D	PRC 173	18,817
CRRSA - ESSER II - School Nutrition COVID Support	84.425D	PRC 174	20,440
CRRSA - ESSER II - Learning Loss Funding	84.425D	PRC 176	26,873
CRRSA - ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	9,473
ESSER III-ARP ACT-K-12 Emergency Relief Fund	84.425U	PRC 181	699,549
ARP - ESSER III - Homeless II	84.425W	PRC 184	3,461
ARP - ESSER III - Gaggle Grants	84.425U	PRC 193	9,336
ARP - ESSER III - Teacher Bonuses	84.425U	PRC 203	214,977
Total COVID-19 - Education Stabilization Fund			<u>2,516,137</u>
Direct Funding			
Rural Mental Health	84.184	PRC 372	<u>502,388</u>

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	455,984
Special Needs At Risk	84.027	PRC 114	8,851
Targeted Assistance	84.027	PRC 118	6,723
Targeted Assistance for Preschool	84.027	PRC 119	3,921
Preschool Handicapped	84.173	PRC 049	23,526
ESSER III - ARP IDEA Grant to States	84.027X	PRC 185	10,929
Total Special Education Cluster			<u>509,934</u>
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990, Basic Grants to States			
Program Improvement	84.048	PRC 017	<u>58,493</u>
Passed-through Appalachian State University			
Gear Up NC Grant	84.334	PRC 311	<u>178,804</u>
Total U.S. Department of Education			<u>5,179,331</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resources and Services Administration</u>			
Passed-through the N.C. Department of Public Instruction:			
Abstinence Education	93.235	PRC 101	<u>108</u>
<u>Department of Justice</u>			
Direct Program			
STOP School Violence Grant	16.839	PRC 374	<u>164,384</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	12.000		<u>73,473</u>
<u>U.S. Federal Communications Commission</u>			
Direct Program:			
Emergency Connectivity Fund	32.009		<u>3,780</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget			
N.C. Pandemic Recovery Office			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus State and Local Fiscal Recovery Fund			
ARP - Employee Bonuses	21.027	PRC 141	<u>676,015</u>
Total federal assistance			<u>8,284,740</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct funding:			
State Public School Fund			22,427,703
Driver Training - SPSF		PRC 012	30,953
School Technology Fund - SPSF		PRC 015	18,579
Career and Technical Education			
State Months of Employment		PRC 013	1,052,749
Program Support Funds		PRC 014	260,632
State Capital Infrastructure Fund		PRC 430	106,447
Fiscal / Abernathy			<u>71,244</u>
Total N.C. Department of Public Instruction - (cash)			<u>23,968,307</u>

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
<u>N.C. Department of Public Instruction:</u>			
Textbooks - (noncash)			154,399
School buses - (noncash)			404,864
Total N.C. Department of Public Instruction - (noncash)			<u>559,263</u>
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program			<u>650,433</u>
<u>N.C. Department of Public Safety</u>			
<u>Juvenile Crime Prevention Council</u>			
Passed-through Ashe County Community in Schools			<u>22,065</u>
Total State assistance			<u>25,200,068</u>
Total federal and State assistance			<u>\$ 33,484,808</u>

Notes to the Schedule of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Ashe County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Ashe County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Ashe County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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