

**Davie County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2021

DAVIE COUNTY BOARD OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

Davie County Board of Education
Mocksville, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Davie County Board of Education as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 54 through 59, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Davie County Board of Education's basic financial statements. The individual fund budgetary schedules and 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of Davie County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Davie 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 the Davie County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 30, 2021
Statesville, North Carolina
(704) 562-5039

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

This section of the Davie 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, 2021. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board expended an average of \$9,396 of state, local, and federal dollars per student in fiscal year 2021.
- The Board experienced a decrease in enrollment from 6,019 in fiscal year 2020 to 5,696 in fiscal year 2021. This is a decrease of 323 students driven by the impact of COVID and alternate teaching requirements.

Overview of the Financial Statements

The audited financial statements of the Davie 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 information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and 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, proprietary fund, and fiduciary 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 and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, 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.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Davie 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 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 Capital Outlay Fund, the Other Special Revenue 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. Davie 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 Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$62,224,430 as of June 30, 2021. Other than unrestricted net position, the largest component of net position is net investment in capital assets of \$31,262,067.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2021 and 2020						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Current assets	\$ 12,627,310	\$ 9,369,713	\$ 1,970,778	\$ 1,344,629	\$ 14,598,088	\$ 10,714,342
Capital assets	31,198,647	32,494,904	382,947	384,570	31,581,594	32,879,474
Total assets	<u>43,825,957</u>	<u>41,864,617</u>	<u>2,353,725</u>	<u>1,729,199</u>	<u>46,179,682</u>	<u>43,593,816</u>
Deferred outflows of resources	<u>16,234,445</u>	<u>16,044,356</u>	<u>385,517</u>	<u>407,681</u>	<u>16,619,962</u>	<u>16,452,037</u>
Current liabilities	1,523,558	1,418,831	78,263	111,121	1,601,821	1,529,952
Long-term liabilities	<u>89,961,944</u>	<u>95,874,403</u>	<u>2,097,972</u>	<u>2,389,446</u>	<u>92,059,916</u>	<u>98,263,849</u>
Total liabilities	<u>91,485,502</u>	<u>97,293,234</u>	<u>2,176,235</u>	<u>2,500,567</u>	<u>93,661,737</u>	<u>99,793,801</u>
Deferred inflows of resources	<u>30,634,856</u>	<u>27,385,700</u>	<u>727,481</u>	<u>695,861</u>	<u>31,362,337</u>	<u>28,081,561</u>
Net investment in capital assets	30,879,120	32,053,274	382,947	384,570	31,262,067	32,437,844
Restricted net position	4,366,829	3,497,444	2,399	2,317	4,369,228	3,499,761
Unrestricted net position	<u>(97,305,905)</u>	<u>(102,320,679)</u>	<u>(549,820)</u>	<u>(1,446,435)</u>	<u>(97,855,725)</u>	<u>(103,767,114)</u>
Total net position	<u>\$ (62,059,956)</u>	<u>\$ (66,769,961)</u>	<u>\$ (164,474)</u>	<u>\$ (1,059,548)</u>	<u>\$ (62,224,430)</u>	<u>\$ (67,829,509)</u>

Note that net position of governmental activities increased by approximately \$4,700,000 during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Davie County carries the offsetting debt.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2021 and 2020						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Revenues:						
Program revenues:						
Charges for services	\$ 594,320	\$ 498,608	\$ 150,271	\$ 844,073	\$ 744,591	\$ 1,342,681
Operating grants and contributions	43,661,443	41,513,927	3,397,594	2,978,507	47,059,037	44,492,434
Capital grants and contributions	286,352	294,905	-	-	286,352	294,905
General revenues:						
Unrestricted county appropriations	13,922,612	13,689,078	-	-	13,922,612	13,689,078
Unrestricted State appropriations	1,684,214	1,088,399	-	-	1,684,214	1,088,399
Investment earnings, unrestricted	12,618	45,518	2,234	5,986	14,852	51,504
Miscellaneous, unrestricted	2,971,368	3,354,783	-	-	2,971,368	3,354,783
Total revenues	63,132,927	60,485,218	3,550,099	3,828,566	66,683,026	64,313,784
Expenses:						
Governmental activities:						
Instructional services	46,502,985	49,445,629	-	-	46,502,985	49,445,629
System-wide support services	11,468,093	11,062,782	-	-	11,468,093	11,062,782
Ancillary services	41,364	38,984	-	-	41,364	38,984
Non-programmed charges	25,708	34,955	-	-	25,708	34,955
Interest	2,817	769	-	-	2,817	769
Unallocated depreciation	334,654	354,673	-	-	334,654	354,673
Business-type activities:						
Food service	-	-	2,702,326	3,338,565	2,702,326	3,338,565
Total expenses	58,375,621	60,937,792	2,702,326	3,338,565	61,077,947	64,276,357
Excess (deficiency)	4,757,306	(452,574)	847,773	490,001	5,605,079	37,427
Transfers in (out)	(47,301)	(85,378)	47,301	85,378	-	-
Increase (decrease) in net position	4,710,005	(537,952)	895,074	575,379	5,605,079	37,427
Beginning net position	(66,769,961)	(66,232,009)	(1,059,548)	(1,634,927)	(67,829,509)	(67,866,936)
Ending net position	\$ (62,059,956)	\$ (66,769,961)	\$ (164,474)	\$ (1,059,548)	\$ (62,224,430)	\$ (67,829,509)

Total governmental activities generated revenues of \$63.1 million while expenses in this category totaled \$58.4 million for the year ended June 30, 2021. Comparatively, revenues were \$60.5 million and expenses totaled \$60.9 million for the year ended June 30, 2020. The increase in net position stands at \$4,710,005 at June 30, 2021. Instructional services comprised 80% of total governmental-type expenses while system-wide support services made up 20% of those expenses for 2021. County funding comprised 22% of total governmental revenue in the current year. Much of the remaining 78% of total governmental revenue for 2021 consists of restricted State and federal funding. Business-type activities generated revenue of \$3.6 million and had expenses of \$2.7 million in 2021. Net position, after transfers, increased by \$895,074.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

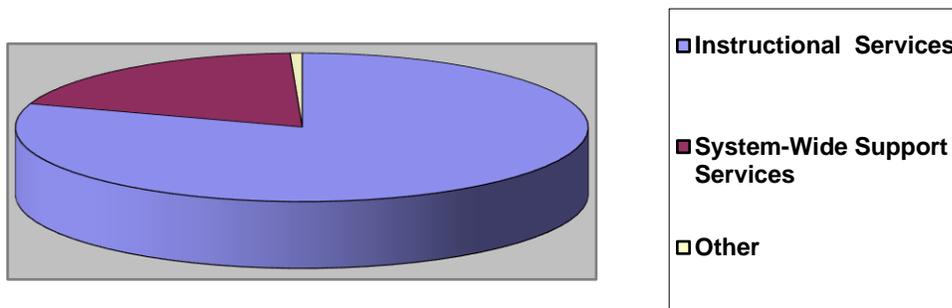
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Davie 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 \$11.0 million, a \$3.1 million increase from last year. The General Fund reported a \$1.3 million increase in fund balance. The increase in fund balance within the General Fund was driven by proactive cost cutting efforts through management of personnel and expenditures by the district. In addition, the District was able to generate savings in various operational areas during the 2021 school year due to limited on-site student education mandated by state guidance and COVID safety protocols. In addition, the District received federal grants, with stringent guidelines, to support the increased labor and material costs due to COVID-19.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, had a \$895,000 increase in net position in the current year.

Categorization of Expenditures for Governmental Funds



Expenditures are presented on the modified accrual basis of accounting.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in expenditures. Actual expenditures within the General Fund were less than budgeted amounts due to cost cutting efforts throughout the district.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Capital Assets

Capital assets decreased by approximately \$1.3 million from the previous year. This was attributable to an excess of depreciation expense over capital additions for the year. The following is a summary of the capital assets, net of depreciation at year-end. See Note 2 for further detail of capital asset activity.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Land	\$ 1,010,522	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522	\$ 1,010,522
Buildings and improvements	25,588,878	26,398,616	-	-	25,588,878	26,398,616
Equipment and furniture	1,891,130	2,163,968	382,947	384,570	2,274,077	2,548,538
Vehicles	2,708,117	2,921,798	-	-	2,708,117	2,921,798
Total	<u>\$ 31,198,647</u>	<u>\$ 32,494,904</u>	<u>\$ 382,947</u>	<u>\$ 384,570</u>	<u>\$ 31,581,594</u>	<u>\$ 32,879,474</u>

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. During the year all debt activity was related to the purchase of school buses. See Note 2 for additional detail of debt activity.

Economic Factors

The unemployment rate in Davie County at June 30, 2021 was 4.4% which is a 4.1% decrease over the 8.5% rate at June 30, 2020. The County's unemployment rate continues to be lower than the N.C. statewide unemployment rate which was 4.9% at June 30, 2021.

Impact of Coronavirus

During the fiscal year, the state and nation continued to be affected by the spread of a coronavirus (COVID-19). Educational services were provided to students remotely, within the traditional classroom environment or a hybrid method incorporating on-site instruction and remote learning. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment, custodial supplies to mitigate risk from transmission, and remote learning educational tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.

**DAVIE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Requests for Information

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

Clay Harris, Chief Financial Officer
Davie County Board of Education
220 Cherry Street
Mocksville, NC 27028

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,606,844	\$ 1,695,934	\$ 13,302,778
Due from other governments	919,430	186,298	1,105,728
Receivables (net)	-	2,955	2,955
OPEB asset	101,036	2,399	103,435
Inventories	-	83,192	83,192
Capital assets:			
Land, improvements, and construction in progress	1,010,522	-	1,010,522
Other capital assets, net of depreciation	30,188,125	382,947	30,571,072
Total capital assets	31,198,647	382,947	31,581,594
Total assets	43,825,957	2,353,725	46,179,682
DEFERRED OUTFLOWS OF RESOURCES	16,234,445	385,517	16,619,962
LIABILITIES			
Accounts payable and accrued expenses	459,177	9,115	468,292
Accrued salaries and wages payable	1,064,381	-	1,064,381
Unavailable revenue	-	69,148	69,148
Long-term liabilities:			
Due within one year	1,891,629	35,288	1,926,917
Noncurrent liabilities due in more than one year			
Net pension liability	28,430,399	675,132	29,105,531
Net OPEB liability	57,437,868	1,363,967	58,801,835
Due in more than one year	2,202,048	23,585	2,225,633
Total liabilities	91,485,502	2,176,235	93,661,737
DEFERRED INFLOWS OF RESOURCES	30,634,856	727,481	31,362,337
NET POSITION			
Net investment in capital assets	30,879,120	382,947	31,262,067
Restricted for:			
Stabilization by State statute	18,950	-	18,950
School capital outlay	3,229,001	-	3,229,001
Individual schools activities	1,017,842	-	1,017,842
DIPNC OPEB plan	101,036	2,399	103,435
Unrestricted	(97,305,905)	(549,820)	(97,855,725)
Total net position	\$ (62,059,956)	\$ (164,474)	\$ (62,224,430)

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

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DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 26,550,253	\$ 586,735	\$ 23,539,873	\$ -	\$ (2,423,645)	\$ -	\$ (2,423,645)
Special populations	7,398,046	-	7,278,030	-	(120,016)	-	(120,016)
Alternative programs	4,917,069	-	3,422,673	-	(1,494,396)	-	(1,494,396)
School leadership	3,677,777	-	2,197,638	-	(1,480,139)	-	(1,480,139)
Co-curricular	325,399	-	-	-	(325,399)	-	(325,399)
School-based support	3,634,441	-	2,566,404	-	(1,068,037)	-	(1,068,037)
System-wide support services:							
Support and development	376,601	-	45,180	-	(331,421)	-	(331,421)
Special populations	279,150	-	271,974	-	(7,176)	-	(7,176)
Alternative programs	262,081	-	102,004	-	(160,077)	-	(160,077)
Technology support	1,610,131	-	628,964	-	(981,167)	-	(981,167)
Operational support	6,683,118	7,585	3,162,683	286,352	(3,226,498)	-	(3,226,498)
Financial and human resource services	750,400	-	154,938	-	(595,462)	-	(595,462)
Accountability	101,081	-	-	-	(101,081)	-	(101,081)
System-wide pupil support services	568,290	-	-	-	(568,290)	-	(568,290)
Policy, leadership and public relations	837,241	-	252,652	-	(584,589)	-	(584,589)
Ancillary services	41,364	-	38,430	-	(2,934)	-	(2,934)
Non-programmed charges	25,708	-	-	-	(25,708)	-	(25,708)
Interest on long-term debt	2,817	-	-	-	(2,817)	-	(2,817)
Unallocated depreciation expense*	334,654	-	-	-	(334,654)	-	(334,654)
Total governmental activities	58,375,621	594,320	43,661,443	286,352	(13,833,506)	-	(13,833,506)
Business-type activities:							
School food service	2,702,326	150,271	3,397,594	-	-	845,539	845,539
Total primary government	\$ 61,077,947	\$ 744,591	\$ 47,059,037	\$ 286,352	(13,833,506)	845,539	(12,987,967)
General revenues:							
Unrestricted county appropriations - operating					11,840,402	-	11,840,402
Unrestricted county appropriations - capital					2,082,210	-	2,082,210
Unrestricted State appropriations - operating					1,198,118	-	1,198,118
Unrestricted State appropriations - capital					486,096	-	486,096
Investment earnings, unrestricted					12,618	2,234	14,852
Miscellaneous, unrestricted					2,971,368	-	2,971,368
Transfers					(47,301)	47,301	-
Total general revenues and transfers					18,543,511	49,535	18,593,046
Change in net position					4,710,005	895,074	5,605,079
Net position-beginning					(66,769,961)	(1,059,548)	(67,829,509)
Net position-ending					\$ (62,059,956)	\$ (164,474)	\$ (62,224,430)

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

DAVIE COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue Fund	Federal Grants Fund	
ASSETS							
Cash and cash equivalents	\$ 4,521,760	\$ -	\$ 1,017,842	\$ 3,275,766	\$ 2,791,476	\$ -	\$ 11,606,844
Due from other governments	18,950	857,379	-	-	-	43,101	919,430
Total assets	<u>\$ 4,540,710</u>	<u>\$ 857,379</u>	<u>\$ 1,017,842</u>	<u>\$ 3,275,766</u>	<u>\$ 2,791,476</u>	<u>\$ 43,101</u>	<u>\$ 12,526,274</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 326,250	\$ -	\$ -	\$ 46,765	\$ 86,162	\$ -	\$ 459,177
Accrued salaries and wages payable	149,869	857,379	-	-	14,032	43,101	1,064,381
Total liabilities	476,119	857,379	-	46,765	100,194	43,101	1,523,558
Fund balances:							
Restricted:							
Stabilization by State statute	18,950	-	-	-	-	-	18,950
School capital outlay	-	-	-	3,229,001	-	-	3,229,001
Individual schools	-	-	1,017,842	-	-	-	1,017,842
Assigned:							
Special revenues	-	-	-	-	2,691,282	-	2,691,282
Unassigned:	4,045,641	-	-	-	-	-	4,045,641
Total fund balances	<u>4,064,591</u>	<u>-</u>	<u>1,017,842</u>	<u>3,229,001</u>	<u>2,691,282</u>	<u>-</u>	<u>11,002,716</u>
Total liabilities and fund balances	<u>\$ 4,540,710</u>	<u>\$ 857,379</u>	<u>\$ 1,017,842</u>	<u>\$ 3,275,766</u>	<u>\$ 2,791,476</u>	<u>\$ 43,101</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,198,647
Net OPEB asset	101,036
Deferred outflows of resources related to pensions	10,667,681
Deferred outflows of resources related to OPEB	5,566,764
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,093,677)
Net pension liability	(28,430,399)
Net OPEB liability	(57,437,868)
Deferred inflows of resources related to OPEB	(29,793,233)
Deferred inflows of resources related to pensions	(841,623)
Net position of governmental activities	<u>\$ (62,059,956)</u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grants	
REVENUES							
State of North Carolina	\$ -	\$ 39,005,720	\$ -	\$ 772,448	\$ 1,198,118	\$ -	\$ 40,976,286
Davie County	11,840,402	-	-	2,082,210	-	-	13,922,612
U.S. Government	-	819,824	-	-	83,482	3,930,500	4,833,806
Other	187,688	-	824,158	30,223	2,373,495	-	3,415,564
Total revenues	12,028,090	39,825,544	824,158	2,884,881	3,655,095	3,930,500	63,148,268
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	2,219,787	23,032,182	805,850	88,720	606,564	544,659	27,297,762
Special populations	96,298	6,177,157	-	-	378,544	1,080,376	7,732,375
Alternative programs	334,911	2,025,372	-	-	1,394,721	1,371,285	5,126,289
School leadership	1,616,287	2,096,864	-	-	40,646	98,898	3,852,695
Co-curricular	341,050	-	-	-	-	-	341,050
School-based support	1,139,837	2,504,640	-	-	102,944	60,614	3,808,035
System-wide support services:							
Support and development	348,942	5,168	-	-	556	39,267	393,933
Special populations	1,352	186,500	-	-	19,174	83,883	290,909
Alternative programs	9,315	-	-	-	163,275	100,105	272,695
Technology support	590,375	176,425	-	422,880	44,947	444,113	1,678,740
Operational support	2,537,258	3,139,388	-	1,222,719	81,864	22,861	7,004,090
Financial and human resource services	628,883	154,938	-	2,670	-	-	786,491
Accountability	105,942	-	-	-	-	-	105,942
System-wide pupil support services	122,453	-	-	-	-	-	122,453
Policy, leadership and public relations	624,856	252,652	-	-	-	-	877,508
Ancillary services:							
Community	-	-	-	-	1,673	-	1,673
Nutrition	188	26,957	-	3,052	-	11,259	41,456
Non-programmed charges	25,748	-	-	-	-	73,180	98,928
Debt service							
Principal	-	-	-	307,853	-	-	307,853
Interest	-	-	-	2,817	-	-	2,817
Total expenditures	10,743,482	39,778,243	805,850	2,050,711	2,834,908	3,930,500	60,143,694
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	-	(47,301)	-	-	-	-	(47,301)
Installment purchase obligations issued	-	-	-	185,750	-	-	185,750
Total other financing sources (uses)	-	(47,301)	-	185,750	-	-	138,449
Net change in fund balance	1,284,608	-	18,308	1,019,920	820,187	-	3,143,023
Fund balances-beginning	2,779,983	-	999,534	2,209,081	1,871,095	-	7,859,693
Fund balances-ending	\$ 4,064,591	\$ -	\$ 1,017,842	\$ 3,229,001	\$ 2,691,282	\$ -	\$ 11,002,716

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

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ 3,143,023
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 exceeded capital outlays in the current period.	(1,280,916)
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(12,071)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	4,993,476
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	2,287,268
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	983,909
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	122,103
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	(7,756,842)
Net OPEB expense	2,209,533
Compensated absences	23,792
Loss on disposal of assets	(3,270)
Total changes in net position of governmental activities	<u>\$ 4,710,005</u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	11,840,402	11,840,402	11,840,402	-
U.S. Government	-	-	-	-
Other	280,000	286,096	187,688	(98,408)
Total revenues	<u>12,120,402</u>	<u>12,126,498</u>	<u>12,028,090</u>	<u>(98,408)</u>
Expenditures:				
Current:				
Instructional services	6,988,341	6,589,613	5,748,170	841,443
System-wide support services	5,278,959	5,702,846	4,969,376	733,470
Ancillary services	101	290	188	102
Non-programmed charges	45,000	25,748	25,748	-
Total expenditures	<u>12,312,401</u>	<u>12,318,497</u>	<u>10,743,482</u>	<u>1,575,015</u>
Revenues under expenditures	(191,999)	(191,999)	1,284,608	1,476,607
Appropriated fund balance	<u>191,999</u>	<u>191,999</u>	<u>-</u>	<u>(191,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,284,608</u>	<u>\$ 1,284,608</u>
Fund balances, beginning of year			<u>2,779,983</u>	
Fund balances, end of year			<u>\$ 4,064,591</u>	

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021

Exhibit 5 (continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 42,337,907	\$ 42,761,214	\$ 39,005,720	\$ (3,755,494)
Davie County	-	-	-	-
U.S. Government	-	-	819,824	819,824
Other	-	-	-	-
Total revenues	<u>42,337,907</u>	<u>42,761,214</u>	<u>39,825,544</u>	<u>(2,935,670)</u>
Expenditures:				
Current:				
Instructional services	37,641,788	38,559,507	35,836,215	2,723,292
System-wide support services	4,294,701	4,126,448	3,915,071	211,377
Ancillary services	353,116	26,957	26,957	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>42,289,605</u>	<u>42,712,912</u>	<u>39,778,243</u>	<u>2,934,669</u>
Revenues over expenditures	48,302	48,302	47,301	(1,001)
Other financing uses:				
Transfers to other funds	<u>(48,302)</u>	<u>(48,302)</u>	<u>(47,301)</u>	<u>1,001</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>-</u>	
Fund balances, end of year			<u>\$ -</u>	

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021

Exhibit 5 (continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davie County	-	-	-	-
U.S. Government	4,527,637	16,606,808	3,930,500	(12,676,308)
Other	-	-	-	-
Total revenues	<u>4,527,637</u>	<u>16,606,808</u>	<u>3,930,500</u>	<u>(12,676,308)</u>
Expenditures:				
Current:				
Instructional services	3,725,658	10,711,891	3,155,832	7,556,059
System-wide support services	647,646	5,740,611	690,229	5,050,382
Ancillary services	26,000	12,500	11,259	1,241
Non-programmed charges	128,333	141,806	73,180	68,626
Total expenditures	<u>4,527,637</u>	<u>16,606,808</u>	<u>3,930,500</u>	<u>12,676,308</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021

Exhibit 5 (continued)

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 850,000	\$ 1,064,574	\$ 1,198,118	\$ 133,544
Davie County	-	-	-	-
U.S. Government	80,000	70,996	83,482	12,486
Other	1,653,036	2,355,563	2,373,495	17,932
Total revenues	<u>2,583,036</u>	<u>3,491,133</u>	<u>3,655,095</u>	<u>163,962</u>
Expenditures:				
Current:				
Instructional services	2,155,591	3,118,993	2,523,419	595,574
System-wide support services	397,238	464,991	309,816	155,175
Ancillary services	26,465	26,465	1,673	24,792
Non-programmed charges	10,000	10,000	-	10,000
Total expenditures	<u>2,589,294</u>	<u>3,620,449</u>	<u>2,834,908</u>	<u>785,541</u>
Revenues under expenditures	(6,258)	(129,316)	820,187	949,503
Appropriated fund balance	<u>6,258</u>	<u>129,316</u>	<u>-</u>	<u>(129,316)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	820,187	<u>\$ 820,187</u>
Fund balances, beginning of year			<u>1,871,095</u>	
Fund balances, end of year			<u>\$ 2,691,282</u>	

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2021

Exhibit 6

	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,695,934
Due from other governments	186,298
Accounts receivable (net)	2,955
OPEB asset	2,399
Inventories	83,192
Total current assets	<u>1,970,778</u>
Noncurrent assets:	
Capital assets, net	382,947
Total assets	<u>2,353,725</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>385,517</u>
LIABILITIES	
Current liabilities:	
Accounts payable	9,115
Compensated absences	35,288
Unavailable revenues	69,148
Total current liabilities	<u>113,551</u>
Noncurrent liabilities:	
Net pension liability	675,132
Net OPEB liability	1,363,967
Compensated absences	23,585
Total noncurrent liabilities	<u>2,062,684</u>
Total liabilities	<u>2,176,235</u>
DEFERRED INFLOWS OF RESOURCES	<u>727,481</u>
NET POSITION	
Net investment in capital assets	382,947
Restricted - DIPNC OPEB Plan	2,399
Unrestricted	(549,820)
Total net position	<u>\$ (164,474)</u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 7

	<u>School Food Service</u>
OPERATING REVENUES	
Food sales	<u>\$ 150,271</u>
OPERATING EXPENSES	
Food cost:	
Purchase of food	1,184,207
Salaries and benefits	1,220,719
Supplies and materials	10,273
Repairs and maintenance	9,228
Indirect costs	196,846
Depreciation	55,884
Travel	8,433
Contracted services	9,297
Other	<u>7,439</u>
Total operating expenses	<u>2,702,326</u>
Operating loss	<u>(2,552,055)</u>
NONOPERATING REVENUES	
Federal reimbursements	3,166,943
Federal commodities	221,651
Interest earned	2,234
Donations	<u>9,000</u>
Total nonoperating revenues	<u>3,399,828</u>
Change in net position before transfers	847,773
Transfers from other funds	<u>47,301</u>
Change in net position	895,074
Total net position - beginning	<u>(1,059,548)</u>
Total net position - ending	<u><u>\$ (164,474)</u></u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 8

	<u>School Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 136,520
Cash paid for goods and services	(1,244,811)
Cash paid to employees for services	<u>(1,411,190)</u>
Net cash used by operating activities	<u>(2,519,481)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State reimbursements	3,255,867
Decrease in due to other funds	(12,793)
Donations received	<u>9,000</u>
Net cash provided by noncapital financing activities	<u>3,252,074</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(54,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>2,234</u>
Net change in cash and cash equivalents	680,566
Balances-beginning of the year	<u>1,015,368</u>
Balances-end of the year	<u>\$ 1,695,934</u>

DAVIE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities	
Operating loss	<u>\$ (2,552,055)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	55,884
Donated commodities consumed	221,651
Salaries and supplies paid by State Public School Fund	47,301
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(2,156)
(Increase) decrease in net OPEB asset	(82)
(Increase) decrease in inventories	(19,476)
Increase (decrease) in accounts payable	(21,263)
(Increase) decrease in deferred outflows	22,164
Increase (decrease) in net pension liability	41,993
Increase (decrease) in net OPEB liability	(331,303)
Increase (decrease) in deferred inflows	31,620
Increase (decrease) in unavailable revenues	(11,595)
Increase (decrease) in compensated absences	<u>(2,164)</u>
Total adjustments	<u>32,574</u>
Net cash used by operating activities	<u><u>\$ (2,519,481)</u></u>

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$221,651 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund contributed \$47,301 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages and supply costs. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Davie 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 Davie 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 Davie 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, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

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

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements (including indirect costs), fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received from prekindergarten programs and other special programs.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Davie County appropriations, restricted sales tax moneys, proceeds of Davie County bonds issued for public school construction, as well as certain State assistance.

The Board reports the following major enterprise fund:

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

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

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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 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.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. Amendments that alter the County appropriation or transfer funds to or from the Capital Outlay Fund also require the approval of the Davie County Board of Commissioners. 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.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2021.

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

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

Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. 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.

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Capital Assets

Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1982 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole. It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Buildings	50
Modular Units	20
Improvements	20
Equipment and Furniture	5 – 10
Vehicles	10

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities. The Board carries certain capital assets for which Davie County carries the offsetting debt.

Deferred outflows and inflows of resources

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

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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 debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences

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

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:

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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 within the General Fund that has not been restricted, committed, or assigned to specific purposes or other funds.

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.

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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 \$(73,062,672) consists of several elements as follows:

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)	\$ 69,801,067
Less Accumulated Depreciation	<u>38,602,420</u>
Net capital assets	31,198,647
Net OPEB asset	101,036
Pension related deferred outflows of resources	10,667,681
OPEB related deferred outflows of resources	5,566,764
Liabilities that, because they are not due and payable in the	
Compensated absences	(3,774,150)
Installment purchases	(319,527)
Net pension liability	(28,430,399)
Net OPEB liability	(57,437,868)
Deferred inflows of resources related to pensions	(841,623)
Deferred inflows of resources related to OPEB	<u>(29,793,233)</u>
Total adjustment	<u>\$ (73,062,672)</u>

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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 balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,566,982 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 1,050,448
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.	(2,331,364)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,993,476
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,287,268
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	983,909
Proceeds from the sale of capital assets recorded as revenues in the fund statements but not in the statement of activities	(12,071)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no affect on the statement of activities - it only affects the government-wide statement of net position	(185,750)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	307,853
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	(7,756,842)
Net OPEB expense	2,209,533
Loss on disposal of assets	(3,270)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>23,792</u>
Total adjustment	<u>\$ 1,566,982</u>

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Defined Benefit Pension Plan and OPEB Plans

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

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, 2021, the Board had deposits with banks and savings and loans with a carrying amount of \$7,154,439 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$8,096,849 and \$200,778, respectively. Of these balances, \$544,177 was covered by federal depository insurance and \$7,753,450 as covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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Investments

At June 30, 2021, the Board of Education had \$6,148,339 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2021. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Receivables at the government-wide level at June 30, 2021, were as follows:

	Due from other governments	Other
	<u> </u>	<u> </u>
Governmental activities:		
General Fund	\$ 18,950	\$ -
Other Government Funds	<u>900,480</u>	<u>-</u>
Total	<u>\$ 919,430</u>	<u>\$ -</u>
Business-type activities:		
School Food Service	<u>\$ 186,298</u>	<u>\$ 2,955</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 18,950	Davie County appropriations
Federal Grants Fund	43,101	Federal grant funds
State Public School Fund	<u>857,379</u>	Operating funds from DPI
Total	<u>\$ 919,430</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 186,298</u>	USDA Grant funds

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Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases and transfers	Retirements and transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,010,522	\$ -	\$ -	\$ 1,010,522
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,010,522</u>	<u>-</u>	<u>-</u>	<u>1,010,522</u>
Capital assets being depreciated:				
Buildings and improvements	54,043,669	750,857	71,082	54,723,444
Equipment and furniture	5,918,806	61,816	7,233	5,973,389
Vehicles	<u>7,855,937</u>	<u>237,775</u>	<u>-</u>	<u>8,093,712</u>
Total capital assets being depreciated	<u>67,818,412</u>	<u>1,050,448</u>	<u>78,315</u>	<u>68,790,545</u>
Less accumulated depreciation for:				
Buildings and improvements	27,645,053	1,545,254	55,741	29,134,566
Equipment and furniture	3,754,838	334,654	7,233	4,082,259
Vehicles	<u>4,934,139</u>	<u>451,456</u>	<u>-</u>	<u>5,385,595</u>
Total accumulated depreciation	<u>36,334,030</u>	<u>2,331,364</u>	<u>62,974</u>	<u>38,602,420</u>
Total capital assets being depreciated, net	<u>31,484,382</u>			<u>30,188,125</u>
Governmental activity capital assets, net	<u>\$ 32,494,904</u>			<u>\$ 31,198,647</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,912,009	\$ 54,261	\$ 320,188	\$ 1,646,082
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,527,439</u>	<u>55,884</u>	<u>320,188</u>	<u>1,263,135</u>
School Food Service capital assets, net:	<u>\$ 384,570</u>			<u>\$ 382,947</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,545,254
System-wide support services	451,456
Unallocated depreciation	<u>334,654</u>
Total	<u>\$ 2,331,364</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.

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Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$5,112,056 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Board reported a liability of \$29,105,531 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2020 and at June 30, 2019, the Board's proportion was .24% and .25%, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$7,914,702. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,603,871	\$ -
Changes of assumptions	986,305	-
Net difference between projected and actual earnings on pension plan investments	3,218,773	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	861,609
Board contributions subsequent to the measurement date	<u>5,112,056</u>	<u>-</u>
Total	<u>\$ 10,921,005</u>	<u>\$ 861,609</u>

\$5,112,056 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2022	\$ 1,660,164
2023	1,253,122
2024	1,075,154
2025	958,900
2026	-
Thereafter	-
Total	<u>\$ 4,947,340</u>

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

Inflation	3.0%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 rates used to measure the total pension liability reported at June 30, 2021 and 2020 was 7.00% for both years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discounted Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 52,383,120	\$ 29,105,531	\$ 9,580,451

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

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 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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll which amounted to \$2,310,455. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$475.2 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 \$1,007,274.

At June 30, 2021, Board reported a liability of \$58,801,835 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2020 and at June 30, 2019, the Boards proportion was 0.21% and 0.22%, respectively.

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\$2,310,455 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022		\$ (9,163,908)
2023		(9,157,451)
2024		(4,596,769)
2025		(2,029,627)
2026		(2,254,264)
Thereafter		-
	Total	<u>\$ (27,202,019)</u>

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

Inflation	3.00%
Salary increases	3.50% to 8.10%, including a 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate – medical	5.00% - 6.50%
Healthcare cost trend rate – prescription drug	5.00% - 9.50%
Healthcare cost trend rate – administrative	3.00%
Post-retirement mortality rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78 and projected for mortality improvement using Scale MP-2015

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2021 and 2020 were 2.21% and 3.50%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using

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a discount rate that is 1-percentage point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discounted Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Net OPEB liability	\$ 69,735,786	\$ 58,801,835	\$ 49,993,523

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

	<u>1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00- 8.50%, Administrative - 2.00%)</u>	<u>Healthcare Trend Rates (Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Administrative - 3.00%)</u>	<u>1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 10.50%, Administrative - 4.00%)</u>
Net OPEB liability	\$ 47,405,272	\$ 58,801,835	\$ 74,035,921

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

Disability Benefits

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

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

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

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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, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$31,129 for the year ended June 30, 2021.

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

At June 30, 2021, Board reported an OPEB asset of \$103,435 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2020 and at June 30, 2019, the Boards proportion was .21% and .22%, respectively.

**DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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\$31,129 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022		\$	20,867
2023			13,827
2024			6,674
2025			11,232
2026			1,484
Thereafter			<u>4,580</u>
	Total	\$	<u><u>58,664</u></u>

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

Inflation	3.00%
Salary increases	3.5% to 8.10%, including a 3.5% inflation and productivity factor
Investment rate of return	3.75%, 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 District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	<u>1% Decrease (2.75%)</u>	<u>Discounted Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 89,331	\$ 103,435	\$ 117,130

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 2,484,692	\$ (77,952)	\$ 2,406,740
OPEB liability (asset)	58,801,835	(103,435)	58,698,400
Proportionate share of the net OPEB liability (asset)	0.212%	0.210%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	53,270	74,930	128,200
Changes of assumptions	2,578,796	8,042	2,586,838
Net difference between projected and actual earnings on plan investments	123,872	-	123,872
Changes in proportion and differences between Board contributions and proportionate share of contributions	514,630	3,833	518,463
Board contributions subsequent to the measurement date	2,310,455	31,129	2,341,584
Deferred of Inflows of Resources			
Differences between expected and actual experience	2,300,400	-	2,300,400
Changes of assumptions	23,862,713	8,145	23,870,858
Changes in proportion and differences between Board contributions and proportionate share of contributions	4,309,474	2,473	4,311,947
Net difference between projected and actual earnings on plan investments	-	17,523	17,523

**DAVIE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021**

Accounts Payable

Accounts payable at June 30, 2021, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 326,250	\$ 149,869
Other Governmental	132,927	914,512
Total-governmental activities	<u>\$ 459,177</u>	<u>\$ 1,064,381</u>
Business-type Activities		
School Food Service	<u>\$ 9,115</u>	<u>\$ -</u>

Unavailable Revenues

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

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 69,148</u>

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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	\$ 518,463	\$ 5,173,556
Changes in assumptions	3,573,143	23,870,858
Difference between projected and actual earnings on plan investments	3,342,645	17,523
Board contributions subsequent to measurement date	7,453,640	-
Difference between expected and actual experience	<u>1,732,071</u>	<u>2,300,400</u>
Totals	<u>\$ 16,619,962</u>	<u>\$ 31,362,337</u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit of \$2,550,000 for general liability and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing of the State administered by Blue Cross and Blue Shield of North Carolina. The Board pays most of the 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 a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

Long-Term Obligations

a. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party direct placement financing arrangements with various companies. At June 30, 2021, there are remaining annual payments due on four such agreements. Three of the agreements are funded by the State. These financing contract require annual payments ranging from \$21,478 to \$125,028 over the next three years.

The future minimum payments of the installment purchases as of June 30, 2021, including interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 157,554	\$ 1,916
2023	115,536	978
2024	46,437	-
Total	<u>\$ 319,527</u>	<u>\$ 2,894</u>

DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Current Maturities</u>
Governmental activities:					
Direct placement installment purchases	\$ 441,630	\$ 185,750	\$ (307,853)	\$ 319,527	\$ 157,554
Net pension liability	24,917,263	3,513,136	-	28,430,399	-
Net OPEB liability	66,717,568	-	(9,279,700)	57,437,868	-
Compensated absences	<u>3,797,942</u>	<u>3,184,255</u>	<u>(3,208,047)</u>	<u>3,774,150</u>	<u>1,734,075</u>
Total	<u>\$ 95,874,403</u>	<u>\$ 6,883,141</u>	<u>\$ (12,795,600)</u>	<u>\$ 89,961,944</u>	<u>\$ 1,891,629</u>
Business-type activities:					
Net pension liability	\$ 633,139	\$ 41,993	\$ -	\$ 675,132	\$ -
Net OPEB liability	1,695,270	-	(331,303)	1,363,967	-
Compensated absences	<u>61,037</u>	<u>85,920</u>	<u>(88,084)</u>	<u>58,873</u>	<u>35,288</u>
Total	<u>\$ 2,389,446</u>	<u>\$ 127,913</u>	<u>\$ (419,387)</u>	<u>\$ 2,097,972</u>	<u>\$ 35,288</u>

Compensated absences, net pension liability, and net OPEB liability for governmental activities are typically liquidated by the State Public School Fund, Federal Grants Fund, and the General Fund.

Transfers to/from other Funds

During the year ended June 30, 2021, the State Public School Fund transferred \$47,301 to the School Food Service Fund to pay for wages and supplies.

**DAVIE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021**

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	\$ 4,064,591
Less:	
Stabilization by State statute	<u>(18,950)</u>
Remaining fund balance	<u>\$ 4,045,641</u>

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.

DAVIE COUNTY BOARD OF EDUCATION
Schedule of Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Eight Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net pension liability (asset)	0.241%	0.246%	0.249%	0.248%	0.255%
Board's proportionate share of the net pension liability (asset)	\$ 29,105,531	\$ 25,550,402	\$ 24,785,684	\$ 19,642,502	\$ 23,472,979
Board's covered payroll	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946	\$ 33,238,086
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	82.75%	71.12%	71.17%	58.43%	70.62%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.256%	0.256%	0.258%
Board's proportionate share of the net pension liability (asset)	\$ 9,421,946	\$ 3,003,391	\$ 15,638,945
Board's covered payroll	\$ 33,668,172	\$ 32,347,120	\$ 33,209,058
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.98%	9.28%	47.09%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	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.

DAVIE COUNTY BOARD OF EDUCATION
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 5,112,056	\$ 4,561,712	\$ 4,415,407	\$ 3,754,146	\$ 3,354,871
Contributions in relation to the contractually required contribution	<u>5,112,056</u>	<u>4,561,712</u>	<u>4,415,407</u>	<u>3,754,146</u>	<u>3,354,871</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 34,587,657	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,041,285	\$ 3,080,638	\$ 2,810,965
Contributions in relation to the contractually required contribution	<u>3,041,285</u>	<u>3,080,638</u>	<u>2,810,965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,238,086	\$ 33,668,172	\$ 32,347,120
Contributions as a percentage of covered payroll	9.15%	9.15%	8.69%

This schedule is required supplementary information.

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.212%	0.216%	0.221%	0.226%	0.212%
Board's proportionate share of the net OPEB liability (asset)	\$ 58,801,835	\$ 68,412,838	\$ 63,057,526	\$ 74,143,671	\$ 96,638,459
Board's covered payroll	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946	\$ 33,238,086
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	167.19%	190.42%	181.07%	220.56%	290.75%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	3.52%	2.41%

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

This schedule is required supplementary information.

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,310,455	\$ 2,275,580	\$ 2,252,612	\$ 2,106,919	\$ 1,953,086
Contributions in relation to the contractually required contribution	<u>2,310,455</u>	<u>2,275,580</u>	<u>2,252,612</u>	<u>2,106,919</u>	<u>1,953,086</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 34,587,657	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,859,928	\$ 1,849,007	\$ 1,745,870	\$ 1,763,281	\$ 1,610,562
Contributions in relation to the contractually required contribution	<u>1,859,928</u>	<u>1,849,007</u>	<u>1,745,870</u>	<u>1,763,281</u>	<u>1,610,562</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 33,238,086	\$ 33,668,172	\$ 32,347,120	\$ 33,269,453	\$ 32,211,240
Contributions as a percentage of covered payroll	5.60%	5.49%	5.40%	5.30%	5.00%

This schedule is required supplementary information.

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.210%	0.217%	0.220%	0.218%	0.227%
Board's proportionate share of the net OPEB asset	\$ 103,435	\$ 93,506	\$ 66,742	\$ 133,211	\$ 141,172
Board's covered payroll	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946	\$ 33,238,086
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.29%	0.26%	0.19%	0.40%	0.42%
Plan fiduciary net position as a percentage of the total OPEB asset	115.57%	113.00%	108.47%	116.23%	116.06%

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

This schedule is required supplementary information.

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 31,129	\$ 35,171	\$ 50,298	\$ 48,755	\$ 127,596
Contributions in relation to the contractually required contribution	31,129	35,171	50,298	48,755	127,596
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 34,587,657	\$ 35,171,254	\$ 35,926,829	\$ 34,825,102	\$ 33,615,946
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 136,086	\$ 137,713	\$ 142,256	\$ 146,386	\$ 167,498
Contributions in relation to the contractually required contribution	136,086	137,713	142,256	146,386	167,498
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 33,238,086	\$ 33,668,172	\$ 32,347,120	\$ 33,269,453	\$ 32,211,240
Contributions as a percentage of covered payroll	0.41%	0.41%	0.44%	0.44%	0.52%

This schedule is required supplementary information.

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

Exhibit A-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Davie County			
County appropriation	\$ 11,840,402	\$ 11,840,402	\$ -
Other:			
Fines and forfeitures		152,377	
Interest income		6,096	
Miscellaneous		29,215	
Total other	286,096	187,688	(98,408)
Total revenues	12,126,498	12,028,090	(98,408)
Expenditures:			
Instructional services	6,589,613	5,748,170	841,443
System-wide support services	5,702,846	4,969,376	733,470
Ancillary services	290	188	102
Non-Programmed charges	25,748	25,748	-
Total expenditures	12,318,497	10,743,482	1,575,015
Revenues over (under) expenditures	(191,999)	1,284,608	1,476,607
Appropriated fund balance	191,999	-	(191,999)
Revenues and appropriated fund balance over (under) expenditures	\$ -	1,284,608	\$ 1,284,608
Fund balances:			
Beginning of year, July 1		2,779,983	
End of year, June 30		\$ 4,064,591	

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2021

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses		\$ 286,352	
State appropriations - lottery proceeds		486,096	
Total State of North Carolina	<u>\$ 900,000</u>	<u>772,448</u>	<u>\$ (127,552)</u>
Davie County:			
County appropriations	<u>2,128,975</u>	<u>2,082,210</u>	<u>(46,765)</u>
Other:			
Interest earned		6,522	
Sale of assets		12,071	
Other		11,630	
Total other	<u>52,071</u>	<u>30,223</u>	<u>(21,848)</u>
Total revenues	<u>3,081,046</u>	<u>2,884,881</u>	<u>(196,165)</u>
Expenditures:			
Instructional services	328,931	88,720	240,211
System-wide support services	2,770,593	1,648,269	1,122,324
Ancillary services	5,000	3,052	1,948
Debt Service			
Principal		307,853	
Interest		2,817	
Total Debt Service	<u>310,670</u>	<u>310,670</u>	<u>-</u>
Total expenditures	<u>3,415,194</u>	<u>2,050,711</u>	<u>1,364,483</u>
Revenues over (under) expenditures	(334,148)	834,170	1,168,318
Other financing sources:			
Installment purchase obligations issued	<u>294,905</u>	<u>185,750</u>	<u>(109,155)</u>
Revenues and other financing sources over (under) expenditures	(39,243)	1,019,920	1,059,163
Appropriated fund balance	<u>39,243</u>	<u>-</u>	<u>(39,243)</u>
Revenues, other sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>1,019,920</u>	<u>\$ 1,019,920</u>
Fund balance:			
Beginning of year, July 1		<u>2,209,081</u>	
End of year, June 30		<u>\$ 3,229,001</u>	

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2021

	<i>Exhibit C-1</i>		
	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 1,141,200	\$ 150,271	\$ (990,929)
Operating expenditures:			
Supporting services			
Business support services		2,903,608	
Capital outlay		54,261	
Total operating expenditures	<u>3,550,558</u>	<u>2,957,869</u>	<u>592,689</u>
Operating loss	<u>(2,409,358)</u>	<u>(2,807,598)</u>	<u>(398,240)</u>
Nonoperating revenues:			
Federal reimbursements		3,166,943	
Federal commodities		221,651	
Grants and donations		9,000	
Interest earned		2,234	
Total nonoperating revenues	<u>2,299,000</u>	<u>3,399,828</u>	<u>1,100,828</u>
Revenues over (under) expenditures before other financing sources	(110,358)	592,230	702,588
Other financing sources:			
Transfer in	-	47,301	47,301
Fund balance appropriated	<u>110,358</u>	<u>-</u>	<u>(110,358)</u>
Revenues, other financing sources, and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 639,531</u>	<u>\$ 639,531</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ 639,531	
Depreciation		(55,884)	
Capital outlay		54,261	
Increase (decrease) in inventory		19,476	
Net pension liability		(41,993)	
Net OPEB liability		331,303	
Deferred outflows		(22,164)	
Deferred inflows		(31,620)	
(Increase) decrease in compensated absences		<u>2,164</u>	
Change in net position (full accrual)		<u>\$ 895,074</u>	

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 Board of Education
Davie County Board of Education
Mocksville, 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 Davie County Board of Education, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Davie County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Davie County Board of Education's internal control over financial reporting (internal control) as a basis for determining 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.

Compliance and Other Matter

As part of obtaining reasonable assurance about whether the Davie 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*.

Davie County Board of Education's Response to Findings

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

September 30, 2021
Statesville, North Carolina



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 Board of Education
Davie County Board of Education
Mocksville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Davie 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 the Davie County Board of Education's major federal programs for the year ended June 30, 2021. The Davie County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Davie 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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

September 30, 2021
Statesville, North Carolina



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 Board of Education
Davie County Board of Education
Mocksville, North Carolina

Report on Compliance for Each Major State Program

We have audited the Davie 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 Davie County Board of Education's major state programs for the year ended June 30, 2021. The Davie 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.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Davie 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, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Smith & Wike PLLC

September 30, 2021
Statesville, North Carolina

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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 no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

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

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster: National School Lunch Program Summer Food Service Program for Children
10.559	
21.019	COVID-19 - Coronavirus Relief Fund
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?

yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major State programs: Unqualified

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

yes no

Identification of major State programs:

Program Name
State Public School Fund
Vocational Education - State Months of Employment

**Davie County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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



**DAVIE COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Davie County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

Finding: 20-01
Status: Corrected

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA 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	PRC 035	\$ 221,651
Cash Assistance:			
Summer Food Service Program for Children	10.559	PRC 035	3,166,943
Total Child Nutrition Cluster:			<u>3,388,594</u>
<u>U.S. Department of the Treasury</u>			
Departmental Offices			
Passed-through the N.C. Department of Public Instruction:			
COVID-19 - Coronavirus Relief Fund:			
Summer Learning Program	21.019	PRC 121	162,426
Student Computers and Devices	21.019	PRC 124	276,354
School Nutrition	21.019	PRC 125	26,957
Personnel Computers and Devices	21.019	PRC 126	19,747
Home and Community WiFi	21.019	PRC 128	6,178
Learning Management Platform	21.019	PRC 129	15,558
Grants for Exceptional Children Services	21.019	PRC 132	142,963
Low Wealth Supplemental Funds	21.019	PRC 134	42,320
Cybersecurity	21.019	PRC 135	15,884
Personal Protective Equipment	21.019	PRC 137	111,437
Total Coronavirus Relief Fund			<u>819,824</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 & 115	1,142,549
Title VI-B, Education of the Handicapped	84.323	PRC 082	8,347
Supporting Effective Instruction State Grants	84.367	PRC 103	163,017
English Language Acquisition Grants	84.365	PRC 104 & 111	30,949
Student Support and Academic Enrichment Program	84.424	PRC 108	121,006
COVID-19 - Education Stabilization Fund			
CARES Act:			
K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	805,688
GEER I - Sp. Inst. Supp. Pers. for COVID-19 Resp.	84.425C	PRC 169	40,474
CRRSA:			
K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	307,293
ARP - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	66,186
Total Education Stabilization Fund			<u>1,219,641</u>

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA 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			
- Grants to States	84.027	PRC 060	1,076,904
- Targeted Assistance	84.027	PRC 118	14,551
- Targeted Assistance for Preschool	84.027	PRC 119	784
- Title VI-B - EC Risk Pool	84.027	PRC 114	26,404
- Preschool Handicapped	84.173	PRC 049	45,198
Total Special Education Cluster:			<u>1,163,841</u>
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States - Program Development	84.048	PRC 017	<u>81,150</u>
Total U.S. Department of Education			<u>3,930,500</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	12.000		<u>83,482</u>
Total federal assistance			<u>8,222,400</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			36,575,589
Driver Training - SPSF		PRC 012	95,201
Vocational Education			
- State Months of Employment		PRC 013	2,146,827
- Program Support Funds		PRC 014	188,103
Passed through Davie County:			
Public School Capital Fund - Lottery			<u>486,096</u>
Total N.C. Department of Public Instruction			<u>39,491,816</u>
<u>N.C. Department of Public Instruction (Noncash):</u>			
School buses - Noncash			<u>286,352</u>
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
NC Pre-Kindergarten Program			<u>1,198,118</u>
Total State assistance			<u>40,976,286</u>
Total federal and State assistance			<u>\$ 49,198,686</u>

DAVIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Davie County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. 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 Davie County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Davie 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.

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