

**Jackson County
Board of Education**

Financial Statements

Year Ended June 30, 2021

JACKSON COUNTY BOARD OF EDUCATION
Sylva, North Carolina

Members of the Board of Education

Ali Laird-Large, Chairperson

Elizabeth Cooper, Vice Chairperson

Abigail Clayton

Wes Jamison

Margaret McRae

Administrative and Financial Staff

Dr. Tony Tipton, Interim Superintendent

Kristie Walker, Finance Officer

JACKSON COUNTY BOARD OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

Jackson County Board of Education
Sylva, 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 Jackson 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 Jackson 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, 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 51 through 56, 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 Jackson County Board of Education's basic financial statements. The individual fund budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 October 22, 2021 on our consideration of Jackson 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 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 Jackson County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 22, 2021
Statesville, North Carolina
(704) 562-5039

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

This section of the Jackson 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.

Historical Perspective

The Board was formed circa 1889. Today, the Board is one out of 115 public school systems in North Carolina. At one time, Jackson County had more than 40 public schools. Through consolidation over the years, the Board now has nine schools: two early college high schools, a traditional high school, an alternative school, a K-6 school and four K-8 schools.

Financial Highlights

- The liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$10,053,846 (net position).
- The Jackson County Board of Commissioners continued funding a special allotment to finance technology upgrades in the schools in the amount of \$400,000. In addition, the County funded a special allotment of \$320,700 to continue the Board of Education's one to one initiative.
- To enable the Board of Education to better maintain its existing buildings, the Jackson County Board of County Commissioners continued the capital outlay appropriation of \$375,500 to be used for preventive maintenance.
- As of the close of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$7,596,222.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,793,032.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplementary information that presents the Board's share of the net pension liability and retirement system contributions*
- *Supplemental information that presents non-major governmental fund schedules, and budgetary schedules for the General Fund, Federal Grants Fund, Capital Outlay Fund, and enterprise fund.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this

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

statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

Government-wide Statements

The government-wide statements report information about the 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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

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

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

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 and the Other Special Revenue funds.

Jackson 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. The Board has one proprietary fund, which is an enterprise fund, the School Nutrition Fund.

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

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded its assets and deferred outflows by \$10,053,846. The largest component of net position, other than unrestricted net position, is net investment in capital assets, of \$45,717,391.

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

Following is a summary of the Statement of Net Position:

	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
Current assets	\$ 9,306,148	\$ 8,109,560	\$ 668,552	\$ 708,051	\$ 9,974,700	\$ 8,817,611
Capital assets	<u>45,540,800</u>	<u>46,511,314</u>	<u>270,690</u>	<u>280,241</u>	<u>45,811,490</u>	<u>46,791,555</u>
Total assets	<u>54,846,948</u>	<u>54,620,874</u>	<u>939,242</u>	<u>988,292</u>	<u>55,786,190</u>	<u>55,609,166</u>
Deferred outflows of resources	<u>10,978,255</u>	<u>10,898,030</u>	<u>272,736</u>	<u>301,042</u>	<u>11,250,991</u>	<u>11,199,072</u>
Current liabilities	1,645,666	1,157,003	44,045	46,990	1,689,711	1,203,993
Long-term liabilities	<u>56,364,552</u>	<u>59,219,208</u>	<u>1,390,494</u>	<u>1,627,988</u>	<u>57,755,046</u>	<u>60,847,196</u>
Total liabilities	<u>58,010,218</u>	<u>60,376,211</u>	<u>1,434,539</u>	<u>1,674,978</u>	<u>59,444,757</u>	<u>62,051,189</u>
Deferred inflows of resources	<u>17,218,507</u>	<u>15,477,467</u>	<u>427,763</u>	<u>427,542</u>	<u>17,646,270</u>	<u>15,905,009</u>
Net investment in capital assets	45,446,701	46,230,579	270,690	280,241	45,717,391	46,510,820
Restricted net position	1,772,305	1,758,650	1,596	1,560	1,773,901	1,760,210
Unrestricted net position	<u>(56,622,528)</u>	<u>(58,324,003)</u>	<u>(922,610)</u>	<u>(1,094,987)</u>	<u>(57,545,138)</u>	<u>(59,418,990)</u>
Total net assets	<u>\$ (9,403,522)</u>	<u>\$ (10,334,774)</u>	<u>\$ (650,324)</u>	<u>\$ (813,186)</u>	<u>\$ (10,053,846)</u>	<u>\$ (11,147,960)</u>

Note that net position of governmental activities decreased during the year, indicating a decline in the financial condition of the Board. Also note that the Board carries capital assets for which Jackson County carries the offsetting debt.

**JACKSON 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 and most recent prior fiscal years.

	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	\$ 78,950	\$ 271,367	\$ 80,877	\$ 433,075	\$ 159,827	\$ 704,442
Operating grants and contributions	29,384,362	27,908,786	1,652,267	1,954,691	31,036,629	29,863,477
Capital grants and contributions	186,636	255,867	6,251	11,526	192,887	267,393
General revenues:						
Other revenues	14,010,462	14,239,729	(14,033)	6,035	13,996,429	14,245,764
Total revenues	43,660,410	42,675,749	1,725,362	2,405,327	45,385,772	45,081,076
Expenses:						
Governmental activities:						
Instructional services	32,326,892	33,288,771	-	-	32,326,892	33,288,771
System-wide support services	9,367,864	9,307,247	-	-	9,367,864	9,307,247
Ancillary services	105,039	374,860	-	-	105,039	374,860
Non-programmed charges	652,885	681,389	-	-	652,885	681,389
Depreciation	193,991	200,971	-	-	193,991	200,971
Business-type activities:						
School food service	-	-	1,644,987	2,256,129	1,644,987	2,256,129
Total expenses	42,646,671	43,853,238	1,644,987	2,256,129	44,291,658	46,109,367
Net revenues (expenses)	1,013,739	(1,177,489)	80,375	149,198	1,094,114	(1,028,291)
Transfers in (out)	(82,487)	(114,296)	82,487	114,296	-	-
Increase (decrease) in net position	931,252	(1,291,785)	162,862	263,494	1,094,114	(1,028,291)
Beginning net position	(10,334,774)	(9,042,989)	(813,186)	(1,076,680)	(11,147,960)	(10,119,669)
Ending net position	\$ (9,403,522)	\$ (10,334,774)	\$ (650,324)	\$ (813,186)	\$ (10,053,846)	\$ (11,147,960)

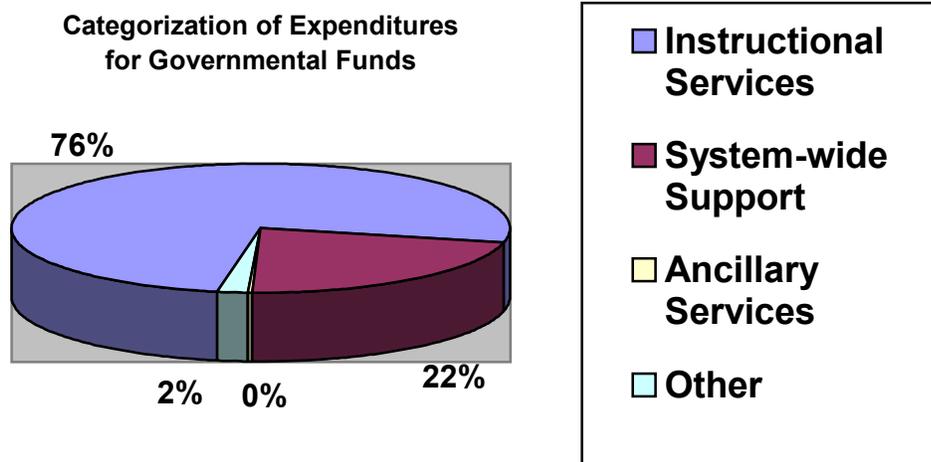
Total governmental activities generated revenues of \$43.7 million, while expenses in this category totaled \$42.6 million. After transfers to the business-type activities, the increase in net position was \$931,254. Instructional expenses in 2021 and 2020 comprised 76% of total governmental-type expenses while support services made up 22% and 21% of those expenses, respectively, for that same time period. County funding comprised 26% and 25% of total governmental revenue in 2021 and 2020, respectively. Much of the remaining governmental revenue consists of restricted State and federal funding. Total revenues in the business-type activities were \$1.7 million in 2021 while expenses were \$1.6 million. After \$82,487 of transfers from governmental activities, net position of business-type activities increased by \$162,862.

Financial Analysis of the Board's Funds

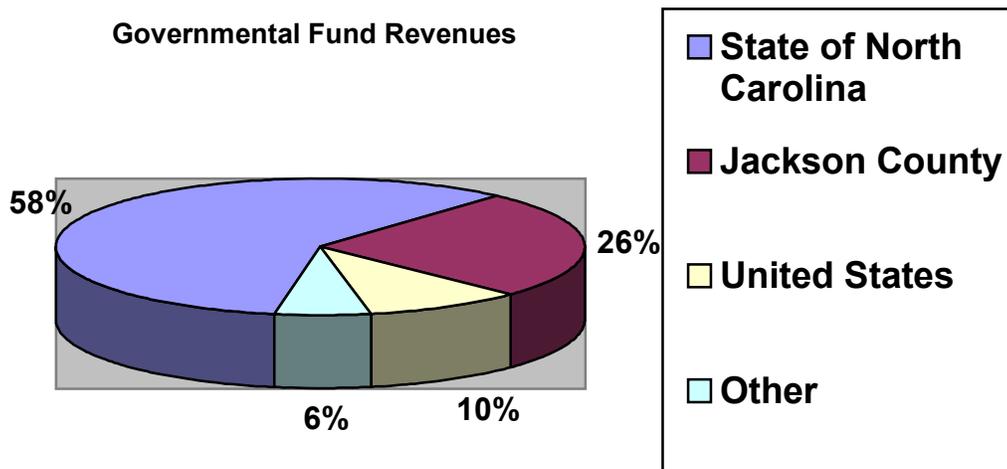
Governmental Funds: The focus of Jackson County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$7,596,222, a \$700,124 increase from the 2020 fiscal year. The General Fund increased by \$191,138.

Proprietary Fund: The Board's business-type fund had an increase in net position in the past year. The School Nutrition Fund reflected an increase in net position of \$162,862.



Expenditures are presented on the modified accrual basis of accounting.



Revenues presented on modified accrual basis of accounting.

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

General Fund Budgetary Highlights

The Board approved several budget amendments to account for changes in revenue and expenditure projections. Budget amendments are submitted to the Board on a monthly basis to reflect new revenues not measurable or known at the time of the original budget resolution. State and federal budgets are not approved at the State level until after the fiscal year begins and amendments are needed to reconcile the initial budget to final approved State and federal budgets. The State may send new allotments throughout the year and require additional budget amendments. There were no significant budget amendments during the year and there were no significant expenditures in excess of the budgeted expenditures.

Capital Assets

Capital assets decreased by \$980,065 (2%) from the previous year. This was due to current year depreciation expense exceeding capital additions.

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

	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
Land	\$ 1,809,021	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021	\$ 1,809,021
Construction in progress	-	459,860	-	-	-	459,860
Buildings and improvements	40,884,429	40,967,173	-	-	40,884,429	40,967,173
Equipment and furniture	1,238,129	1,330,697	270,690	280,241	1,508,819	1,610,938
Vehicles	1,609,221	1,944,563	-	-	1,609,221	1,944,563
Total	<u>\$ 45,540,800</u>	<u>\$ 46,511,314</u>	<u>\$ 270,690</u>	<u>\$ 280,241</u>	<u>\$ 45,811,490</u>	<u>\$ 46,791,555</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.

Economic Factors

County funding is a major source of revenue for the Board; therefore, Jackson County's economic outlook directly affects that of the schools. As of June 2021, the County's unemployment rate was 4.9%. This is more than that of the State of North Carolina, which was 4.6% as of June 2021. The County's tax collection rate increased to 98.78% for 2021 from 98.06% for 2020.

Jackson County ranks 34th in the State in unemployment. Unemployment rates are on an upward trend in Jackson County from 4.0% in April. The rate for the State of North Carolina was 5.0% in April 2021.

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

Impact of Coronavirus on School

During the fiscal year, the state and nation were 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 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.

Requests for Information

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

Kristie Walker
Finance Officer
Jackson County Board of Education
398 Hospital Road
Sylva, NC 28779

JACKSON 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	\$ 8,287,047	\$ 552,168	\$ 8,839,215
Due from other governments	944,197	59,568	1,003,765
Receivables (net)	10,644	705	11,349
Net OPEB asset	64,260	1,596	65,856
Inventories	-	54,515	54,515
Capital assets:			
Land and construction in progress	1,809,021	-	1,809,021
Other capital assets, net of depreciation	43,731,779	270,690	44,002,469
Total capital assets	<u>45,540,800</u>	<u>270,690</u>	<u>45,811,490</u>
Total assets	<u>54,846,948</u>	<u>939,242</u>	<u>55,786,190</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>10,978,255</u>	<u>272,736</u>	<u>11,250,991</u>
LIABILITIES			
Accounts payable and accrued expenses	703,727	5,423	709,150
Accrued salaries and wages payable	941,939	-	941,939
Unavailable revenues	-	38,622	38,622
Long-term liabilities:			
Net pension liability	17,928,890	445,411	18,374,301
Net OPEB liability	36,044,331	895,457	36,939,788
Due within one year	1,187,711	30,165	1,217,876
Due in more than one year	1,203,620	19,461	1,223,081
Total liabilities	<u>58,010,218</u>	<u>1,434,539</u>	<u>59,444,757</u>
DEFERRED INFLOWS OF RESOURCES	<u>17,218,507</u>	<u>427,763</u>	<u>17,646,270</u>
NET POSITION			
Net investment in capital assets	45,446,701	270,690	45,717,391
Restricted for:			
Individual school activities	811,749	-	811,749
Stabilization by State statute	109,785	-	109,785
School Capital Outlay	786,511	-	786,511
DIPNC OPEB plan	64,260	1,596	65,856
Unrestricted	<u>(56,622,528)</u>	<u>(922,610)</u>	<u>(57,545,138)</u>
Total net position	<u>\$ (9,403,522)</u>	<u>\$ (650,324)</u>	<u>\$ (10,053,846)</u>

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 18,377,360	\$ -	\$ 15,307,123	\$ -	\$ (3,070,237)	\$ -	\$ (3,070,237)
Special populations	4,406,886	-	4,262,110	-	(144,776)	-	(144,776)
Alternative programs	2,956,335	-	2,522,088	-	(434,247)	-	(434,247)
School leadership	2,320,456	-	1,524,461	-	(795,995)	-	(795,995)
Co-curricular services	1,067,298	-	-	-	(1,067,298)	-	(1,067,298)
School-based support	3,198,557	-	2,241,135	-	(957,422)	-	(957,422)
System-wide support services							
Support and development	322,859	-	156,991	-	(165,868)	-	(165,868)
Special population support and development	169,032	-	-	-	(169,032)	-	(169,032)
Alternative programs and services support and development	83,190	-	71,788	-	(11,402)	-	(11,402)
Technology support	1,436,059	-	296,754	-	(1,139,305)	-	(1,139,305)
Operational support	5,157,427	3,600	2,290,285	186,636	(2,676,906)	-	(2,676,906)
Financial and human resource services	131,946	-	182,362	-	50,416	-	50,416
Accountability	77,972	-	-	-	(77,972)	-	(77,972)
System-wide pupil support	1,061,763	-	-	-	(1,061,763)	-	(1,061,763)
Policy, leadership and public relations	927,616	-	360,411	-	(567,205)	-	(567,205)
Ancillary services	105,039	75,350	29,220	-	(469)	-	(469)
Non-programmed charges	652,885	-	139,634	-	(513,251)	-	(513,251)
Unallocated depreciation expense**	193,991	-	-	-	(193,991)	-	(193,991)
Total governmental activities	42,646,671	78,950	29,384,362	186,636	(12,996,723)	-	(12,996,723)
Business-type activities:							
School food service	1,644,987	80,877	1,652,267	6,251	-	94,408	94,408
Total primary government	\$ 44,291,658	\$ 159,827	\$ 31,036,629	\$ 192,887	(12,996,723)	94,408	(12,902,315)
General revenues:							
Unrestricted county appropriations - operating					8,267,941	-	8,267,941
Unrestricted county appropriations - capital					2,938,550	-	2,938,550
Unrestricted Federal grants - operating					210,089	-	210,089
Investment earnings, unrestricted					15,331	1,320	16,651
Miscellaneous, unrestricted					2,578,551	(15,353)	2,563,198
Transfers					(82,487)	82,487	-
Total general revenues and transfers					13,927,975	68,454	13,996,429
Change in net position					931,252	162,862	1,094,114
Net position-beginning					(10,334,774)	(813,186)	(11,147,960)
Net position-ending					\$ (9,403,522)	\$ (650,324)	\$ (10,053,846)

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

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

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

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue		Federal Grants
ASSETS							
Cash and cash equivalents	\$ 3,573,623	\$ -	\$ 811,749	\$ 786,511	\$ 3,115,164	\$ -	\$ 8,287,047
Due from other governments	10,715	876,939	-	-	37,541	19,002	944,197
Due from other funds	-	-	-	-	50,885	-	50,885
Receivables (net)	3,149	-	-	-	7,495	-	10,644
Total assets	<u>\$ 3,587,487</u>	<u>\$ 876,939</u>	<u>\$ 811,749</u>	<u>\$ 786,511</u>	<u>\$ 3,211,085</u>	<u>\$ 19,002</u>	<u>\$ 9,292,773</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 693,055	\$ -	\$ -	\$ -	\$ 10,672	\$ -	\$ 703,727
Accrued salaries and wages payable	36,651	876,939	-	-	9,347	19,002	941,939
Due to other funds	50,885	-	-	-	-	-	50,885
Total liabilities	<u>780,591</u>	<u>876,939</u>	<u>-</u>	<u>-</u>	<u>20,019</u>	<u>19,002</u>	<u>1,696,551</u>
Fund balances:							
Restricted:							
Stabilization by State statute	13,864	-	-	-	95,921	-	109,785
Individual schools	-	-	811,749	-	-	-	811,749
School capital outlay	-	-	-	786,511	-	-	786,511
Committed:							
Special revenues	-	-	-	-	3,095,145	-	3,095,145
Assigned:							
Subsequent years expenditures	-	-	-	-	-	-	-
Unassigned	2,793,032	-	-	-	-	-	2,793,032
Total fund balances	<u>2,806,896</u>	<u>-</u>	<u>811,749</u>	<u>786,511</u>	<u>3,191,066</u>	<u>-</u>	<u>7,596,222</u>
Total liabilities and fund balances	<u>\$ 3,587,487</u>	<u>\$ 876,939</u>	<u>\$ 811,749</u>	<u>\$ 786,511</u>	<u>\$ 3,211,085</u>	<u>\$ 19,002</u>	<u>\$ 9,292,773</u>

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

**Exhibit 3
(Continued)**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 7,596,222
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,540,800
Net OPEB asset	64,260
Deferred outflows of resources related to pensions	6,848,703
Deferred outflows of resources related to OPEB	4,129,552
Deferred inflows of resources related to pensions	(174,796)
Deferred inflows of resources related to OPEB	(17,043,711)
Liabilities for long-term debt are not payable with current financial resources and therefore are not reported in the funds:	
Net pension liability	(17,928,890)
Net OPEB liability	(36,044,331)
Compensated absences	(2,297,232)
Installment purchase contracts	(94,099)
	<u> </u>
Net position of governmental activities	<u>\$ (9,403,522)</u>

JACKSON 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				Non-major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue		Federal Grants
REVENUES							
State of North Carolina	\$ -	\$ 25,445,374	\$ -	\$ 186,636	\$ 52,819	\$ -	\$ 25,684,829
Jackson County	8,267,941	-	-	2,938,550	-	-	11,206,491
U.S. Government	-	569,828	-	-	210,089	3,451,647	4,231,564
Other	110,983	-	602,126	7,501	1,848,066	-	2,568,676
Total revenues	8,378,924	26,015,202	602,126	3,132,687	2,110,974	3,451,647	43,691,560
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	1,269,043	14,786,346	-	-	269,702	520,777	16,845,868
Special populations	114,677	3,509,573	-	-	106,834	752,537	4,483,621
Alternative programs	129,623	1,254,008	-	-	321,328	1,268,080	2,973,039
School leadership	854,453	1,524,461	-	-	-	-	2,378,914
Co-curricular services	446,326	-	541,387	-	106,473	-	1,094,186
School-based support	720,512	2,071,242	-	100,125	209,624	169,893	3,271,396
System-wide support services:							
Support and development	172,836	58,875	-	-	1,166	98,116	330,993
Special population support and development	8,186	-	-	-	165,104	-	173,290
Alternative programs and services support and development	2,533	-	-	-	-	71,788	74,321
Technology support	387,306	56,079	-	727,725	51,789	240,675	1,463,574
Operational support	1,897,637	2,100,138	-	831,773	21,497	190,147	5,041,192
Financial and human resource services	682,259	182,362	-	-	223,890	-	1,088,511
Accountability	135,270	-	-	-	-	-	135,270
System-wide pupil support	79,937	-	-	-	-	-	79,937
Policy, leadership and public relations	590,573	360,411	-	-	-	-	950,984
Ancillary services	23,764	29,220	-	-	54,701	-	107,685
Non-programmed charges	672,851	-	-	-	-	139,634	812,485
Debt service:							
Principal payments	-	-	-	186,636	-	-	186,636
Capital outlay							
	-	-	-	1,417,047	-	-	1,417,047
Total expenditures	8,187,786	25,932,715	541,387	3,263,306	1,532,108	3,451,647	42,908,949
Revenues over (under) expenditures	191,138	82,487	60,739	(130,619)	578,866	-	782,611
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	-	-	-	-	23,902	-	23,902
Transfers to other funds	-	(82,487)	(23,902)	-	-	-	(106,389)
Total other financing sources (uses)	-	(82,487)	(23,902)	-	23,902	-	(82,487)
Net change in fund balance	191,138	-	36,837	(130,619)	602,768	-	700,124
Fund balances-beginning	2,615,758	-	774,912	917,130	2,588,298	-	6,896,098
Fund balances-ending	\$ 2,806,896	\$ -	\$ 811,749	\$ 786,511	\$ 3,191,066	\$ -	\$ 7,596,222

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

JACKSON 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	\$ 700,124
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:	
Capital outlay	1,547,769
Depreciation	(2,487,133)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	3,258,783
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	1,492,690
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	617,439
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:	
Repayment on long-term debt	186,636
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	(5,056,657)
Net OPEB expense	669,813
Net change in compensated absences	32,938
Loss on disposal of assets	(31,150)
	<hr/>
Total changes in net position of governmental activities	<u>\$ 931,252</u>

**JACKSON 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 Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Jackson County	7,767,013	8,126,014	8,267,941	141,927
U.S. Government	-	-	-	-
Other	321,928	321,928	110,983	(210,945)
Total revenues	<u>8,088,941</u>	<u>8,447,942</u>	<u>8,378,924</u>	<u>(69,018)</u>
Expenditures:				
Current:				
Instructional services	3,950,913	4,245,412	3,534,634	710,778
System-wide support services	4,778,731	4,825,773	3,956,537	869,236
Ancillary services	9,350	26,810	23,764	3,046
Non-programmed charges	720,681	720,681	672,851	47,830
Total expenditures	<u>9,459,675</u>	<u>9,818,676</u>	<u>8,187,786</u>	<u>1,630,890</u>
Revenues over (under) expenditures	(1,370,734)	(1,370,734)	191,138	1,561,872
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other uses	(1,370,734)	(1,370,734)	191,138	1,561,872
Appropriated fund balance	<u>1,370,734</u>	<u>1,370,734</u>	<u>-</u>	<u>(1,370,734)</u>
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	191,138	<u>\$ 191,138</u>
Fund balances, beginning of year			<u>2,615,758</u>	
Fund balances, end of year			<u>\$ 2,806,896</u>	

**JACKSON 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 Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ 25,917,817	\$ 26,899,965	\$ 25,445,374	\$ (1,454,591)
Jackson County	-	-	-	-
U.S. Government	-	-	569,828	569,828
Other	-	-	-	-
Total revenues	<u>25,917,817</u>	<u>26,899,965</u>	<u>26,015,202</u>	<u>(884,763)</u>
Expenditures:				
Current:				
Instructional services:	23,227,056	24,022,381	23,145,630	876,751
System-wide support services:	2,645,761	2,765,877	2,757,865	8,012
Ancillary services	45,000	22,969	29,220	(6,251)
Non-programmed charges	-	-	-	-
Total expenditures	<u>25,917,817</u>	<u>26,811,227</u>	<u>25,932,715</u>	<u>878,512</u>
Revenues over (under) expenditures	-	88,738	82,487	(6,251)
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(88,738)	(82,487)	6,251
Total other financing sources (uses)	<u>-</u>	<u>(88,738)</u>	<u>(82,487)</u>	<u>6,251</u>
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>-</u>	
Fund balances, end of year			<u>\$ -</u>	

**JACKSON 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 Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina Jackson County	\$ 50,000	\$ 60,698	\$ 52,819	\$ (7,879)
U.S. Government	51,809	53,809	210,089	156,280
Other	889,441	1,712,343	1,848,066	135,723
Total revenues	991,250	1,826,850	2,110,974	284,124
Expenditures:				
Current:				
Instructional services	1,393,730	1,678,440	1,013,961	664,479
System-wide support services	501,756	626,866	463,446	163,420
Ancillary services	92,441	106,601	54,701	51,900
Non-programmed charges	847,893	1,329,192	-	1,329,192
Total expenditures	2,835,820	3,741,099	1,532,108	2,208,991
Revenues over (under) expenditures	(1,844,570)	(1,914,249)	578,866	2,493,115
Other financing sources (uses):				
Transfers from other funds	40,000	40,000	23,902	(16,098)
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	40,000	40,000	23,902	(16,098)
Revenues over (under) expenditures and other uses	(1,804,570)	(1,874,249)	602,768	2,477,017
Appropriated fund balance	1,804,570	1,874,249	-	(1,874,249)
Revenue, other financing sources and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	602,768	\$ 602,768
Fund balances, beginning of year			2,588,298	
Fund balances, end of year			\$ 3,191,066	

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

Exhibit 6

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 552,168
Due from other governments	59,568
Receivables (net)	705
OPEB asset	1,596
Inventories	54,515
Total current assets	<u>668,552</u>
Noncurrent assets:	
Capital assets, net	<u>270,690</u>
Total assets	<u>939,242</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>272,736</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	5,423
Compensated absences	30,165
Unavailable revenues	38,622
Total current liabilities	<u>74,210</u>
Noncurrent liabilities:	
Net pension liability	445,411
Net OPEB liability	895,457
Compensated absences	19,461
Total liabilities	<u>1,434,539</u>
DEFERRED INFLOWS OF RESOURCES	<u>427,763</u>
NET POSITION	
Net investment in capital assets	270,690
DIPNC OPEB plan	1,596
Unrestricted	(922,610)
Total net position	<u>\$ (650,324)</u>

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

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JACKSON 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>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
OPERATING REVENUES	
Food sales	\$ 78,114
Other	2,763
Total operating revenues	<u>80,877</u>
OPERATING EXPENSES	
Food cost	638,499
Salaries and benefits	882,605
Indirect costs	159,079
Materials and supplies	24,731
Noncapital equipment	15,810
Repairs and maintenance	13,912
Depreciation	44,211
Other	25,219
Total operating expenses	<u>1,804,066</u>
Operating income (loss)	<u>(1,723,189)</u>
NONOPERATING REVENUES	
Federal reimbursements	1,504,677
Federal commodities	147,590
Interest earned	1,320
Indirect costs not paid	159,079
Gain/(loss) on sale of capital assets	(15,353)
Total nonoperating revenues	<u>1,797,313</u>
Income (loss) before capital contributions and transfers	74,124
Capital contribution from the State Public School Fund	6,251
Operating transfer from the State Pubic School Fund	<u>82,487</u>
Change in net position	162,862
Total net position - beginning	<u>(813,186)</u>
Total net position - ending	<u><u>\$ (650,324)</u></u>

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

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

Exhibit 8

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Nutrition</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 77,502
Cash paid for goods and services	(583,356)
Cash paid to employees for services	<u>(1,009,121)</u>
Net cash provided (used) by operating activities	<u>(1,514,975)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	<u>1,634,660</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(45,373)
Proceeds from the sale of capital assets	<u>1,611</u>
Net cash used by capital and related financing activities	<u>(43,762)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments and other	<u>1,320</u>
Net increase (decrease) in cash and cash equivalents	77,243
Balances-beginning of the year	<u>474,925</u>
Balances-end of the year	<u>\$ 552,168</u>

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

Exhibit 8
(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (1,723,189)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	44,211
Donated commodities consumed	147,590
Transfers from other funds	82,487
Indirect costs not paid	159,079
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(654)
(Increase) decrease in inventory	(12,551)
Increase (decrease) in accounts payable and accrued liabilities	(224)
(Increase) decrease in net OPEB asset	(36)
(Increase) decrease in deferred outflows	28,306
Increase (decrease) in net pension liability	22,662
Increase (decrease) in OPEB liability	(245,517)
Increase (decrease) in deferred inflows	221
Increase (decrease) in unavailable revenues	(2,721)
Increase (decrease) in compensated absences	(14,639)
	<u>208,214</u>
Total adjustments	<u>208,214</u>
Net cash provided (used) by operating activities	<u>\$ (1,514,975)</u>

*** Noncash investing, capital, and financing activities:**

The State Public School Fund paid operating expenses of \$82,487 of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and as an operating expense on Exhibit 7.

The School Nutrition Fund received \$6,251 of capital assets as a capital contribution from the State Public School Fund.

Indirect costs of \$159,079 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibits 7.

The School Nutrition Fund received donated commodities with a value of \$147,590 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The Board reports the following major governmental funds:

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

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

Other Special Revenue Fund. The Other Special Revenue Fund accounts for proceeds from reimbursements including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made directly to local school administrative units, funds received for pre-kindergarten programs, and special programs that are not accounted for in the General Fund or other special revenue funds pursuant to G.S. 115C-426(c).

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

The Board reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services.

JACKSON COUNTY BOARD OF EDUCATION
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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.

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools, special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$10,000) from one function to another within a fund with a report of such transfers to be made to the Board at its next regular meeting. Line item amounts from objects within a purpose may be transferred without a report to the Board. Proposed expenditures from State, federal or other sources of revenues may be amended upon receipt of information altering the anticipated revenues. Budget amendments shall be reported to the Board at its next regular meeting. Transfers between funds shall not be made without prior approval of the Board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

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

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other 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 1984 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.

**JACKSON COUNTY BOARD OF EDUCATION
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For the Year Ended June 30, 2021**

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

Jackson 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	40
Land improvements; mobile classrooms; heaters	20
Athletic/health equipment; buses	15
School nutrition equipment	12
Vehicles/trailers; general equipment; furniture and fixtures	7

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 Jackson 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 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.

**JACKSON COUNTY BOARD OF EDUCATION
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For the Year Ended June 30, 2021**

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Special Revenues - portion of fund balance that is committed for special programs that are not accounted for in the General Fund or other special revenue funds.

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 or committed. The governing body approves the appropriation.

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

The Board does not have a formal revenue spending policy; however, it is the Board's practice to use resources in the following hierarchy: federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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.

**JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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 in financial institutions with a carrying amount of \$2,906,895 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$135,703 and \$3,106,791, respectively. Of these balances, \$749,425 was covered by federal depository insurance and \$2,493,069 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2021, the Board had \$5,932,320 invested with the State Treasurer in the 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. The Board has no policy for managing interest rate risk or credit risk.

**JACKSON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2021**

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	\$ 10,715	\$ 3,149
Other governmental activities	933,482	7,495
Total	<u>\$ 944,197</u>	<u>\$ 10,644</u>
Business-type activities:		
School Food Service	<u>\$ 59,568</u>	<u>\$ 705</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 10,715	Jackson County
State Public School Fund	876,939	Operating funds from DPI for payroll
Other Specific Revenue Fund	37,541	Region A Partnership Payments
Federal Grants Fund	<u>19,002</u>	Federal grant funds
Total	<u>\$ 944,197</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 59,568</u>	USDA Grant Reimbursement

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Capital Assets

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

	Beginning Balances	Increases	Retirements and transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,809,021	\$ -	\$ -	\$ 1,809,021
Construction in progress	459,860	8,789	468,649	-
Total capital assets not being depreciated	<u>2,268,881</u>	<u>8,789</u>	<u>468,649</u>	<u>1,809,021</u>
Capital assets being depreciated:				
Buildings	71,612,870	1,893,855	13,533	73,493,192
Land improvements	1,105,025	-	-	1,105,025
Mobile classrooms	216,727	-	27,614	189,113
Heaters	385,668	-	21,560	364,108
Athletic/health equipment	1,263,598	7,227	-	1,270,825
Buses	3,927,229	-	-	3,927,229
Vehicles/trailers	499,704	-	114,833	384,871
General equipment	1,457,340	48,800	16,508	1,489,632
Furniture and fixtures	1,006,361	57,747	10,336	1,053,772
Total capital assets being depreciated	<u>81,474,522</u>	<u>2,007,629</u>	<u>204,384</u>	<u>83,277,767</u>
Less accumulated depreciation for:				
Buildings	31,188,398	2,008,057	89,962	33,106,493
Land improvements	576,924	42,441	-	619,365
Mobile classrooms	202,127	2,530	27,614	177,043
Heaters	141,627	18,836	9,209	151,254
Athletic/health equipment	477,274	75,952	-	553,226
Buses	2,420,383	214,475	-	2,634,858
Vehicles/trailers	61,987	25,639	19,605	68,021
General equipment	1,222,938	74,888	16,508	1,281,318
Furniture and fixtures	940,431	24,315	10,336	954,410
Total accumulated depreciation	<u>37,232,089</u>	<u>2,487,133</u>	<u>173,234</u>	<u>39,545,988</u>
Total capital assets being depreciated, net	<u>44,242,433</u>			<u>43,731,779</u>
Governmental activity capital assets, net	<u>\$ 46,511,314</u>			<u>\$ 45,540,800</u>

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 634,152	\$ 51,624	\$ 46,831	\$ 638,945
Less accumulated depreciation for:				
Furniture and office equipment	353,911	44,211	29,867	368,255
School Food Service capital assets, net:	<u>\$ 280,241</u>			<u>\$ 270,690</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$2,053,028
System-wide support services	240,114
Unallocated depreciation	193,991
Total	<u>\$2,487,133</u>

Liabilities

Accounts Payable

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

	Vendors	Salaries and Benefits
Governmental Activities:		
General	\$ 693,055	\$ 36,651
Other Governmental	10,672	905,288
Total - Governmental Activities	<u>\$ 703,727</u>	<u>\$ 941,939</u>
 Business-type Activities:		
School Food Service	<u>\$ 5,423</u>	<u>\$ -</u>

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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>\$ 38,622</u>

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 \$3,339,743 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.

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

At June 30, 2021, the Board reported a liability of \$18,374,301 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2020 and at June 30, 2019, the Board's proportion was 0.15%.

For the year ended June 30, 2021, the Board recognized pension expense of \$5,155,988. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,012,523	\$ -
Changes of assumptions	622,654	-
Net difference between projected and actual earnings on pension plan investments	2,032,009	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	11,918	179,139
Board contributions subsequent to the measurement date	<u>3,339,743</u>	<u>-</u>
Total	<u>\$ 7,018,847</u>	<u>\$ 179,139</u>

\$7,018,847 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 1,180,446
2023	948,680
2024	765,486
2025	605,353
2026	--
Thereafter	--
Total	<u>\$ 3,499,965</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 actuarial valuation were based on the actuarial experience study for the prepared as of December 31, 2014 and adopted by the Board of Trustees on

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

January 21, 2016. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00% which is the same as the prior year. 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.

JACKSON COUNTY BOARD OF EDUCATION
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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)	\$ 33,069,426	\$ 18,374,301	\$ 6,048,132

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

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 by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are 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 CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

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

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Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

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

RHBF's benefit and contribution provisions are established by Chapter 135-7, 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 \$1,509,437.

At June 30, 2021, Board reported a liability of \$36,939,788 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 0.13%

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\$1,509,437 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		\$	(5,074,580)
2023			(5,070,525)
2024			(2,462,460)
2025			(892,793)
2026			(1,297,212)
Thereafter			--
	Total		<u>\$ (14,797,570)</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	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, 2019.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

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	<u>1% Decrease (1.21%)</u>	<u>Discounted Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Net OPEB liability	\$ 43,808,167	\$ 36,939,788	\$ 31,406,036

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

	Healthcare Trend Rates		
	<u>1% Decrease Medical - 5.50%, Pharmacy - 6.25%, Administrative - 2.00%</u>	<u>Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%</u>	<u>1% Increase Medical - 7.50%, Pharmacy - 8.25%, Administrative - 4.00%</u>
Net OPEB liability	\$ 29,780,092	\$ 36,939,788	\$ 46,509,522

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

Disability Benefits

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

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

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

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

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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 \$20,337 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 \$65,856 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, 2021 and at June 30, 2020, the Boards proportion was .13%.

\$20,337 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	\$	12,814
2023		8,335
2024		3,780
2025		6,679
2026		184
Thereafter		1,017
Total	\$	<u>32,809</u>

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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	\$ 56,876	\$ 65,856	\$ 74,575

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.

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.

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

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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%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	6.0%	4.0%
Total	<u>100.0%</u>	

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	\$ 1,511,944	\$ (49,041)	\$ 1,462,903
OPEB liability (asset)	36,939,788	(65,856)	36,873,932
Proportionate share of the net OPEB liability (asset)	0.133%	0.134%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	33,465	47,707	81,172
Changes of assumptions	1,620,021	5,121	1,625,142
Net difference between projected and actual earnings on plan investments	77,818	-	77,818
Changes in proportion and differences between Board contributions and proportionate share of contributions	918,238	-	918,238
Board contributions subsequent to the measurement date	1,509,437	20,337	1,529,774
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,445,130	-	1,445,130
Changes of assumptions	14,990,749	5,186	14,995,935
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,011,233	3,676	1,014,909
Net difference between projected and actual earnings on plan investments	-	11,157	11,157

Other Employment Benefits

The Board provides group term life insurance to permanent, full-time employees in the amount of \$15,000 through a commercial carrier at no cost to employees. In addition, the Board contributes toward the cost of dental insurance for those employees that choose to purchase dental insurance.

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For the year ended June 30, 2021, the total cost to the Board for group term life insurance and dental insurance was \$13,050 and \$60,749, respectively.

Long-Term Obligations

Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party direct placement financing arrangements. As of June 30, 2021, the Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts require an annual payment of \$94,099.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>
2022	<u>\$ 94,099</u>

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</u>
Governmental activities:					
Direct placement installment purchases	\$ 280,735	\$ -	\$ 186,636	\$ 94,099	\$ 94,099
Net pension liability	15,303,925	2,624,965	-	17,928,890	-
Net OPEB liability	41,304,378	-	5,260,047	36,044,331	-
Compensated absences	<u>2,330,170</u>	<u>2,054,332</u>	<u>2,087,270</u>	<u>2,297,232</u>	<u>1,093,612</u>
Total	<u>\$ 59,219,208</u>	<u>\$ 4,679,297</u>	<u>\$ 7,533,953</u>	<u>\$ 56,364,552</u>	<u>\$ 1,187,711</u>
Business-type activities:					
Net pension liability	\$ 422,749	\$ 22,662	\$ -	\$ 445,411	\$ -
Net OPEB liability	1,140,974	-	245,517	895,457	-
Compensated absences	<u>64,265</u>	<u>62,281</u>	<u>76,920</u>	<u>49,626</u>	<u>30,165</u>
Total	<u>\$ 1,627,988</u>	<u>\$ 84,943</u>	<u>\$ 322,437</u>	<u>\$ 1,390,494</u>	<u>\$ 30,165</u>

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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Compensated absences for governmental activities are typically liquidated by the general and other governmental funds.

Deferred Outflows and Deferred Inflows of Resources

The balance in deferred outflows and 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	\$ 930,156	\$ 1,194,048
Changes of assumptions	2,247,796	14,995,935
Difference between projected and actual earnings on plan investments	2,109,827	11,157
Board contributions subsequent to the measurement date	4,869,517	-
Difference between expected and actual experience	<u>1,093,695</u>	<u>1,445,130</u>
Totals	<u>\$ 11,250,991</u>	<u>\$ 17,646,270</u>

Interfund Balances and Activities

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

From the Individual Schools Fund to the Other Special Revenue Fund for use of activity buses	<u>\$ 23,902</u>
From the State Public School Fund to the School Nutrition Fund for operating costs	<u>\$ 82,487</u>
Interfund balances at June 30, 2021 consist of the following:	
From the State Public School Fund to the School Nutrition Fund for the purchase of equipment	<u>\$ 6,251</u>
From the General Fund to the Other Special Revenue Fund This amount occurred in normal operations and is expected to be repaid in the following year.	<u>\$ 50,885</u>

**JACKSON COUNTY BOARD OF EDUCATION
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For the Year Ended June 30, 2021**

Fund Balance

The Board does not have a formal fund balance policy. In addition, all encumbrances lapse at the end of the year. Therefore, the entire amount of unassigned fund balance in the General Fund is available for appropriation.

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

Total fund balance - General Fund	\$ 2,806,896
Less:	
Stabilization by State statute	<u>(13,864)</u>
Remaining fund balance	<u>\$ 2,793,032</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 for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. 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. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond.

JACKSON COUNTY BOARD OF EDUCATION
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The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

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.

JACKSON 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)	0.152%	0.152%	0.150%	0.151%	0.156%
Board's proportionate share of the net pension liability (asset)	\$ 18,374,301	\$ 15,726,674	\$ 14,881,366	\$ 11,966,724	\$ 14,298,490
Board's covered-employee payroll	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680	\$ 19,913,809
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	82.01%	70.18%	70.49%	58.06%	71.80%
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)	0.151%	0.144%	0.142%
Board's proportionate share of the net pension liability (asset)	\$ 5,551,751	\$ 1,686,293	\$ 8,645,131
Board's covered-employee payroll	\$ 20,018,706	\$ 18,550,024	\$ 18,890,817
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.73%	9.09%	45.76%
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.

JACKSON 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	\$ 3,339,743	\$ 2,905,926	\$ 2,754,168	\$ 2,275,652	\$ 2,056,946
Contributions in relation to the contractually required contribution	3,339,743	2,905,926	2,754,168	2,275,652	2,056,946
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 22,596,365	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,811,446	\$ 1,810,186	\$ 1,593,773
Contributions in relation to the contractually required contribution	1,811,446	1,810,186	1,593,773
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024
Contributions as a percentage of covered-employee payroll	9.10%	9.04%	8.59%

This schedule is required supplementary information.

JACKSON 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)	0.133%	0.134%	0.134%	0.136%	0.124%
Board's proportionate share of the net OPEB liability (asset)	\$ 36,939,788	\$ 42,445,352	\$ 38,087,756	\$ 44,635,464	\$ 56,612,103
Board's covered-employee payroll	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680	\$ 19,913,809
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	164.87%	189.41%	180.43%	216.56%	284.29%
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.

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

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,509,437	\$ 1,449,602	\$ 1,405,096	\$ 1,277,151	\$ 1,196,982
Contributions in relation to the contractually required contribution	1,509,437	1,449,602	1,405,096	1,277,151	1,196,982
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 22,596,365	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680
Contributions as a percentage of covered-employee payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,114,336	\$ 1,099,027	\$ 1,001,762	\$ 1,001,213	\$ 940,313
Contributions in relation to the contractually required contribution	1,114,336	1,099,027	1,001,762	1,001,213	940,313
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024	\$ 18,890,811	\$ 18,806,260
Contributions as a percentage of covered-employee payroll	5.60%	5.49%	5.40%	5.30%	5.00%

This schedule is required supplementary information.

JACKSON 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	0.134%	0.134%	0.133%	0.134%	0.140%
Board's proportionate share of the net OPEB asset	\$ 65,856	\$ 58,018	\$ 40,430	\$ 81,980	\$ 86,977
Board's covered-employee payroll	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680	\$ 19,913,809
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.29%	0.26%	0.19%	0.40%	0.44%
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.

JACKSON 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	\$ 20,337	\$ 22,405	\$ 31,374	\$ 29,554	\$ 77,896
Contributions in relation to the contractually required contribution	<u>20,337</u>	<u>22,405</u>	<u>31,374</u>	<u>29,554</u>	<u>77,896</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 22,596,365	\$ 22,404,980	\$ 22,409,830	\$ 21,109,942	\$ 20,610,680
Contributions as a percentage of covered-employee 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	\$ 81,684	\$ 82,077	\$ 80,701	\$ 83,120	\$ 97,793
Contributions in relation to the contractually required contribution	<u>81,684</u>	<u>82,077</u>	<u>80,701</u>	<u>83,120</u>	<u>97,793</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 19,913,809	\$ 20,018,706	\$ 18,550,024	\$ 18,890,811	\$ 18,806,260
Contributions as a percentage of covered-employee payroll	0.41%	0.41%	0.44%	0.44%	0.52%

This schedule is required supplementary information.

**JACKSON 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:			
Jackson County:			
County appropriations	\$ 8,126,014	\$ 8,267,941	\$ 141,927
Other:			
Fines and forfeitures	180,000	95,251	
Other	141,928	4,302	
Interest earned on investments	-	11,430	
Total	321,928	110,983	(210,945)
Total revenues	8,447,942	8,378,924	(69,018)
Expenditures:			
Instructional services:			
Regular instructional		1,269,043	
Special populations		114,677	
Alternative programs		129,623	
School leadership		854,453	
Co-curricular services		446,326	
School-based support		720,512	
Total instructional services	4,245,412	3,534,634	710,778
System-wide support services:			
Support and development		172,836	
Special population support and development		8,186	
Alternative programs and services		2,533	
Technology support		387,306	
Operational support		1,897,637	
Financial and human resource services		682,259	
Accountability		135,270	
Systemwide pupil support		79,937	
Policy, leadership and public relations		590,573	
Total system-wide support services	4,825,773	3,956,537	869,236
Ancillary services	26,810	23,764	3,046
Non-programmed charges	720,681	672,851	47,830
Total expenditures	9,818,676	8,187,786	1,630,890
Revenues over (under) expenditures	(1,370,734)	191,138	1,561,872

**JACKSON 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
 (Continued)**

Appropriated fund balance	<u>1,370,734</u>	-	<u>(1,370,734)</u>
Revenues and appropriated fund balance over (under)			
expenditures	<u>\$ -</u>	191,138	<u>\$ 191,138</u>
Fund balances:			
Beginning of year, July 1		<u>2,615,758</u>	
End of year, June 30		<u>\$ 2,806,896</u>	

**JACKSON 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	\$ 186,636	\$ 186,636	\$ -
Jackson County			
County appropriations	2,000,000	1,582,350	(417,650)
Restricted portion of sales tax	1,355,700	1,356,200	500
	<u>3,355,700</u>	<u>2,938,550</u>	<u>(417,150)</u>
Other:			
Investment earnings	-	3,901	3,901
Other	-	3,600	3,600
	<u>-</u>	<u>7,501</u>	<u>7,501</u>
Total revenues	<u>3,542,336</u>	<u>3,132,687</u>	<u>(409,649)</u>
Expenditures:			
Instructional services			
School-based support	107,864	100,125	(7,739)
System-wide support services			
Technology support		727,725	
Operational support		831,773	
Total	<u>1,870,596</u>	<u>1,559,498</u>	<u>311,098</u>
Capital outlay	<u>2,037,000</u>	<u>1,417,047</u>	<u>619,953</u>
Debt service:			
Principal payments	<u>186,636</u>	<u>186,636</u>	<u>-</u>
Total expenditures	<u>4,202,096</u>	<u>3,263,306</u>	<u>923,312</u>
Revenues over (under) expenditures	(659,760)	(130,619)	529,141
Appropriated fund balance	<u>659,760</u>	<u>-</u>	<u>(659,760)</u>
Revenues, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(130,619)</u>	<u>\$ (130,619)</u>
Fund balances:			
Beginning of year, July 1		<u>917,130</u>	
End of year, June 30		<u>\$ 786,511</u>	

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

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 15,841,122	\$ 3,451,647	\$ (12,389,475)
Expenditures:			
Instructional services			
Regular instructional		520,777	
Special populations		752,537	
Alternative programs and services		1,268,080	
School-based support		169,893	
Total	<u>11,787,882</u>	<u>2,711,287</u>	<u>9,076,595</u>
System-wide support services			
Support and development		98,116	
Alternative programs and services			
support and development		71,788	
Technology support		240,675	
Operational support		190,147	
Total	<u>2,427,373</u>	<u>600,726</u>	<u>1,826,647</u>
Ancillary services	<u>13,947</u>	<u>-</u>	<u>13,947</u>
Non-programmed charges	<u>1,611,920</u>	<u>139,634</u>	<u>1,472,286</u>
Total expenditures	<u>15,841,122</u>	<u>3,451,647</u>	<u>12,389,475</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

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

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales and other	\$ 567,655	\$ 77,502	\$ (490,153)
Operating expenditures:			
Business support services		1,800,077	
Capital outlay		45,373	
Total operating expenditures	2,770,168	1,845,450	924,718
Operating loss	(2,202,513)	(1,767,948)	434,565
Nonoperating revenues:			
Federal reimbursements	1,600,000	1,504,677	(95,323)
Federal commodities	113,000	147,590	34,590
State reimbursements	5,000	-	(5,000)
Interest earned	1,500	1,320	(180)
Gain/(loss) on sale of capital assets	1,000	(15,353)	(16,353)
Donated capital assets	15,000	6,251	(8,749)
Total nonoperating revenues	1,735,500	1,644,485	(91,015)
Revenues over (under) expenditures before other financing sources	(467,013)	(123,463)	343,550
Transfers from other funds	290,173	82,487	(207,686)
Revenues and other sources over (under) expenditures	(176,840)	(40,976)	135,864
Appropriated fund balance	176,840	-	(176,840)
Revenues, other sources, and appropriated fund balance under expenditures	\$ -	(40,976)	\$ (40,976)

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

**Exhibit D-1
 (Continued)**

Reconciliation of modified accrual to full accrual basis:

Reconciling items:

Depreciation	(44,211)
Indirect costs	(159,079)
Indirect costs not paid	159,079
Capital outlay	45,373
Increase (decrease) in accounts receivable	654
Increase (decrease) in inventory	12,551
(Increase) decrease in accounts payable	224
(Increase) decrease in unavailable revenues	2,721
(Increase) decrease in compensated absences	14,639
Net pension liability	(22,662)
Net OPEB liability	245,517
Deferred outflows - pension	(28,306)
Deferred inflows - pension	(22,662)
Change in net position	<u>\$ 162,862</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
Jackson County Board of Education
Sylva, 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 Jackson 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 Jackson County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 22, 2021.

Internal Control over Financial Reporting

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

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

*October 22, 2021
Statesville, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Jackson County Board of Education
Sylva, North Carolina

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, the Jackson 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 Jackson 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 Jackson 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

October 22, 2021
Statesville, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Jackson County Board of Education
Sylva, North Carolina

Report on Compliance for Each Major State Program

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

Opinion on Each Major State Program

In our opinion, the Jackson 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 Jackson 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 Jackson 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

October 22, 2021
Statesville, North Carolina

**Jackson 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 Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone reported

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.027 84.173	Special Education Cluster Grants to States Preschool Grants
84.425	COVID 19 – Education Stabilization Fund

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

Dollar threshold used to distinguish
between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? X_yes ___no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes X_no

- Significant deficiency(s) identified that
are not considered to be material weaknesses? ___yes X_none reported

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

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

Identification of major State programs:

Program Name
State Public School Fund

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

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

**Jackson 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

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

No findings reported in the prior year.

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:			
Cash Assistance:			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Child Nutrition Cluster:			
Passed-through the N.C. Department of Public Instruction:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ <u>147,590</u>
Cash Assistance:			
After School Snack Program	10.555	PRC 035	5,213
Summer Food Service Program for Children	10.559	PRC 035	<u>1,499,464</u>
Cash Assistance Subtotal			<u>1,504,677</u>
Total Child Nutrition Cluster			1,652,267
Passed-through N.C. State University			
Farm to School Grant	10.575		<u>2,000</u>
Total U.S. Department of Agriculture			<u>1,654,267</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Programs:			
Impact Aid	84.041		145,414
Indian Education Grants to Local Education Agencies	84.060		51,977
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050 & 115	1,082,455

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Title I - School Improvement	84.377	PRC 105	86,626
Rural Education	84.358	PRC 109	24,018
Student Support and Academic Enrichment Program	84.424	PRC 108	75,375
English Language Acquisition Grants	84.365	PRC 104 & 111	20,550
Education for Homeless Children and Youth	84.196	PRC 026	13,642
Supporting Effective Instruction State Grant	84.367	PRC 103	127,264
Twenty-first Century Community Learning Center	84.287	PRC 110	2,278
Education Stabilization Fund			
COVID-19 - CARES Act - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	888,507
COVID-19 - CARES Act - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	6,604
COVID-19 - CARES Act - GEER I - Supplemental Instructional Services	84.425C	PRC 170	20,265
COVID-19 - CRRSA - K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	305,627
COVID-19 - CRRSA - K-12 Emergency Relief Fund - ESSER II - Competency-Based Assessment	84.425D	PRC 178	7,907
COVID-19 - ARP - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	55
Total Education Stabilization Fund			<u>1,228,965</u>
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	655,599
Special Education - Targeted Assistance	84.027	PRC 118	3,024
Special Education - Preschool Grants	84.173	PRC 049	55,216
Total Special Education Cluster			<u>713,839</u>
Special Education State Personnel Development	84.323	PRC 082	7,179
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	69,456
Total U.S. Department of Education			<u>3,649,038</u>

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
U.S. Department of the Treasury			
Passed-through the N.C. Office of State Management and Budget			
N.C. Pandemic Recovery Office			
Passed-through the N.C. Department of Public Instruction			
Coronavirus Relief Fund			
COVID 19 - Summer Learning Program	21.019	PRC 121	181,015
COVID 19 - Instructional Support	21.019	PRC 122	22,954
COVID 19 - Nondigital Resources	21.019	PRC 123	6,378
COVID 19 - Student Computers and Devices	21.019	PRC 124	75,553
COVID 19 - School Nutrition	21.019	PRC 125	29,220
COVID 19 - Personnel Computers and Devices	21.019	PRC 126	11,639
COVID 19 - Home and Community WiFi	21.019	PRC 128	45,603
COVID 19 - Grants for Exceptional Children Services	21.019	PRC 132	81,495
COVID 19 - Cybersecurity	21.019	PRC 135	8,298
COVID 19 - Personal Protective Equipment	21.019	PRC 137	98,853
COVID 19 - Gaggle Safety Management	21.019	PRC 138	8,820
Total Coronavirus Relief Fund			<u>569,828</u>
U.S. Department of Health and Human Services			
Health Resources and Services Administration			
Passed-through the N.C. Department of Health and Human Services			
COVID 19 - CARES Act - Child Care and Development Block Grant	93.575		<u>10,698</u>
Total Federal Assistance			<u>5,883,831</u>

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			23,803,896
Career and Technical Education			
State Months of Employment		PRC 013	1,473,745
Program Support Funds		PRC 014	107,992
Driver Training		PRC 012	59,741
Appropriations for School Buses (non-cash assistance)			<u>186,636</u>
Total N.C. Department of Public Instruction			<u>25,632,010</u>
<u>NC General Assembly</u>			
Passed through Jackson County:			
School Nurse Funding Initiative			<u>52,819</u>
Total State Assistance			<u>25,684,829</u>
Total Federal and State Assistance			<u>\$ 31,568,660</u>

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Jackson 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 Jackson County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Jackson 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.

Note 3. Indirect Cost Rate

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