

**CASWELL COUNTY
BOARD OF EDUCATION
Yanceyville, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2022*

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Caswell County Board of Education
Yanceyville, North Carolina

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 55 through 60, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the Caswell County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Caswell County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caswell County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 18, 2022
West End, North Carolina
(910) 603-0508

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Impact of Coronavirus on District

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

Financial Highlights

- For the fiscal year ended June 30, 2022, the Board's total government wide net position increased by \$13.6 million.
- General fund balance decreased by \$117,000 and the Other Special Revenue fund balance increased \$124,000.
- The Board's average daily membership (ADM) for the fiscal year ended June 30, 2022 was 2,159 students, a decrease of 65 students from the 2021 ADM of 2,224.

Overview of the Financial Statements

The audited financial statements of the Caswell 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 supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (assets) and the Schedules of Board Contributions.*
- *Supplemental section that presents budgetary schedules for governmental and enterprise funds.*

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of 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 the Board's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets and liabilities. This 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 the district's property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

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

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

Caswell County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) 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 district-wide statements, additional information at the bottom of the governmental fund statements, in the

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

form of a reconciliation, explains the relationship (or differences) between them. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Caswell County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Caswell County Board of Education has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows exceeded liabilities and deferred inflows by \$16.4 million as of June 30, 2022 as compared to liabilities and deferred inflows exceeding assets and deferred outflows by \$2.8 million as of June 30, 2021, an increase of \$13.6 million. The largest component of net position is net investment in capital assets of \$47.8 million.

Following is a summary of the Statement of Net Position at June 30, 2022 and 2021:

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 1
Condensed Statement of Net Position
As of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Current and other assets	\$ 5,779,059	\$ 5,209,501	\$ 752,003	\$ 500,678	\$ 6,531,062	\$ 5,710,179
Capital assets	48,008,777	38,896,800	5,930	7,398	48,014,707	38,904,198
Total assets	53,787,836	44,106,301	757,933	508,076	54,545,769	44,614,377
Deferred outflows of resources	7,386,507	6,887,009	244,180	254,637	7,630,687	7,141,646
Current liabilities	1,767,232	1,687,672	30,302	47,935	1,797,534	1,735,607
Long-term liabilities	27,719,110	32,780,878	944,313	1,210,390	28,663,423	33,991,268
Total liabilities	29,486,342	34,468,550	974,615	1,258,325	30,460,957	35,726,875
Deferred inflows of resources	14,829,360	12,733,082	490,228	470,783	15,319,588	13,203,865
Net investment in						
capital assets	47,770,531	38,707,832	5,930	7,398	47,776,461	38,715,230
Restricted net position	2,117,722	1,737,560	2,144	2,935	2,119,866	1,740,495
Unrestricted net position (deficit)	(33,029,612)	(36,653,714)	(470,804)	(976,728)	(33,500,416)	(37,630,442)
Total net position (deficit)	\$ 16,858,641	\$ 3,791,678	\$ (462,730)	\$ (966,395)	\$ 16,395,911	\$ 2,825,283

The net position of the Board's governmental activities increased \$13.1 million during the year, from \$3.8 million at June 30, 2021 to \$16.9 million at June 30, 2022, indicating an improvement in the financial condition of the Board. Net investment in capital assets increased by \$9.1 million, restricted net position increased by \$380,000 and unrestricted net position increased by \$3.6 million. The increase in net investment in capital assets is due to an excess of capital additions over depreciation for the year due to construction of the Bartlett Yancey High School annex. Restricted net position increased due primarily to increased fund balance in the Capital Outlay fund and the Other Special Revenue fund restricted fund balance related to Medicare. Unrestricted net position increased \$3.6 million from a negative \$36.7 million to a negative \$33.0 million primarily because of a decrease in pension liability and OPEB expenses in the current year. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans.

The net position of the Board's business-type activities increased \$504,000 during the year, from \$(966,000) at June 30, 2021 to \$(463,000) as of June 30, 2022. This increase of \$504,000 is the net income generated by our School Food Service fund offset by the net loss generated by the Child Care fund. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Revenues:						
Program revenues:						
Charges for services	\$ 532,540	\$ 397,915	\$ 123,851	\$ 3,748	\$ 656,391	\$ 401,663
Operating grants and contributions	24,661,013	19,535,416	1,715,797	747,801	26,376,810	20,283,217
Capital grants and contributions	238,248	188,968	-	-	238,248	188,968
General revenues:						
County appropriations	11,825,898	7,187,503	-	-	11,825,898	7,187,503
State appropriations	157,446	11,346,752	-	-	157,446	11,346,752
Other revenues	<u>2,677,841</u>	<u>2,461,786</u>	<u>-</u>	<u>15,019</u>	<u>2,677,841</u>	<u>2,476,805</u>
Total revenues	<u>40,092,986</u>	<u>41,118,340</u>	<u>1,839,648</u>	<u>766,568</u>	<u>41,932,634</u>	<u>41,884,908</u>
Expenses:						
Governmental activities:						
Instructional services	21,032,240	18,353,927	-	-	21,032,240	18,353,927
System-wide support services	5,446,348	5,567,695	-	-	5,446,348	5,567,695
Ancillary services	115,255	177,072	-	-	115,255	177,072
Payments to other governments	241,362	228,561	-	-	241,362	228,561
Interest on long-term debt	11,591	-	-	-	11,591	-
Unallocated depreciation	135,701	73,852	-	-	135,701	73,852
Business-type activities:						
School food service	-	-	1,317,882	1,060,652	1,317,882	1,060,652
Child care	-	-	61,627	(997)	61,627	(997)
Total expenses	<u>26,982,497</u>	<u>24,401,107</u>	<u>1,379,509</u>	<u>1,059,655</u>	<u>28,362,006</u>	<u>25,460,762</u>
Transfers in (out)	<u>(43,526)</u>	<u>(71,804)</u>	<u>43,526</u>	<u>71,804</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	13,066,963	16,645,429	503,665	(221,283)	13,570,628	16,424,146
Beginning net position (deficit)	<u>3,791,678</u>	<u>(12,853,751)</u>	<u>(966,395)</u>	<u>(745,112)</u>	<u>2,825,283</u>	<u>(13,598,863)</u>
Ending net position (deficit)	<u>\$ 16,858,641</u>	<u>\$ 3,791,678</u>	<u>\$ (462,730)</u>	<u>\$ (966,395)</u>	<u>\$ 16,395,911</u>	<u>\$ 2,825,283</u>

CASWELL COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Total governmental activities generated revenues of \$40.1 million while expenses in this category totaled \$27.0 million for the year ended June 30, 2022, resulting in an increase in net position of \$13.1 million (including transfers out to business-type activities of \$44,000). Comparatively, revenues were \$41.1 million, expenses totaled \$24.4 million and transfers out were \$72,000 for the year ended June 30, 2021, resulting in an increase in net position of \$16.6 million. In comparing the two years, revenues decreased \$1.0 million and expenses increased by \$2.6 million. The overall decrease in revenues is primarily attributable to a \$6.4 million decrease in the Capital Outlay fund as the Board nears the end of construction on the Bartlett Yancey Senior High School annex which is being funded by lottery, ADM and County funds. The overall increase in expenses is largely attributable to an increase in federally funded expenses related to the COVID-19 Education Stabilization funds offset by a decrease in pension and OPEB expenses of \$2.3 million. See the footnotes for detailed information regarding pension and OPEB related amounts and disclosures.

The Board's primary sources of revenues were funding from the State of North Carolina, Caswell County, and the United States Government, which respectively comprised 51.7%, 29.1% and 16.2% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 77.9% of our total expenses during the most recent fiscal year. Of the remaining 22.1% of our total expenses, 20.2% was attributable to system-wide support services.

Our business-type activities generated revenues of \$1.8 million, while expenses in this category totaled \$1.4 million, for the year ended June 30, 2022. For the year, net position increased by \$504,000 (including transfers in of \$44,000). Comparatively, revenues were \$767,000; expenses were \$1.1 million and transfers in were \$72,000 for the year ended June 30, 2021, resulting in a decrease in net position of \$221,000. In comparing the two years, revenues increased by \$1.1 million while expenses increased by \$320,000. The increase in revenues is the result of increased participation as students returned to a traditional in-person learning schedule and all students ate for free the entire year under the USDA Summer feeding program. As would be expected with the increase in meals served, food costs and salaries and benefits also increased during the year which contributed to the overall increase in expenses. The increase in food cost and salaries was offset by a \$291,000 decrease in pension and OPEB expense.

Financial Analysis of the Board's Funds

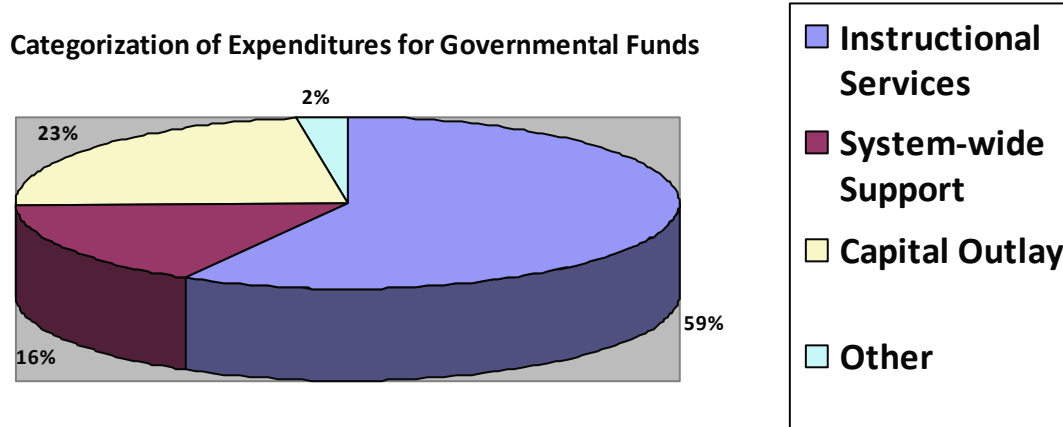
Governmental Funds: The focus of Caswell County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$4.6 million at June 30, 2022, an increase of \$324,000 from the amount reported at June 30, 2021. The Other Special Revenue, Capital Outlay and Individual Schools funds all reported increases in fund balance of \$124,000, \$317,000, and \$700, respectively, for the year while the General fund reported a decrease in fund balance of \$117,000. Overall, total governmental fund revenues decreased by \$883,000 while total expenditures decreased by \$901,000 from the prior year. The decrease in revenues and expenditures is attributable primarily due to a decrease in the Capital Outlay fund related to the construction nearing completion on the new High School which is being funded by lottery ADM and County funds. As mentioned above this decrease was offset by an increase in the Federal Grants fund related to Education Stabilization funds received to offset the cost of providing instructional services during the COVID-19 pandemic.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these funds are expended in the year received. In comparing the year ended June 30, 2022 to 2021, the State Public School Fund reported an increase in revenues (and expenditures) of \$1.8 million, or 9.5%, due to an increase in both Instructional Services System Wide Support services related to additional expenditures recognized in the transportation department as students returned to in-person learning, as well as an increase in regular instructional salaries and benefits expenditures. The Federal Grants Fund reported an increase of \$3.5 million, or 143.2% due to receipt of Education Stabilization funds received to offset the cost of the COVID-19 pandemic.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following chart summarizes governmental fund expenditures:



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type funds, the School Food Service Fund and the Child Care Fund, reported a combined increase in net position of \$504,000 for the fiscal year ended June 30, 2022 compared to a decrease of \$221,000 for the same 2021 period. Net income in the School Food Service Fund (including transfers in) was \$511,000 for the fiscal year ended June 30, 2022 compared to a net loss of \$222,000 for 2021, an improvement of \$733,000. The Child Care Fund reported a net loss of \$7,000 in 2022 compared to a net income of \$1,000 in 2021; there were no child care fees received in the prior year as the program was closed all year due to the Coronavirus pandemic but resumed operations in the current year and collected a total of \$55,000 of child care fees.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2022 of \$117,000, compared to an increase of \$56,000 in 2021. Revenues decreased by \$96,000 due to indirect cost being recorded in the Other Special Revenue fund this year. Expenditures increased by \$77,000 from the prior year, due to students returning to full time in person instruction. Through effective cost-containment and budget management practices, the Board was able to keep expenditures below budget and not use all of the \$392,000 fund balance appropriated in the current year.

Capital Assets

Total primary government capital assets were \$48.0 million at June 30, 2022 compared to \$38.9 million at June 30, 2021, an increase of 23.4%. The increase is attributable to an excess of capital additions related to the High School annex over depreciation expense for the year. More detailed information about the Board's capital assets is contained in Note 2 - Detail Notes to the basic financial statements.

**CASWELL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2022 and 2021:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>
Land	\$ 1,300,521	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521	\$ 1,300,521
Construction in progress	25,698,790	17,001,414	-	-	25,698,790	17,001,414
Buildings and improvements	19,982,740	19,484,458	-	-	19,982,740	19,484,458
Equipment and furniture	439,626	558,033	5,930	7,398	445,556	565,431
Vehicles	587,100	552,374	-	-	587,100	552,374
Total	<u>\$ 48,008,777</u>	<u>\$ 38,896,800</u>	<u>\$ 5,930</u>	<u>\$ 7,398</u>	<u>\$ 48,014,707</u>	<u>\$ 38,904,198</u>

Debt Outstanding

During the year, the Board's long-term debt increased from \$189,000 at June 30, 2021 to \$522,000 at June 30, 2022. 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. More detailed information about the Board's outstanding debt is contained in Note 2 to the basic financial statements.

Economic Factors

The Board anticipates decreased enrollment over the next several years and will continue to need highly qualified teachers, technology, and equipment to increase student opportunities and achievement. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district. The following factors have affected the economic outlook of Caswell County.

- Caswell County's population estimation of approximately 22,540 is a decrease of approximately 5.0% since 2010.
- The unadjusted unemployment rate in Caswell County at June 30, 2022 was 4.4%, slightly above that of the State at 3.4%.

Requests for Information

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

Dr. Sandra Carter
Superintendent
Caswell County Board of Education
P.O. Box 160
Yanceyville, NC 27379

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CASWELL COUNTY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,356,972	\$ 312,378	\$ 1,669,350
Investments	3,342,502	280,059	3,622,561
Due from other governments	745,081	61,204	806,285
Receivables	88	-	88
Net OPEB asset	11,862	392	12,254
Inventories	-	97,970	97,970
Right to use leased assets, net of amortization	278,449	-	278,449
Prepays	44,105	-	44,105
Capital assets:			
Land and construction in progress	26,999,311	-	26,999,311
Other capital assets, net of depreciation	21,009,466	5,930	21,015,396
Total capital assets	48,008,777	5,930	48,014,707
 Total assets	 53,787,836	 757,933	 54,545,769
 Deferred Outflows of Resources	 7,386,507	 244,180	 7,630,687
Liabilities			
Accounts payable and accrued expenses	895,492	260	895,752
Unearned revenue	-	7,730	7,730
Long-term liabilities:			
Due within one year	871,740	22,312	894,052
Due in more than one year	1,339,399	72,256	1,411,655
Net pension liability	3,878,681	128,221	4,006,902
Net OPEB liability	22,501,030	743,836	23,244,866
 Total liabilities	 29,486,342	 974,615	 30,460,957
 Deferred Inflows of Resources	 14,829,360	 490,228	 15,319,588
Net position			
Investment in capital assets	47,770,531	5,930	47,776,461
Restricted for:			
Stabilization by State statute	85,192	-	85,192
School capital outlay	1,202,475	-	1,202,475
Special revenue programs	587,460	-	587,460
Individual schools activities	177,750	-	177,750
DIPNC OPEB plan	64,845	2,144	66,989
Unrestricted (deficit)	(33,029,612)	(470,804)	(33,500,416)
 Total net position (deficit)	 \$ 16,858,641	 \$ (462,730)	 \$ 16,395,911

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

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

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	\$ 12,639,773	\$ -	\$ 12,955,342	\$ -	\$ 315,569	\$ -	\$ 315,569
Special populations	2,375,696	-	2,808,088	-	432,392	-	432,392
Alternative programs	1,917,896	-	1,811,516	-	(106,380)	-	(106,380)
School leadership	1,346,913	-	1,010,077	-	(336,836)	-	(336,836)
Co-curricular	385,496	251,219	4,037	-	(130,240)	-	(130,240)
School-based support	2,366,466	-	2,297,942	-	(68,524)	-	(68,524)
System-wide support services:							
Support and development	123,903	-	146,959	-	23,056	-	23,056
Special population support and development	137,241	-	157,375	-	20,134	-	20,134
Alternative programs and services support and development	45,469	-	56,304	-	10,835	-	10,835
Technology support	370,581	-	131,383	-	(239,198)	-	(239,198)
Operational support	3,560,781	5,544	2,271,179	238,248	(1,045,810)	-	(1,045,810)
Financial and human resource services	546,225	275,777	318,538	-	48,090	-	48,090
Accountability	75,436	-	90,253	-	14,817	-	14,817
Policy, leadership and public relations	586,712	-	285,469	-	(301,243)	-	(301,243)
Ancillary services	115,255	-	46,148	-	(69,107)	-	(69,107)
Non-programmed charges	241,362	-	270,403	-	29,041	-	29,041
Interest on long-term debt	11,591	-	-	-	(11,591)	-	(11,591)
Unallocated depreciation expense**	135,701	-	-	-	(135,701)	-	(135,701)
Total governmental activities	26,982,497	532,540	24,661,013	238,248	(1,550,696)	-	(1,550,696)
Business-type activities:							
School food service	1,317,882	69,179	1,715,797	-	-	467,094	467,094
Child care	61,627	54,672	-	-	-	(6,955)	(6,955)
Total business-type activities	1,379,509	123,851	1,715,797	-	-	460,139	460,139
Total primary government	\$ 28,362,006	\$ 656,391	\$ 26,376,810	\$ 238,248	(1,550,696)	460,139	(1,090,557)
General revenues:							
					2,600,000	-	2,600,000
					9,225,898	-	9,225,898
					2,552,326	-	2,552,326
					157,446	-	157,446
					125,515	-	125,515
					(43,526)	43,526	-
					14,617,659	43,526	14,661,185
					13,066,963	503,665	13,570,628
					3,791,678	(966,395)	2,825,283
					\$ 16,858,641	\$ (462,730)	\$ 16,395,911

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

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

FUND FINANCIAL STATEMENTS

**CASWELL COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 131,856	\$ -	\$ -	\$ 367,505	\$ 717,819	\$ 139,792	\$ 1,356,972
Investments	2,565,070	-	-	249,838	489,636	37,958	3,342,502
Due from other governments	-	-	-	85,104	659,977	-	745,081
Accounts receivable	88	-	-	-	-	-	88
Prepays	44,105	-	-	-	-	-	44,105
Total assets	\$ 2,741,119	\$ -	\$ -	\$ 702,447	\$ 1,867,432	\$ 177,750	\$ 5,488,748
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 230,535	\$ -	\$ -	\$ -	\$ 664,957	\$ -	\$ 895,492
Total liabilities	230,535	-	-	-	664,957	-	895,492
Fund balances:							
Nonspendable:							
Prepays	44,105	-	-	-	-	-	44,105
Restricted:							
Stabilization by State statute	88	-	-	85,104	-	-	85,192
School capital outlay	-	-	-	-	1,202,475	-	1,202,475
Special revenue programs	-	-	-	587,460	-	-	587,460
Individual schools	-	-	-	-	-	177,750	177,750
Assigned:							
Subsequent year's expenditures	347,718	-	-	-	-	-	347,718
Unassigned	2,118,673	-	-	-	-	-	2,118,673
Total fund balances	2,510,584	-	-	702,447	1,202,475	177,750	4,593,256
Total liabilities, deferred inflows of resources and fund balances	\$ 2,741,119	\$ -	\$ -	\$ 702,447	\$ 1,867,432	\$ 177,750	\$ 5,488,748

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

CASWELL COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3 (continued)

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

Total fund balance (All Governmental Funds)	4,593,256
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	48,008,777
Net OPEB asset	11,862
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	278,449
Deferred outflows of resources related to pensions	4,023,568
Deferred outflows of resources related to OPEB plans	3,362,939
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(2,211,139)
Net pension liability	(3,878,681)
Net OPEB liability	(22,501,030)
Deferred inflows of resources related to pensions	(5,387,403)
Deferred inflows of resources related to OPEB plans	<u>(9,441,957)</u>
Net position of governmental activities	<u>\$ 16,858,641</u>

CASWELL COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 20,195,494	\$ -	\$ 285,104	\$ 395,694	\$ -	\$ 20,876,292
Caswell County							
Local current expense	2,600,000	-	-	-	-	-	2,600,000
Other	-	-	-	-	9,162,375	-	9,162,375
U.S. Government	-	531,837	6,007,705	-	-	-	6,539,542
Other	279,871	-	-	590,567	63,523	251,219	1,185,180
Total revenues	2,879,871	20,727,331	6,007,705	875,671	9,621,592	251,219	40,363,389
Expenditures:							
Current:							
Instructional services:							
Regular instructional	21,270	11,510,090	2,173,708	26,482	-	-	13,731,550
Special populations	39,830	2,181,988	587,352	368	-	-	2,809,538
Alternative programs	70,111	351,723	1,462,915	254,898	-	-	2,139,647
School leadership	59,024	1,564,857	-	-	-	-	1,623,881
Co-curricular	138,667	4,037	-	-	-	250,567	393,271
School-based support	23,851	1,578,328	885,774	221,802	-	-	2,709,755
System-wide support services:							
Support and development	5,648	146,959	-	-	-	-	152,607
Special population support and development	8,930	83,301	74,074	-	-	-	166,305
Alternative programs and services support and development	-	-	56,304	-	-	-	56,304
Technology support	151,787	289,046	1,399	-	-	-	442,232
Operational support	1,357,436	2,282,672	446,172	248,000	-	-	4,334,280
Financial and human resource services	308,413	285,209	33,329	-	-	-	626,951
Accountability	2,489	90,253	-	-	-	-	92,742
Policy, leadership and public relations	395,439	285,469	-	-	-	-	680,908
Ancillary services	73,294	29,873	16,275	-	-	-	119,442
Non-programmed charges	241,362	-	270,403	-	-	-	511,765
Debt service:							
Principal retirement	88,009	-	-	-	238,248	-	326,257
Interest and fees	11,591	-	-	-	-	-	11,591
Capital outlay	-	-	-	-	9,353,886	-	9,353,886
Total expenditures	2,997,151	20,683,805	6,007,705	751,550	9,592,134	250,567	40,282,912
Revenues over (under) expenditures	(117,280)	43,526	-	124,121	29,458	652	80,477
Other financing sources (uses):							
Transfers from (to) other funds	-	(43,526)	-	-	-	-	(43,526)
Installment purchase obligations issued	-	-	-	-	287,526	-	287,526
Total other financing sources (uses)	-	(43,526)	-	-	287,526	-	244,000
Net change in fund balance	(117,280)	-	-	124,121	316,984	652	324,477
Fund balances:							
Beginning of year	2,627,864	-	-	578,326	885,491	177,098	4,268,779
End of year	\$ 2,510,584	\$ -	\$ -	\$ 702,447	\$ 1,202,475	\$ 177,750	\$ 4,593,256

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

CASWELL COUNTY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 324,477
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	9,111,977
Governmental funds report right to use leased assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which amortization exceeded capitalized right to use leased asset expenditures in the current period.	(92,816)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,350,607
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	915,560
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	136,102
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	38,731
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) benefit	(888,858)
OPEB (expense) benefit	1,179,380
Compensated absences	<u>(8,197)</u>
Total changes in net position of governmental activities	<u>\$ 13,066,963</u>

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

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

Exhibit 6

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	2,655,000	2,655,000	2,600,000	(55,000)
U.S. Government	-	-	-	-
Other	314,250	144,250	279,871	135,621
Total revenues	<u>2,969,250</u>	<u>2,799,250</u>	<u>2,879,871</u>	<u>80,621</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	31,877	31,877	21,270	10,607
Special populations	42,531	39,831	39,830	1
Alternative programs	72,433	72,433	70,111	2,322
School leadership	57,224	59,024	59,024	-
Co-curricular	192,342	174,667	138,667	36,000
School-based support	24,598	24,598	23,851	747
System-wide support services				
Support and development	8,854	8,854	5,648	3,206
Special populations	3,231	8,931	8,930	1
Alternative programs	-	-	-	-
Technology support	181,826	181,826	151,787	30,039
Operational support	1,676,634	1,407,034	1,357,436	49,598
Financial and human resource services	355,725	355,725	308,413	47,312
Accountability	2,754	2,754	2,489	265
Policy, leadership and public relations	407,905	407,905	395,439	12,466
Ancillary services				
Community	53,577	53,577	51,764	1,813
Nutrition	21,530	21,530	21,530	-
Nonprogrammed charges	<u>228,575</u>	<u>241,450</u>	<u>241,362</u>	<u>88</u>
Debt service				
Principal retirement	-	88,009	88,009	-
Interest and fees	-	11,591	11,591	-
Total expenditures	<u>3,361,616</u>	<u>3,191,616</u>	<u>2,997,151</u>	<u>194,465</u>
Revenues over (under) expenditures	(392,366)	(392,366)	(117,280)	275,086
Other financing sources (uses):				
Transfers from (to) other funds	-	-	-	-
Fund balance appropriated	<u>392,366</u>	<u>392,366</u>	-	<u>(392,366)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(117,280)	<u>\$ (117,280)</u>
Fund balances:				
Beginning of year			<u>2,627,864</u>	
End of year			<u>\$ 2,510,584</u>	

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

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

Exhibit 6 (continued)

	State Public School Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 21,409,645	\$ 21,021,136	\$ 20,195,494	\$ (825,642)
Caswell County	-	-	-	-
U.S. Government	-	534,800	531,837	(2,963)
Other	-	-	-	-
Total revenues	<u>21,409,645</u>	<u>21,555,936</u>	<u>20,727,331</u>	<u>(828,605)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	12,369,409	12,185,433	11,510,090	675,343
Special populations	1,971,882	2,186,196	2,181,988	4,208
Alternative programs	221,680	352,099	351,723	376
School leadership	1,588,948	1,590,948	1,564,857	26,091
Co-curricular	4,100	4,100	4,037	63
School-based support	1,705,528	1,634,505	1,578,328	56,177
System-wide support services				
Support and development	159,499	160,263	146,959	13,304
Special populations	82,743	83,301	83,301	-
Alternative programs	-	-	-	-
Technology support	288,552	289,547	289,046	501
Operational support	2,246,189	2,296,109	2,282,672	13,437
Financial and human resource services	288,585	285,405	285,209	196
Accountability	110,049	110,049	90,253	19,796
Policy, leadership and public relations	286,034	288,534	285,469	3,065
Ancillary services				
Community	1,700	1,700	1,615	85
Nutrition	17,918	28,300	28,258	42
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>21,342,816</u>	<u>21,496,489</u>	<u>20,683,805</u>	<u>812,684</u>
Revenues over (under) expenditures	66,829	59,447	43,526	(15,921)
Other financing sources (uses):				
Transfers from (to) other funds	(66,829)	(59,447)	(43,526)	15,921
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

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

Exhibit 6 (continued)

	Federal Grants Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Caswell County	-	-	-	-
U.S. Government	13,123,969	13,222,554	6,007,705	(7,214,849)
Other	-	-	-	-
Total revenues	<u>13,123,969</u>	<u>13,222,554</u>	<u>6,007,705</u>	<u>(7,214,849)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	3,676,701	3,746,880	2,173,708	1,573,172
Special populations	1,084,894	1,095,126	587,352	507,774
Alternative programs	4,605,225	4,544,160	1,462,915	3,081,245
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	1,822,277	1,880,519	885,774	994,745
System-wide support services				
Support and development	-	-	-	-
Special populations	74,080	74,080	74,074	6
Alternative programs	54,606	56,806	56,304	502
Technology support	-	1,659	1,399	260
Operational support	1,062,552	1,072,552	446,172	626,380
Financial and human resource services	97,839	97,839	33,329	64,510
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	43,803	43,803	16,275	27,528
Nonprogrammed charges	<u>601,992</u>	<u>609,130</u>	<u>270,403</u>	<u>338,727</u>
Total expenditures	<u>13,123,969</u>	<u>13,222,554</u>	<u>6,007,705</u>	<u>7,214,849</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from (to) other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

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

Exhibit 6 (continued)

	Other Special Revenue Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 200,000	\$ 200,000	\$ 285,104	\$ 85,104
Caswell County	-	-	-	-
U.S. Government	-	-	-	-
Other	436,296	706,296	590,567	(115,729)
Total revenues	636,296	906,296	875,671	(30,625)
Expenditures:				
Current:				
Instructional services				
Regular instructional	54,671	54,671	26,482	28,189
Special populations	599,145	599,145	368	598,777
Alternative programs	315,733	315,733	254,898	60,835
School leadership	21,820	21,820	-	21,820
Co-curricular	-	-	-	-
School-based support	200,000	222,000	221,802	198
System-wide support services				
Support and development	-	-	-	-
Special populations	-	-	-	-
Alternative programs	-	-	-	-
Technology support	-	-	-	-
Operational support	-	248,000	248,000	-
Financial and human resource services	30	30	-	30
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services				
Community	-	-	-	-
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	1,191,399	1,461,399	751,550	709,849
Revenues over (under) expenditures	(555,103)	(555,103)	124,121	679,224
Other financing sources (uses):				
Transfers from (to) other funds	-	-	-	-
Fund balance appropriated	555,103	555,103	-	(555,103)
Net change in fund balance	\$ -	\$ -	124,121	\$ 124,121
Fund balances:				
Beginning of year			578,326	
End of year			\$ 702,447	

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2022**

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Assets			
Current assets:			
Cash and cash equivalents	\$ 308,022	\$ 4,356	\$ 312,378
Investments	236,304	43,755	280,059
Due from other governments	61,204	-	61,204
Inventories	97,970	-	97,970
Total current assets	<u>703,500</u>	<u>48,111</u>	<u>751,611</u>
Noncurrent assets:			
Net OPEB asset	380	12	392
Capital assets:			
Furniture, equipment and vehicles, net	5,930	-	5,930
Total noncurrent assets	<u>6,310</u>	<u>12</u>	<u>6,322</u>
Total assets	<u>709,810</u>	<u>48,123</u>	<u>757,933</u>
Deferred Outflows of Resources	<u>236,552</u>	<u>7,628</u>	<u>244,180</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	260	-	260
Compensated absences	20,351	1,961	22,312
Unearned revenue	7,730	-	7,730
Total current liabilities	<u>28,341</u>	<u>1,961</u>	<u>30,302</u>
Noncurrent liabilities:			
Compensated absences	58,537	13,719	72,256
Net pension liability	124,214	4,007	128,221
Net OPEB liability	720,591	23,245	743,836
Total noncurrent liabilities	<u>903,342</u>	<u>40,971</u>	<u>944,313</u>
Total liabilities	<u>931,683</u>	<u>42,932</u>	<u>974,615</u>
Deferred Inflows of Resources	<u>474,908</u>	<u>15,320</u>	<u>490,228</u>
Net position			
Investment in capital assets	5,930	-	5,930
Restricted for DIPNC OPEB plan	2,078	66	2,144
Unrestricted (deficit)	(468,237)	(2,567)	(470,804)
Total net position (deficit)	<u>\$ (460,229)</u>	<u>\$ (2,501)</u>	<u>\$ (462,730)</u>

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

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

Exhibit 8

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Operating revenues:			
Food sales	\$ 69,179	\$ -	\$ 69,179
Child care fees	-	54,672	54,672
Total operating revenues	<u>69,179</u>	<u>54,672</u>	<u>123,851</u>
Operating expenses:			
Food cost:			
Purchase of food	576,880	7,539	584,419
Donated commodities	136,312	-	136,312
Salaries and benefits	564,351	54,088	618,439
Materials and supplies	18,496	-	18,496
Repairs and maintenance	693	-	693
Depreciation	1,468	-	1,468
Non-capitalized equipment	689	-	689
Contracted services	10,570	-	10,570
Other	8,423	-	8,423
Total operating expenses	<u>1,317,882</u>	<u>61,627</u>	<u>1,379,509</u>
Operating loss	<u>(1,248,703)</u>	<u>(6,955)</u>	<u>(1,255,658)</u>
Nonoperating revenues:			
Federal reimbursements	1,579,485	-	1,579,485
Federal commodities	136,312	-	136,312
Total nonoperating revenues	<u>1,715,797</u>	<u>-</u>	<u>1,715,797</u>
Income (loss) before transfers	467,094	(6,955)	460,139
Transfers from other funds	<u>43,526</u>	<u>-</u>	<u>43,526</u>
Change in net position	510,620	(6,955)	503,665
Net position (deficit), beginning of year	<u>(970,849)</u>	<u>4,454</u>	<u>(966,395)</u>
Net position (deficit), end of year	<u>\$ (460,229)</u>	<u>\$ (2,501)</u>	<u>\$ (462,730)</u>

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022**

Exhibit 9

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Cash flows from operating activities:			
Cash received from customers	\$ 66,269	\$ 54,672	\$ 120,941
Cash paid for goods and services	(616,896)	(115,715)	(732,611)
Cash paid to employees for services	(773,962)	61,885	(712,077)
Net cash provided (used) by operating activities	<u>(1,324,589)</u>	<u>842</u>	<u>(1,323,747)</u>
Cash flows from noncapital financing activities:			
Federal and State reimbursements	1,559,709	-	1,559,709
Cash flows from investing activities:			
Sales of investments	50,132	28	50,160
Net increase in cash and cash equivalents	285,252	870	286,122
Cash and cash equivalents, beginning of year	<u>22,770</u>	<u>3,486</u>	<u>26,256</u>
Cash and cash equivalents, end of year	<u>\$ 308,022</u>	<u>\$ 4,356</u>	<u>\$ 312,378</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	<u>\$ (1,248,703)</u>	<u>\$ (6,955)</u>	<u>\$ (1,255,658)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	1,468	-	1,468
Donated commodities	136,312	-	136,312
Salaries paid by special revenue fund	43,526	-	43,526
Changes in assets and liabilities:			
Decrease in accounts receivable	217	-	217
Decrease in inventories	3,206	-	3,206
Decrease in accounts payable and accrued liabilities	(4,351)	-	(4,351)
Decrease in pension liability	(254,543)	(6,922)	(261,465)
Increase (decrease) in OPEB liability	(39,645)	1,308	(38,337)
Decrease in OPEB asset	963	27	990

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

**CASWELL COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022**

Exhibit 9 (continued)

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Community Schools	
Reconciliation of operating loss to net cash used by operating activities (continued):			
(Increase) decrease in deferred outflow	10,943	(486)	10,457
Increase in deferred inflow	17,328	2,117	19,445
Decrease in unearned revenue	(3,127)	-	(3,127)
Increase in compensated absences payable	11,817	11,753	23,570
Total adjustments	<u>(75,886)</u>	<u>7,797</u>	<u>(68,089)</u>
Net cash used by operating activities	<u>\$ (1,324,589)</u>	<u>\$ 842</u>	<u>\$ (1,323,747)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$136,312 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$43,526 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

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

CASWELL COUNTY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
June 30, 2022

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Investments	<u>\$ 206,823</u>
Net position	
Assets held in trust for private purpose	<u>\$ 206,823</u>

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

CASWELL COUNTY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2022

Exhibit 11

	Private Purpose Trust Fund
	<u> </u>
ADDITIONS:	
Contributions and other revenue	\$ 500
Investment earnings	(136)
DEDUCTIONS:	
Scholarship payments	<u> -</u>
Change in net position	364
Beginning net position	<u> 206,459</u>
Ending net position	<u>\$ 206,823</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Caswell 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 Caswell County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

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

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received from prekindergarten programs and other special programs.

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Private Purpose Trust. The Private Purpose Trust is used to account for scholarship and other restricted money under the control of the Board for the benefit of students in the County.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations 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 sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under leases qualifying as other than short-term are reported as other financing sources.

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

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

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.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds and the private-purpose trust, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF 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. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. The NCCMT Government Portfolio's securities are measured at fair value, which is the NCCMT's share price. The STIF securities (as valued under level 2 of the fair value hierarchy) are reported at cost and maintain a constant \$1 per share value. Investments valued under level 2 of the fair value hierarchy are 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.

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

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Prepaid Expenditures

Prepaid items consist of deposits made with various insurance companies, thus, an equivalent portion of fund balance is classified as nonspendable. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

5. Right to use assets

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

6. 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 capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Caswell 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.

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

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

	<u>Years</u>
Buildings	60
Improvements	15-25
Equipment and furniture	10
Vehicles	6
Computer equipment	3

Depreciation for equipment serves multiple purposes and cannot be allocated ratably, therefore it is reported as “unallocated depreciation” on the Statement of Activities. Land and construction in progress are not depreciated.

7. Deferred outflows and inflows of resources

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

8. 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.

9. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the district-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.

10. Net Position/Fund Balances

Net Position

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

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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

Special revenue programs – portion of fund balance that can only be used for the specific purposes as specified by the grantor.

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by NC General Statutes.

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General fund is the only fund that reports a positive unassigned fund balance amount, a negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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

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

10. Reconciliation of District-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$12,265,385 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets at historical cost on government-wide statement in governmental activities column)	\$ 70,629,216
Less accumulated depreciation	<u>(22,620,439)</u>
Capital assets, net	<u>48,008,777</u>
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use leased assets at historical cost on government-wide statement in governmental activities column)	371,265
Less accumulated amortization	<u>(92,816)</u>
Right to use leased assets, net	<u>278,449</u>
Net OPEB asset	11,862
Deferred outflows of resources related to pensions	4,023,568
Deferred outflows of resources related to OPEB	3,362,939
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(238,246)
Compensated absences	(1,689,637)
Lease Liability	(283,256)
Net pension liability	(3,878,681)
Net OPEB liability	(22,501,030)
Deferred inflows of resources related to pensions	(5,387,403)
Deferred inflows of resources related to OPEB	<u>(9,441,957)</u>
Total adjustment	<u>\$ 12,265,385</u>

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

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$12,742,486 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 10,146,474
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,034,497)
Amortization expense for intangible assets, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(92,816)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(287,526)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	326,257
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	136,102
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,350,607
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	915,560
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(888,858)
OPEB (expense) benefit	1,179,380
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(8,197)
Total adjustment	<u>\$ 12,742,486</u>

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11. Defined Benefit Pension Plan and OPEB Plans

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$1,669,350. The bank balances with the financial institutions and the State Treasurer were \$1,724,410 and \$456,839 respectively. Of these balances, \$401,470 was covered by federal depository insurance and \$1,779,779 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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2. Investments

At June 30, 2022, the Board had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
U.S. Treasuries	AAA	Fair Value - Level 1	\$ 1,140,089	\$ 248,319	\$ 246,028	\$ 645,742
U.S. Government Agencies	AA+	Fair Value - Level 2	2,087,517	-	595,498	1,492,019
AMNB Collateralized Money Market - Principal			601,778	601,778	-	-
		Totals	<u>\$ 3,829,384</u>	<u>\$ 850,097</u>	<u>\$ 841,526</u>	<u>\$ 2,137,761</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Board investments are in accordance with NC General Statute 115C, which limits investments in obligations of less than 18 months to reduce interest rate risk. The Department of State Treasurer Short Term Investment Fund (STIF) is unrated and has a weighted average maturity of 1.3 years as of June 30, 2022. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability. The Board has no policy for managing interest rate risk, concentration risk or credit risk.

Credit Ratings

The Board's investments in U.S. Government Agency debt consists of Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage bonds. These bonds were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The Board's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard and Poor's as of June 30, 2022. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

Concentration of Credit Risk

The Board places no limit on the amount the Board may invest with any one issuer. More than 5 percent of the Board's investments are in the following securities:

<u>Issuer</u>	<u>Amount</u>	<u>%</u>
Federal Home Loan Bank	\$ 1,191,385	31.11%
Federal Home Loan Mortgage Corp.	448,523	11.71%
Federal Farm Credit Bank	298,541	7.80%

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3. Accounts Receivable

Receivables at the district-wide level at June 30, 2022 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ -	\$ 88	\$ 88
Other governmental activities	<u>745,081</u>	<u>-</u>	<u>745,081</u>
Total governmental activities	<u>\$ 745,081</u>	<u>\$ 88</u>	<u>\$ 745,169</u>
Business-type activities:			
School Food Service	<u>\$ 61,204</u>	<u>\$ -</u>	<u>\$ 61,204</u>

Due from other governments consists of the following:

Governmental activities:		
Other Special Revenue Fund	\$ 85,104	State grant funds
Capital Outlay Fund	<u>659,977</u>	Funds due from County
Total	<u>\$ 745,081</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 61,204</u>	Federal grant funds

4. Capital Assets

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

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	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,521	\$ -	\$ -	\$ 1,300,521
Construction in progress	17,001,414	8,697,376	-	25,698,790
Total capital assets not being depreciated	<u>18,301,935</u>	<u>8,697,376</u>	<u>-</u>	<u>26,999,311</u>
Capital assets being depreciated:				
Buildings and improvements	36,207,461	1,144,278	-	37,351,739
Equipment and furniture	1,722,112	17,294	-	1,739,406
Vehicles	4,251,234	287,526	-	4,538,760
Total capital assets being depreciated	<u>42,180,807</u>	<u>1,449,098</u>	<u>-</u>	<u>43,629,905</u>
Less accumulated depreciation for:				
Buildings and improvements	16,723,003	645,996	-	17,368,999
Equipment and furniture	1,164,079	135,701	-	1,299,780
Vehicles	3,698,860	252,800	-	3,951,660
Total accumulated depreciation	<u>21,585,942</u>	<u>1,034,497</u>	<u>-</u>	<u>22,620,439</u>
Total capital assets being depreciated, net	<u>20,594,865</u>			<u>21,009,466</u>
Governmental activity capital assets, net	<u>\$ 38,896,800</u>			<u>\$ 48,008,777</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,040,785	\$ -	\$ -	\$ 1,040,785
Vehicles	55,130	-	-	55,130
Total capital assets being depreciated	<u>1,095,915</u>	<u>-</u>	<u>-</u>	<u>1,095,915</u>
Less accumulated depreciation for:				
Equipment and furniture	1,033,387	1,468	-	1,034,855
Vehicles	55,130	-	-	55,130
Total accumulated depreciation	<u>1,088,517</u>	<u>1,468</u>	<u>-</u>	<u>1,089,985</u>
School Food Service capital assets, net	<u>\$ 7,398</u>			<u>\$ 5,930</u>

Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 645,996
System-wide support services	252,800
Unallocated depreciation	<u>135,701</u>
Total	<u>\$ 1,034,497</u>

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Construction Commitments

The Board has several active construction projects as of June 30, 2022, including a new high school renovation. At year-end, the Board’s commitments with contractors for school construction are as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Bartlett Yancey High Renovation	<u>\$ 25,698,790</u>	<u>\$ 4,200,000</u>

6. Right to Use Leased Assets

The Board has recorded two right to use leased assets. The assets are right to use assets for two leased modular units and leased copiers. The related leases are discussed in the Leases subsection of the Liabilities section of the footnotes. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Right to use assets:				
Leased equipment	\$ 371,265	\$ -	\$ -	\$ 371,265
Less accumulated amortization for:				
Leased equipment	-	92,816	-	92,816
Right to use assets, net	<u>\$ 371,265</u>	<u>\$ (92,816)</u>	<u>\$ -</u>	<u>\$ 278,449</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers’ and State Employees’ Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s

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four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2022, was 14.78% from July 1, 2021 to December 31, 2021 and 17.98% from January 1, 2022 to June 30, 2022 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 \$2,428,313 for the year ended June 30, 2022.

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

At June 30, 2022, the Board reported a liability of \$4,006,902 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .08557% and .09046%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$891,994. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 225,233	\$ 91,001
Changes of assumptions	1,503,032	-
Net difference between projected and actual earnings on pension plan investments	-	4,964,601
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	509,898
Board contributions subsequent to the measurement date	2,428,313	-
Total	<u>\$ 4,156,578</u>	<u>\$ 5,565,500</u>

\$2,428,313 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (731,632)
2024	(765,794)
2025	(817,185)
2026	(1,522,624)
2027	-
Thereafter	<u>-</u>
Total	<u>\$ (3,837,235)</u>

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

Inflation	2.50 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 21, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rates used to measure the total pension liability reported at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 13,440,658	\$ 4,006,902	\$ (3,834,915)

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

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b. Other Postemployment Benefits

Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll from July 1, 2021 to December 31, 2021 and 5.90% from January 1, 2022 to June 30, 2022, which amounted to \$932,484. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate contribution. The Board's proportionate share of this contribution totaled \$140,602.

At June 30, 2022, Board reported a liability of \$23,244,866 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .07519% and .07908%, respectively.

\$932,484 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (3,258,170)
2024	(1,869,293)
2025	(1,154,276)
2026	(1,005,006)
2027	19,547
Thereafter	<u>-</u>
Total	<u>\$ (7,267,198)</u>

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

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

Healthcare cost trend rates:

Medical	5.00-6.00%
Prescription drug	5.00-9.50%
Administrative costs	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2022 and 2021 were 2.16% and 2.21%, 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

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

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 27,649,430	\$ 23,244,866	\$ 19,677,664

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

	1% Decrease (Medical- 4.00-5.00%, Pharmacy- 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.00%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical- 6.00-7.00%, Pharmacy- 6.00-10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 18,824,421	\$ 23,244,866	\$ 29,108,993

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

Disability Benefits

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

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$13,342 for the year ended June 30, 2022.

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

At June 30, 2022, Board reported an OPEB asset of \$12,254 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset 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 Board's proportion was .07502% and .07876%, respectively.

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

\$13,342 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	9,697
2024		7,145
2025		8,769
2026		5,410
2027		3,251
Thereafter		<u>7,121</u>
Total	\$	<u>41,393</u>

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

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

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 7,737	\$ 12,254	\$ 16,432

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

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

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

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

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

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2022:

	RHBFB	DIPNC	Total
OPEB Expense (Benefit)	\$ (1,367,589)	\$ 28,635	\$ (1,338,954)
OPEB Liability (Asset)	23,244,866	(12,254)	23,232,612
Proportionate share of the net OPEB liability (asset)	0.07519%	0.07502%	
Deferred Outflows of Resources			
Differences between expected and actual experience	137,234	31,244	168,478
Changes of assumptions	1,901,230	2,152	1,903,382
Net difference between projected and actual earnings on plan investments	-	1,196	1,196
Changes in proportion and differences between Board contributions and proportionate share of contributions	442,962	12,265	455,227
Board contributions subsequent to the measurement date	932,484	13,342	945,826
Total Deferred Outflows of Resources	3,413,910	60,199	3,474,109
Deferred Inflows of Resources			
Differences between Expected and actual experience	432,695	-	432,695
Changes of assumptions	5,649,008	4,449	5,653,457
Net difference between projected and actual earnings on plan investments	11,891	-	11,891
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,655,030	1,015	3,656,045
Total Deferred Inflows of Resources	9,748,624	5,464	9,754,088

2. Accounts Payable

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

	Vendors
Governmental activities:	
General Fund	\$ 230,535
Other Governmental	664,957
Total governmental activities	\$ 895,492
Business-type activities:	
School Food Service Fund	\$ 260

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

3. Unearned Revenues

The balances in unearned revenues at year-end have no time restrictions and are composed of the following elements:

Business-type activities:

Prepayments of meals (School Food Service Fund) \$ 7,730

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 393,711	\$ 523,696
Changes of assumptions	3,406,414	5,653,457
Net difference between projected and actual earnings on pension plan investments	1,196	4,976,492
Changes in proportion and differences between Board contributions and proportionate share of contributions	455,227	4,165,943
Board contributions subsequent to the measurement date	3,374,139	-
Total	<u>\$ 7,630,687</u>	<u>\$ 15,319,588</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in 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 State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. The Board also participates in the State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund insures the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Reinsurance is provided by the Fund to provide financial solvency for property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

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

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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.

6. Long-Term Obligations

a. Leases

The Board has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The lease agreement was executed on July 1, 2020, to lease copier machines and requires 60 monthly payments of \$8,300. There are no variable payment components of the lease. The lease liability is measured at an imputed discount rate of 3.50%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$371,265 on June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2022:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2023	\$ 91,139	\$ 8,461	\$ 99,600
2024	94,380	5,220	99,600
2025	97,737	1,863	99,600
Totals	<u>\$ 283,256</u>	<u>\$ 15,544</u>	<u>\$ 298,800</u>

b. 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 monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the fiscal year ended June 30, 2021 and 2022, the Board entered into such direct placement financing contracts for the purchase of school buses. The original amount of the Board's school bus direct placement installment purchase contracts outstanding at June 30, 2022 totaled \$665,462. The contract requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

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

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

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2023	\$ 166,365
2024	71,881
2025	-
Total	<u>\$ 238,246</u>

c. 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>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement					
installment purchases	\$ 188,968	\$ 287,526	\$ 238,248	\$ 238,246	\$ 166,365
Lease liability	371,265	-	88,009	283,256	91,139
Net pension liability	10,539,688	-	6,661,007	3,878,681	-
Net OPEB liability	21,155,095	1,345,935	-	22,501,030	-
Compensated absences	<u>1,681,440</u>	<u>973,266</u>	<u>965,069</u>	<u>1,689,637</u>	<u>614,236</u>
Total	<u>\$ 33,936,456</u>	<u>\$ 2,606,727</u>	<u>\$ 7,952,333</u>	<u>\$ 28,590,850</u>	<u>\$ 871,740</u>
Business-type activities:					
Net pension liability	\$ 389,686	\$ -	\$ 261,465	\$ 128,221	\$ -
Net OPEB liability	782,173	-	38,337	743,836	-
Compensated absences	<u>70,998</u>	<u>53,237</u>	<u>29,667</u>	<u>94,568</u>	<u>22,312</u>
Total	<u>\$ 1,242,857</u>	<u>\$ 53,237</u>	<u>\$ 329,469</u>	<u>\$ 966,625</u>	<u>\$ 22,312</u>

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

C. Interfund Balances and Activity

Transfers to/from other Funds

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

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 43,526</u>
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**CASWELL COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2022**

D. Net Position/Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

Net investment in capital assets presented in Exhibit 1 is calculated as follows:

Total governmental activities capital assets	\$ 48,008,777
Less:	
Installment purchase obligations for school buses	<u>(238,246)</u>
Net investment in capital assets, governmental activities	<u>\$ 47,770,531</u>

2. Fund Balance

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

Total fund balance - General Fund	\$ 2,510,584
Less:	
Prepaid expenditures	(44,105)
Stabilization by State statute	(88)
Appropriated Fund Balance in the 2022-2023 budget	<u>(347,718)</u>
Remaining fund balance	<u>\$ 2,118,673</u>

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2022 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursements	\$ 44,387
Indirect costs allocated	270,403
Tuition and fees	<u>275,777</u>
Total other revenues	<u>\$ 590,567</u>

NOTE 4 - 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.

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

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 87, *Leases*, in the fiscal year ending June 30, 2022. The implementation of the statement required the Board to record beginning right to use leased assets, net of amortization, and related lease liability. As a result, governmental assets and liabilities each increased by \$371,265.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System

Schedule of Board Contributions
Teachers' and State Employees' Retirement System

Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	
Board's proportion of the net pension liability (asset)	0.08557%	0.09046%	0.09466%	0.10036%	
Board's proportionate share of the net pension liability (asset)	\$ 4,006,902	\$ 10,929,374	\$ 9,813,361	\$ 9,991,931	
Board's covered payroll	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674	\$ 15,176,877	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.62%	73.16%	63.60%	65.84%	
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.09766%	0.09865%	0.09863%	0.09900%	0.09600%
Board's proportionate share of the net pension liability (asset)	\$ 7,748,775	\$ 9,066,954	\$ 3,634,710	\$ 1,121,303	\$ 6,022,451
Board's covered payroll	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,898	\$ 14,918,840
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.21%	62.40%	24.53%	8.02%	40.37%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only nine years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 2,428,313	\$ 2,070,817	\$ 1,942,464	\$ 1,896,184
Contributions in relation to the contractually required contribution	<u>2,428,313</u>	<u>2,070,817</u>	<u>1,942,464</u>	<u>1,896,184</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 14,824,767	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674
Contributions as a percentage of covered-employee payroll	16.38%	14.78%	12.97%	12.29%

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,636,067	\$ 1,481,324	\$ 1,329,547	\$ 1,355,991	\$ 1,215,722
Contributions in relation to the contractually required contribution	<u>1,636,067</u>	<u>1,481,324</u>	<u>1,329,547</u>	<u>1,355,991</u>	<u>1,215,722</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered-employee payroll	10.78%	9.98%	9.15%	9.15%	8.69%

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only nine years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST SIX FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability	0.07519%	0.07908%	0.08399%	0.08922%	0.08840%
Board's proportionate share of the net OPEB liability	\$ 23,244,866	\$ 21,937,268	\$ 26,572,972	\$ 25,416,589	\$ 28,983,229
Board's covered payroll	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674	\$ 15,176,877	\$ 14,842,927
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	166.06%	146.85%	172.23%	167.47%	195.27%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%
	<u>2017</u>				
Board's proportion of the net OPEB liability	0.08403%				
Board's proportionate share of the net OPEB liability	\$ 36,556,086				
Board's covered payroll	\$ 14,530,568				
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	251.58%				
Plan fiduciary net position as a percentage of the total OPEB liability	2.41%				

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 932,484	\$ 935,931	\$ 968,986	\$ 967,378
Contributions in relation to the contractually required contribution	<u>932,484</u>	<u>935,931</u>	<u>968,986</u>	<u>967,378</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 14,824,767	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 918,201	\$ 860,163	\$ 811,842	\$ 809,506	\$ 754,688
Contributions in relation to the contractually required contribution	<u>918,201</u>	<u>860,163</u>	<u>811,842</u>	<u>809,506</u>	<u>754,688</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered payroll	6.05%	5.81%	5.60%	5.49%	5.40%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only nine years of data presented as the remaining information was not readily available.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST SIX FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB asset	0.07502%	0.07876%	0.08328%	0.08926%	0.08632%
Board's proportionate share of the net OPEB asset	\$ 12,254	\$ 38,745	\$ 35,935	\$ 27,114	\$ 52,759
Board's covered payroll	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674	\$ 15,176,877	\$ 14,842,927
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.09%	0.26%	0.23%	0.18%	0.36%
Plan fiduciary net position as a percentage of the total OPEB liability	105.18%	115.57%	113.00%	108.47%	116.23%
	<u>2017</u>				
Board's proportion of the net OPEB asset	0.08749%				
Board's proportionate share of the net OPEB asset	\$ 54,331				
Board's covered payroll	\$ 14,530,568				
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.37%				
Plan fiduciary net position as a percentage of the total OPEB liability	116.06%				

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

**CASWELL COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 13,342	\$ 12,610	\$ 14,977	\$ 21,600
Contributions in relation to the contractually required contribution	<u>13,342</u>	<u>12,610</u>	<u>14,977</u>	<u>21,600</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 14,824,767	\$ 13,997,995	\$ 14,938,541	\$ 15,428,674
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 21,248	\$ 56,259	\$ 59,438	\$ 60,455	\$ 61,493
Contributions in relation to the contractually required contribution	<u>21,248</u>	<u>56,259</u>	<u>59,438</u>	<u>60,455</u>	<u>61,493</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 15,176,877	\$ 14,842,927	\$ 14,530,568	\$ 14,819,574	\$ 13,989,896
Contributions as a percentage of covered payroll	0.14%	0.38%	0.41%	0.41%	0.44%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. There are only nine years of data presented as the remaining information was not readily available.

INDIVIDUAL FUND SCHEDULES

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

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Caswell County:			
County appropriation	2,655,000	2,600,000	(55,000)
Other:			
Fines and forfeitures	-	73,387	73,387
Medicaid reimbursement program	-	148,812	148,812
Rental of school property	-	3,290	3,290
Reimbursements	-	25,220	25,220
Tuition and fees	-	2,254	2,254
Miscellaneous	-	26,908	26,908
Total other	144,250	279,871	279,871
 Total revenues	 2,799,250	 2,879,871	 224,871
Expenditures:			
Current:			
Instructional services:			
Regular instructional	31,877	21,270	10,607
Special populations	39,831	39,830	1
Alternative programs	72,433	70,111	2,322
School leadership	59,024	59,024	-
Co-curricular	174,667	138,667	36,000
School-based support	24,598	23,851	747
Total instructional services	402,430	352,753	49,677
System-wide support services:			
Support and development	8,854	5,648	3,206
Special population support and development	8,931	8,930	1
Technology support	181,826	151,787	30,039
Operational support	1,407,034	1,357,436	49,598
Financial and human resource services	355,725	308,413	47,312
Accountability	2,754	2,489	265
Policy, leadership and public relations	407,905	395,439	12,466
Total system-wide support services	2,373,029	2,230,142	142,887

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance With Final Budget
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community	53,577	51,764	1,813
Nutrition	21,530	21,530	-
Total ancillary services	<u>75,107</u>	<u>73,294</u>	<u>1,813</u>
Nonprogrammed charges:			
Payments to other governments	<u>241,450</u>	<u>241,362</u>	<u>88</u>
Debt service:			
Principal retirement	88,009	88,009	-
Interest and fees	<u>11,591</u>	<u>11,591</u>	<u>-</u>
Total debt service	<u>99,600</u>	<u>99,600</u>	<u>-</u>
Total expenditures	<u>3,191,616</u>	<u>2,997,151</u>	<u>194,465</u>
Revenues over (under) expenditures	(392,366)	(117,280)	275,086
Fund balance appropriated	<u>392,366</u>	<u>-</u>	<u>(392,366)</u>
Net change in fund balance	<u>\$ -</u>	(117,280)	<u>\$ (117,280)</u>
Fund balance:			
Beginning of year		<u>2,627,864</u>	
End of year		<u><u>\$ 2,510,584</u></u>	

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

	Final Budget	Actual	Variance With Final Budget
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 868,339	\$ 52,261	\$ (816,078)
State Buses Appropriation	288,248	238,248	(50,000)
K-12 Athletic Facilities Grant	105,185	105,185	-
Total State of North Carolina	<u>1,261,772</u>	<u>395,694</u>	<u>(866,078)</u>
Caswell County:			
Bond proceeds	11,337,511	8,697,375	(2,640,136)
County appropriations	465,000	465,000	-
Total Caswell County	<u>11,802,511</u>	<u>9,162,375</u>	<u>(2,640,136)</u>
Other:			
ABC revenues	50,000	63,523	13,523
Miscellaneous	3,000	-	(3,000)
Total other	<u>53,000</u>	<u>63,523</u>	<u>10,523</u>
Total revenues	<u>13,117,283</u>	<u>9,621,592</u>	<u>(3,495,691)</u>
Expenditures:			
Debt service:			
Principal retirement	288,248	238,248	50,000
Capital outlay:			
Real property and buildings:			
HVAC control upgrades	-	173,073	-
BYHS Addition	-	8,697,375	-
Various other real property improvements	-	178,618	-
Total real property and buildings	<u>12,729,512</u>	<u>9,049,066</u>	<u>3,680,446</u>
Furnishings and equipment	27,000	17,294	9,706
Buses and motor vehicles	287,526	287,526	-
Total capital outlay	<u>13,044,038</u>	<u>9,353,886</u>	<u>3,690,152</u>
Total expenditures	<u>13,332,286</u>	<u>9,592,134</u>	<u>3,690,152</u>
Revenues over (under) expenditures	(215,003)	29,458	244,461
Other financing sources:			
Installment purchase obligations issued	104,943	287,526	182,583
Fund balance appropriated	110,060	-	(110,060)
Net change in fund balance	<u>\$ -</u>	<u>316,984</u>	<u>\$ 316,984</u>
Fund balance:			
Beginning of year		<u>885,491</u>	
End of year		<u>\$ 1,202,475</u>	

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

	Final Budget	Actual	Variance With Final Budget
Operating revenues - food sales	\$ 3,800	\$ 69,179	\$ 65,379
Operating expenditures:			
Business support services:			
Purchase of food	-	573,674	-
Donated commodities	-	136,312	-
Salaries and benefits	-	817,488	-
Materials and supplies	-	18,496	-
Repairs and maintenance	-	693	-
Non-capitalized equipment	-	689	-
Contracted services	-	10,570	-
Other	-	8,423	-
Total operating expenditures	<u>1,920,218</u>	<u>1,566,345</u>	<u>353,873</u>
Operating loss	<u>(1,916,418)</u>	<u>(1,497,166)</u>	<u>419,252</u>
Nonoperating revenues:			
Federal reimbursements	1,500,000	1,579,485	79,485
Federal commodities	<u>107,000</u>	<u>136,312</u>	<u>29,312</u>
Total nonoperating revenues	<u>1,607,000</u>	<u>1,715,797</u>	<u>108,797</u>
Revenues over (under) expenditures before other financing sources	(309,418)	218,631	528,049
Other financing sources:			
Transfers from other funds	45,000	43,526	(1,474)
Fund balance appropriated	<u>264,418</u>	<u>-</u>	<u>(264,418)</u>
Net change in fund balance	<u>\$ -</u>	262,157	<u>\$ 262,157</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(1,468)	
Net OPEB asset		(963)	
Net pension liability		254,543	
Net OPEB liability		39,645	
Deferred outflows		(10,943)	
Deferred inflows		(17,328)	
Increase in compensated absences payable		(11,817)	
Decrease in inventories		<u>(3,206)</u>	
Change in net position (full accrual)		<u>\$ 510,620</u>	

CASWELL COUNTY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
COMMUNITY SCHOOLS
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Operating revenues:			
Child care fees	\$ 68,000	\$ 54,672	\$ (13,328)
Operating expenditures:			
Regular community services:			
Purchase of food	-	7,539	-
Salaries and benefits	-	46,291	-
Total operating expenditures	<u>102,833</u>	<u>53,830</u>	<u>49,003</u>
Operating income (loss)	(34,833)	842	35,675
Fund balance appropriated	<u>34,833</u>	<u>-</u>	<u>(34,833)</u>
Net change in fund balance	<u>\$ -</u>	842	<u>\$ 842</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		(27)	
Net pension liability		6,922	
Net OPEB liability		(1,308)	
Deferred outflows		486	
Deferred inflows		(2,117)	
Increase in compensated absences payable		<u>(11,753)</u>	
Change in net position (full accrual)		<u>\$ (6,955)</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 Caswell County Board of Education
Yanceyville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caswell County Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprises the Caswell County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Caswell 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. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Caswell 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

*November 18, 2022
West End, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caswell County Board of Education, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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 Board's major federal programs for the year ended June 30, 2022. The Caswell County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

*November 18, 2022
West End, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Caswell County Board of Education
Yanceyville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Caswell County Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and *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 Board's major State programs for the year ended June 30, 2022. The Caswell County Board of Education's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major State Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

*November 18, 2022
West End, North Carolina*

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Identified for Reporting*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Identified for Reporting*

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

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

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.555	Supply Chain Assistance Funds
10.555	Seamless Summer Program
10.559	Summer Food Service Program for Children
84.425	COVID-19 - Education Stabilization Funds
21.027	COVID-19 – ARP – State Fiscal Recovery Fund – Employee Bonuses
84.010	Title I – Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? *Yes*

**CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section I - Summary of Auditors' Results (Continued)
State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Identified for Reporting*

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 *No*

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$25,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$25,000 or more were noted.

**CASWELL COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2022**

There were no audit findings reported in the prior year.

**CASWELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2022**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 136,312
Cash Assistance:			
Supply Chain Assistance Funds	10.555	PRC 035	47,724
Healthy Meal Program	10.555	PRC 035	5,291
Seamless Summer Program	10.555	PRC 035	1,491,769
Summer Food Service Program for Children	10.559	PRC 035	34,701
Cash Assistance Subtotal			<u>1,579,485</u>
Total Child Nutrition Cluster			<u>1,715,797</u>
Total U.S. Department of Agriculture			<u>1,715,797</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds			
Employee Bonuses	21.027	PRC 141	531,837
Total U.S Department of Treasury			<u>531,837</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education:			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	819,508
Supporting Effective Instruction	84.367	PRC 103	110,263
Rural and Low Income Schools	84.358	PRC 109	85,982
Student Support and Academic Enrichment	84.424	PRC 108	100,981

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Education Stabilization Fund:			
CARES Act:			
COVID-19 - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	228,056
COVID-19 - ESSER I - Digital Curricula	84.425D	PRC 165	17,644
COVID-19 - ESSER I - Learning Management System	84.425	PRC 166	5,956
COVID-19 - ESSER I - Exceptional Children Grants	84.425D	PRC 167	25,964
COVID-19 - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	80,313
COVID-19 - GEER I - Supplemental Instructional Services	84.425C	PRC 170	2,241
CRRSA:			
COVID-19 - K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	1,926,157
COVID-19 - CRRSA - ESSER II - School Nutrition	84.425D	PRC 174	17,158
COVID-19 - CRRSA - ESSER II - Learning Loss Funding	84.425D	PRC 176	63,593
COVID-19 - CRRSA - ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	40,524
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	1,591,252
COVID-19 - ESSER III - Teacher Bonuses	84.425U	PRC 203	151,787
Total COVID-19 - Education Stabilization Fund	84.425		<u>4,150,645</u>
Office of Special Education and Rehabilitative Services:			
Passed-through the N.C. Department of Public Instruction:			
Individuals with Disabilities Education Act			
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	633,462
Special Needs Targeted Assistance	84.027	PRC 118	5,500
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	35,387
Preschool Targeted Assistance	84.173	PRC 119	2,756
Total Special Education Cluster			<u>677,105</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	6,963
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	56,258
Total U.S. Department of Education			<u>6,007,705</u>
Total Federal Assistance			<u>8,255,339</u>

CASWELL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund		Various	19,071,293
Career and Technical Education:			
State Months of Employment		PRC 013	903,732
Program Support Funds		PRC 014	197,028
Driver Training		PRC 012	22,495
School Technology Fund		PRC 015	946
K-12 Athletic Facilities Grant		PRC 440	<u>105,185</u>
Passed-through Caswell County:			
Public School Capital Fund - Lottery		PRC 076	<u>52,261</u>
Cash assistance subtotal			20,352,940
Non-Cash Assistance:			
State Buses Appropriations		PRC 120	<u>238,248</u>
Total NC Department of Public Instruction			<u>20,591,188</u>
<u>N.C. Department of Health and Human Services:</u>			
State School Nurse Initiative		PRC 401	<u>285,104</u>
Total State Assistance			<u>20,876,292</u>
Total Federal and State Assistance			<u>\$ 29,131,631</u>

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

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

Caswell County Schools has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.