

**MADISON COUNTY
BOARD OF EDUCATION
MARSHALL, NORTH CAROLINA**

**FINANCIAL STATEMENTS
Year Ended June 30, 2023**

**MADISON COUNTY BOARD OF EDUCATION
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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Madison County Board of Education
Marshall, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Board of Education, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise of the Madison 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 Madison County Board of Education as of June 30, 2023, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Other Special Revenue Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

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

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

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible 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 Madison 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 Madison 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 Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 54 through 59, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County Board of Education's basic financial statements. The individual fund budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 on our consideration of Madison County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison 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 Madison County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 7, 2023
Huntersville, North Carolina

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

This section of the Madison County Board of Education's (*the Board*) financial report presents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2023. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- In Fiscal Year 2022-2023, Madison County Schools ADM decreased from the previous year by 28 students with final ADM being 2,062.
- The General Fund reported an approximate decrease in fund balance of \$120,000 for 2022-2023 compared to a \$80,00 increase in fund balance for 2021-2022.
- The Total Per Pupil Expenditure for 2022-2023 was \$15,444.43 a decrease of 1.9%.

Overview of the Financial Statements

The audited financial statements of the Madison County Board of Education consist of the following components:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required Supplementary Information*
- *Other supplemental section that presents budgetary statements for certain governmental funds and a budgetary statement for enterprise funds*

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

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

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the Board's net position and how they have changed. Net position – the difference between the Board's assets and liabilities – are 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 County'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. Child nutrition 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.

Madison County Board of Education has two types of funds:

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

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

General Fund, the State Public School Fund, the Individual Schools Fund, the Other Special Revenue Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

Proprietary 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. The Board 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 6, 7, and 8 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$764,968 as of June 30, 2023. Other than unrestricted net position, the largest component of net position is net investment in capital assets of \$29,991,220.

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2023 and 2022						
	Governmental Activities		Business-type Activities		Total Primary Government	
	06/30/23	06/30/22	06/30/23	06/30/22	06/30/23	06/30/22
Current assets	\$ 5,981,135	\$ 5,638,309	\$ 491,098	\$ 674,718	\$ 6,472,233	\$ 6,313,027
Capital assets	<u>30,326,492</u>	<u>30,829,762</u>	<u>405,946</u>	<u>416,025</u>	<u>30,732,438</u>	<u>31,245,787</u>
Total assets	<u>36,307,627</u>	<u>36,468,071</u>	<u>897,044</u>	<u>1,090,743</u>	<u>37,204,671</u>	<u>37,558,814</u>
Deferred outflows of resources	<u>12,722,554</u>	<u>7,870,668</u>	<u>788,706</u>	<u>380,762</u>	<u>13,511,260</u>	<u>8,251,430</u>
Current liabilities	3,262,038	3,204,664	382,473	21,977	3,644,511	3,226,641
Long-term liabilities	<u>33,860,388</u>	<u>30,172,667</u>	<u>2,017,714</u>	<u>1,370,366</u>	<u>35,878,102</u>	<u>31,543,033</u>
Total liabilities	<u>37,122,426</u>	<u>33,377,331</u>	<u>2,400,187</u>	<u>1,392,343</u>	<u>39,522,613</u>	<u>34,769,674</u>
Deferred inflows of resources	<u>9,819,605</u>	<u>13,199,414</u>	<u>608,745</u>	<u>638,553</u>	<u>10,428,350</u>	<u>13,837,967</u>
Net investment in capital assets	29,585,274	29,513,962	405,946	416,025	29,991,220	29,929,987
Restricted net position	1,573,320	1,265,630	-	591	1,573,320	1,266,221
Unrestricted net position	<u>(29,070,444)</u>	<u>(33,017,598)</u>	<u>(1,729,128)</u>	<u>(976,007)</u>	<u>(30,799,572)</u>	<u>(33,993,605)</u>
Total net position	<u>\$ 2,088,150</u>	<u>\$ (2,238,006)</u>	<u>\$ (1,323,182)</u>	<u>\$ (559,391)</u>	<u>\$ 764,968</u>	<u>\$ (2,797,397)</u>

Note that net position of governmental activities increased by approximately \$4.3 million during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Madison County carries the offsetting debt.

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2023 and 2022						
	Governmental Activities		Business-type Activities		Total Primary Government	
	06/30/23	06/30/22	06/30/23	06/30/22	06/30/23	06/30/22
Revenues:						
Program revenues:						
Charges for services	\$ 56,932	\$ 53,187	\$ 744,744	\$ 640,320	\$ 801,676	\$ 693,507
Operating grants and contributions	26,313,505	26,607,148	1,107,309	1,541,964	27,420,814	28,149,112
Capital grants and contributions	187,778	349,056	-	-	187,778	349,056
General revenues:						
Unrestricted county	4,898,242	4,520,395	-	-	4,898,242	4,520,395
Unrestricted State	1,970,730	511,726	-	-	1,970,730	511,726
Other	<u>2,035,393</u>	<u>2,080,215</u>	<u>308,135</u>	<u>63,475</u>	<u>2,343,528</u>	<u>2,143,690</u>
Total revenues	<u>35,462,580</u>	<u>34,121,727</u>	<u>2,160,188</u>	<u>2,245,759</u>	<u>37,622,768</u>	<u>36,367,486</u>
Expenses:						
Governmental activities:						
Instructional services	24,434,064	23,177,759	-	-	24,434,064	23,177,759
System-wide support	5,992,812	6,912,581	-	-	5,992,812	6,912,581
Ancillary services	386,058	380,706	-	-	386,058	380,706
Non-programmed charges	40,917	42,467	-	-	40,917	42,467
Interest expense	37,196	52,987	-	-	37,196	52,987
Depreciation	157,014	147,058	-	-	157,014	147,058
Business-type activities:	<u>-</u>	<u>-</u>	<u>3,012,342</u>	<u>2,142,681</u>	<u>3,012,342</u>	<u>2,142,681</u>
Total expenses	<u>31,048,061</u>	<u>30,713,558</u>	<u>3,012,342</u>	<u>2,142,681</u>	<u>34,060,403</u>	<u>32,856,239</u>
Increase (decrease) in						
net position before transfers	4,414,519	3,408,169	(852,154)	103,078	3,562,365	3,511,247
Transfers	<u>(88,363)</u>	<u>(48,297)</u>	<u>88,363</u>	<u>48,297</u>	<u>-</u>	<u>-</u>
Increase (decrease) in						
net position	4,326,156	3,359,872	(763,791)	151,375	3,562,365	3,511,247
Beginning net position	<u>(2,238,006)</u>	<u>(5,597,878)</u>	<u>(559,391)</u>	<u>(710,766)</u>	<u>(2,797,397)</u>	<u>(6,308,644)</u>
Ending net position	<u>\$ 2,088,150</u>	<u>\$ (2,238,006)</u>	<u>\$ (1,323,182)</u>	<u>\$ (559,391)</u>	<u>\$ 764,968</u>	<u>\$ (2,797,397)</u>

Total governmental activities generated revenues of \$35,462,580 while expenses in this category totaled \$31,048,061 for the year ended June 30, 2023. Comparatively, revenues were \$34,121,727 and expenses were \$30,713,558 for the year ended June 30, 2022. The increase in governmental activities' net position, stands at \$4,326,156 at June 30, 2023, compared to an increase of \$3,359,872 in 2022. Instructional expenses comprised 79% of total governmental-type expenses while system-wide support services made up 19% of those expenses for 2023. County funding comprised 14% of

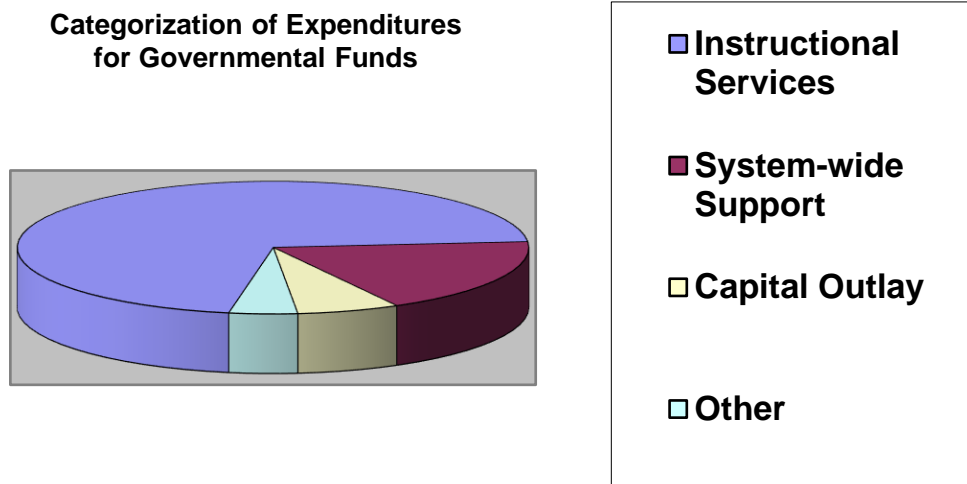
**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

total governmental revenue for 2023. Much of the remaining 86% of total governmental revenue for 2023 consists of restricted State and federal funding. Increases in revenues and expenditures are mainly attributable to increases in federal stimulus funding received. Business-type activities generated revenue of \$2,160,188 and had expenses of \$3,012,342 in 2023, compared to revenue of \$2,245,759 and expenses of \$2,142,681 in 2022. Net position decreased in the business-type activities by \$763,791 in 2023 and increased by \$151,375 in 2022.

Financial Analysis of the Board’s Funds

Governmental Funds: The focus of Madison 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 \$2,719,097 an approximate increase of \$300,000 from last year. The following chart summarizes expenditures by category.



Expenditures presented on modified accrual basis of accounting.

The General Fund reported an approximate decrease in fund balance of \$210,000, while the Other Special Revenue Fund reported an approximate increase of \$296,000. The Individual Schools Fund reported a decrease of \$32,000 and the Capital Outlay Fund reported an increase of \$244,000.

Proprietary Funds: The School Food Service and Child Care Funds reflected an decrease in net position over the last year.

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

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 to adjust appropriations in light of the changed revenue estimates. Actual expenditures within the General Fund were less than budgeted amounts due to cost cutting efforts throughout the district.

Capital Assets

Capital assets decreased by approximately \$510,000 from the previous year. This was largely due to depreciation expense exceeding the amount of capital additions during the year. The following is a summary of the capital assets, net of depreciation, at year-end.

A more detailed description of the capital assets is available in Note 2 of the basic financial statements.

Table 3						
Summary of Capital Assets						
As of June 30, 2023 and 2022						
	Governmental Activities		Business-type Activities		Total Primary Government	
	06/30/23	06/30/22	06/30/23	06/30/22	06/30/23	06/30/22
Land	\$ 1,576,556	\$ 1,576,556	\$ -	\$ -	\$ 1,576,556	\$ 1,576,556
Construction in progress	1,581,334	101,726	-	-	1,581,334	101,726
Buildings/improvements	25,322,227	26,957,229	341,759	341,424	25,663,986	27,298,653
Equipment and furniture	428,963	482,584	64,187	74,601	493,150	557,185
Vehicles	1,417,412	1,711,667	-	-	1,417,412	1,711,667
Total	<u>\$ 30,326,492</u>	<u>\$ 30,829,762</u>	<u>\$ 405,946</u>	<u>\$ 416,025</u>	<u>\$ 30,732,438</u>	<u>\$ 31,245,787</u>

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds all debt issued for school capital construction. A more detailed description of the long-term debt is available in Note 2 of the basic financial statements.

**MADISON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Economic Factors

The Board anticipates enrollment to remain stable in the near future. Since County funding is a major source of income to the Board, the County's economic outlook directly affects that of the Board. The following factor affects the economic outlook for Madison County:

- Madison County's most recent unemployment rate is 3.3% percent which compares favorably to the state-wide rate for North Carolina of 3.2 percent.
- The Board anticipates enrollment to begin to increase over the next several years due to large developments being built in the Mars Hill area as well as population coming from the Buncombe county area towards this area.

Requests for Information

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

Michael Wallin, Finance Officer
Madison County Board of Education
5738 Hwy 25/70
Marshall, N.C. 28753

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 5,255,255	\$ 417,070	\$ 5,672,325
Due from other governments	381,600	3,568	385,168
Receivables (net)	19,138	17,530	36,668
Inventories	325,142	52,930	378,072
Capital assets			
Land and construction in progress	3,157,890	-	3,157,890
Other capital assets, net of depreciation	27,168,602	405,946	27,574,548
Total capital assets	30,326,492	405,946	30,732,438
Total assets	36,307,627	897,044	37,204,671
DEFERRED OUTFLOWS OF RESOURCES	12,722,554	788,706	13,511,260
LIABILITIES			
Accounts payable and accrued expenses	359,839	1,286	361,125
Due to other governments	503,925	-	503,925
Unearned revenue	2,398,274	381,187	2,779,461
Long-term liabilities:			
Due within one year	1,321,031	34,196	1,355,227
Due in more than one year			
Net pension liability	13,230,925	820,222	14,051,147
Net OPEB liability	18,026,718	1,117,525	19,144,243
Other	1,281,714	45,771	1,327,485
Total liabilities	37,122,426	2,400,187	39,522,613
DEFERRED INFLOWS OF RESOURCES	9,819,605	608,745	10,428,350
NET POSITION			
Net investment in capital assets	29,585,274	405,946	29,991,220
Restricted for:			
Stabilization by State statute	400,738	-	400,738
Individual schools	598,044	-	598,044
Capital Outlay	574,538	-	574,538
Unrestricted	(29,070,444)	(1,729,128)	(30,799,572)
Total net position	\$ 2,088,150	\$ (1,323,182)	\$ 764,968

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional programs:							
Regular instructional	\$ 16,532,245	\$ -	\$ 14,655,121	\$ -	\$ (1,877,124)	\$ -	\$ (1,877,124)
Special populations	3,071,990	-	3,395,212	-	323,222	-	323,222
Alternative programs	1,241,879	56,932	1,269,821	-	84,874	-	84,874
School leadership	1,694,888	-	1,538,524	-	(156,364)	-	(156,364)
Co-curricular	303,771	-	-	-	(303,771)	-	(303,771)
School-based support	1,589,291	-	1,506,763	-	(82,528)	-	(82,528)
Support services:							
Support and development	49,908	-	55,973	-	6,065	-	6,065
Special populations	194,203	-	220,792	-	26,589	-	26,589
Alternative programs	78,399	-	88,511	-	10,112	-	10,112
Technology support	69,070	-	78,905	-	9,835	-	9,835
Operational support	4,480,831	-	2,921,081	187,778	(1,371,972)	-	(1,371,972)
Financial and human resource services	460,553	-	288,212	-	(172,341)	-	(172,341)
System-wide pupil support	90,362	-	103,228	-	12,866	-	12,866
Policy, leadership and public relations	569,486	-	172,250	-	(397,236)	-	(397,236)
Ancillary services	386,058	-	19,112	-	(366,946)	-	(366,946)
Non programmed charges	40,917	-	-	-	(40,917)	-	(40,917)
Interest expense	37,196	-	-	-	(37,196)	-	(37,196)
Unallocated depreciation expense**	157,014	-	-	-	(157,014)	-	(157,014)
Total governmental activities	31,048,061	56,932	26,313,505	187,778	(4,489,846)	-	(4,489,846)
Business-type activities:							
Child care	1,206,742	456,886	102,000	-	-	(647,856)	(647,856)
School food service	1,805,600	287,858	1,005,309	-	-	(512,433)	(512,433)
Total business-type activities	3,012,342	744,744	1,107,309	-	-	(1,160,289)	(1,160,289)
Total primary government	\$ 34,060,403	\$ 801,676	\$ 27,420,814	\$ 187,778	(4,489,846)	(1,160,289)	(5,650,135)
General revenues:							
Unrestricted county appropriations - operating					3,691,729	-	3,691,729
Unrestricted county appropriations - capital					1,206,513	-	1,206,513
Unrestricted State appropriations - capital					1,970,730	-	1,970,730
Investment earnings, unrestricted					49,853	4,913	54,766
Miscellaneous, unrestricted					1,985,540	303,222	2,288,762
Transfers					(88,363)	88,363	-
Total general revenues and transfers					8,816,002	396,498	9,212,500
Change in net position					4,326,156	(763,791)	3,562,365
Net position-beginning					(2,238,006)	(559,391)	(2,797,397)
Net position-ending					\$ 2,088,150	\$ (1,323,182)	\$ 764,968

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

**MADISON COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Capital Outlay	Individual Schools	Federal Grants	Other Special Revenue	
ASSETS							
Cash and investments	\$ 517,260	\$ 503,925	\$ 2,983,327	\$ 598,044	\$ -	\$ 652,699	\$ 5,255,255
Due from other governments	66,779	-	211,886	-	-	102,935	381,600
Receivables (net)	-	-	-	-	-	19,138	19,138
Inventories	325,142	-	-	-	-	-	325,142
Total assets	<u>\$ 909,181</u>	<u>\$ 503,925</u>	<u>\$ 3,195,213</u>	<u>\$ 598,044</u>	<u>\$ -</u>	<u>\$ 774,772</u>	<u>\$ 5,981,135</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 123,811	\$ -	\$ 222,401	\$ -	\$ -	\$ 13,627	\$ 359,839
Unearned revenue	-	-	2,398,274	-	-	-	2,398,274
Due to other governments	-	503,925	-	-	-	-	503,925
Total liabilities	<u>123,811</u>	<u>503,925</u>	<u>2,620,675</u>	<u>-</u>	<u>-</u>	<u>13,627</u>	<u>3,262,038</u>
Fund balances:							
Nonspendable:							
Inventories	325,142	-	-	-	-	-	325,142
Restricted:							
Stabilization by State statute	66,779	-	211,886	-	-	122,073	400,738
Capital Outlay	-	-	362,652	-	-	-	362,652
Individual Schools	-	-	-	598,044	-	-	598,044
Assigned:							
Subsequent year's expenditures	165,550	-	-	-	-	-	165,550
Special revenues	-	-	-	-	-	639,072	639,072
Unassigned	227,899	-	-	-	-	-	227,899
Total fund balances	<u>785,370</u>	<u>-</u>	<u>574,538</u>	<u>598,044</u>	<u>-</u>	<u>761,145</u>	<u>2,719,097</u>
Total liabilities and fund balances	<u>\$ 909,181</u>	<u>\$ 503,925</u>	<u>\$ 3,195,213</u>	<u>\$ 598,044</u>	<u>\$ -</u>	<u>\$ 774,772</u>	

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

Capital assets are not financial resources and therefore are not reported in the funds.	30,326,492
Deferred outflows of resources related to pensions	8,859,545
Deferred outflows of resources related to OPEB	3,863,009
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(2,602,745)
Net pension liability	(13,230,925)
Net OPEB liability	(18,026,718)
Deferred inflows of resources related to OPEB	(9,485,503)
Deferred inflows of resources related to pensions	(334,102)
Net position of governmental activities	<u>\$ 2,088,150</u>

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4

	Major Funds					Total Governmental Funds	
	General	State Public School	Capital Outlay	Individual Schools	Federal Grants		Other Special Revenue
REVENUES							
State of North Carolina	\$ -	\$ 20,888,249	\$ 2,158,508	\$ -	\$ -	\$ 68,999	\$ 23,115,756
Madison County	3,323,729	-	1,206,513	-	-	368,000	4,898,242
U.S. Government	-	-	-	-	5,005,300	350,957	5,356,257
Other	115,650	-	55,522	799,908	-	1,222,758	2,193,838
Total revenues	3,439,379	20,888,249	3,420,543	799,908	5,005,300	2,010,714	35,564,093
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	594,345	12,303,964	-	832,234	1,689,138	655,296	16,074,977
Special populations	-	2,066,735	-	-	1,217,676	98,401	3,382,812
Alternative programs	56,273	285,908	-	-	901,850	80,923	1,324,954
School leadership	383,523	1,458,616	-	-	73,243	13,215	1,928,597
Co-curricular	172,435	-	-	-	-	174,587	347,022
School-based support	284,909	1,284,476	-	-	203,747	21,268	1,794,400
System-wide support services:							
Support and development	397	1,724	-	-	49,724	-	51,845
Special populations	-	220,792	-	-	-	1,062	221,854
Alternative programs	-	-	-	-	81,129	-	81,129
Technology support	-	78,905	-	-	-	-	78,905
Operational support	1,485,495	2,549,135	292,053	-	340,924	69,345	4,736,952
Financial and human resource services	195,879	260,599	-	-	25,310	41,709	523,497
System-wide pupil support	-	103,228	-	-	-	-	103,228
Policy, leadership and public relations	341,200	172,250	-	-	-	137,122	650,572
Ancillary services							
Community	-	-	-	-	5,558	404,599	410,157
Nutrition	-	13,554	-	-	-	17,232	30,786
Non-programmed charges	41,985	-	-	-	417,001	-	458,986
Debt service:							
Principal	-	-	574,582	-	-	-	574,582
Interest expense	-	-	37,196	-	-	-	37,196
Capital outlay	-	-	2,272,777	-	-	-	2,272,777
Total expenditures	3,556,441	20,799,886	3,176,608	832,234	5,005,300	1,714,759	35,085,228
Revenues over (under) expenditures	(117,062)	88,363	243,935	(32,326)	-	295,955	478,865
OTHER FINANCING SOURCES (USES)							
Transfers (to) from other funds	-	(88,363)	-	-	-	-	(88,363)
Net change in fund balance	(117,062)	-	243,935	(32,326)	-	295,955	390,502
Fund balances-beginning	995,266	-	330,603	630,370	-	465,190	2,421,429
Change in reserve for inventories	(92,834)	-	-	-	-	-	(92,834)
Fund balances-ending	\$ 785,370	\$ -	\$ 574,538	\$ 598,044	\$ -	\$ 761,145	\$ 2,719,097

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ 390,502
Change in fund balance due to change in reserve for inventory	(92,834)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(494,592)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	2,942,400
Contributions to the OPEB plans in the current fiscal year are not included in the Statement of Activities.	1,183,394
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	136,853
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.	574,582
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	(2,783,921)
Net OPEB (expense) benefit	2,403,609
Compensated absences	74,841
Loss on disposal of assets	(8,678)
Total changes in net position of governmental activities	<u>\$ 4,326,156</u>

**MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023**

Exhibit 5 (continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 21,496,076	\$ 22,006,719	\$ 20,888,249	\$ (1,118,470)
Madison County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>21,496,076</u>	<u>22,006,719</u>	<u>20,888,249</u>	<u>(1,118,470)</u>
Expenditures:				
Current:				
Instructional services	18,278,351	18,518,168	17,399,699	1,118,469
System-wide support services	3,168,395	3,386,634	3,386,633	1
Ancillary services	-	13,554	13,554	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>21,446,746</u>	<u>21,918,356</u>	<u>20,799,886</u>	<u>1,118,470</u>
Revenues over (under) expenditures	49,330	88,363	88,363	-
Other financing uses:				
Transfer to other funds	<u>(49,330)</u>	<u>(88,363)</u>	<u>(88,363)</u>	<u>-</u>
Revenues over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023

Exhibit 5 (continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Madison County	-	-	-	-
U.S. Government	5,895,718	6,103,637	5,005,300	(1,098,337)
Other	-	-	-	-
Total revenues	<u>5,895,718</u>	<u>6,103,637</u>	<u>5,005,300</u>	<u>(1,098,337)</u>
Expenditures:				
Current:				
Instructional services	5,002,516	4,974,698	4,085,654	889,044
System-wide support services	284,695	539,233	497,087	42,146
Ancillary services	1,672	5,558	5,558	-
Non-programmed charges	606,835	584,148	417,001	167,147
Total expenditures	<u>5,895,718</u>	<u>6,103,637</u>	<u>5,005,300</u>	<u>1,098,337</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Madison County	3,076,120	3,276,120	3,323,729	47,609
U.S. Government	-	-	-	-
Other	100,000	100,000	115,650	15,650
Total revenues	<u>3,176,120</u>	<u>3,376,120</u>	<u>3,439,379</u>	<u>63,259</u>
Expenditures:				
Current:				
Instructional services	1,700,839	1,668,059	1,491,485	176,574
System-wide support services	1,600,231	2,159,929	2,022,971	136,958
Ancillary services	600	-	-	-
Non-programmed charges	40,000	56,985	41,985	15,000
Total expenditures	<u>3,341,670</u>	<u>3,884,973</u>	<u>3,556,441</u>	<u>328,532</u>
Revenues over (under) expenditures	(165,550)	(508,853)	(117,062)	391,791
Appropriated fund balance	<u>165,550</u>	<u>508,853</u>	<u>-</u>	<u>(508,853)</u>
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(117,062)	<u>\$ (117,062)</u>
Fund balances, beginning of year			995,266	
Change in reserve for inventories			<u>(92,834)</u>	
Fund balances, end of year			<u>\$ 785,370</u>	

**MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023**

Exhibit 5 (continued)

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 51,594	\$ 51,594	\$ 68,999	\$ 17,405
Madison County	184,000	185,254	368,000	182,746
U.S. Government	382,939	382,939	350,957	(31,982)
Other	536,701	1,387,291	1,222,758	(164,533)
Total revenues	<u>1,155,234</u>	<u>2,007,078</u>	<u>2,010,714</u>	<u>3,636</u>
Expenditures:				
Current:				
Instructional services	693,961	1,292,231	1,043,690	248,541
System-wide support services	147,690	274,939	249,238	25,701
Ancillary services	313,583	439,908	421,831	18,077
Non-programmed charges	-	-	-	-
Total expenditures	<u>1,155,234</u>	<u>2,007,078</u>	<u>1,714,759</u>	<u>292,319</u>
Revenues over (under) expenditures	-	-	295,955	295,955
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	295,955	<u>\$ 295,955</u>
Fund balances, beginning of year			<u>465,190</u>	
Fund balances, end of year			<u>\$ 761,145</u>	

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

Exhibit 6

	Major Funds		Total
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 41,602	\$ 375,468	\$ 417,070
Due from other governments	3,568	-	3,568
Accounts receivable	-	17,530	17,530
Inventories	52,930	-	52,930
Total current assets	<u>98,100</u>	<u>392,998</u>	<u>491,098</u>
Noncurrent assets:			
Capital assets, net	<u>58,167</u>	<u>347,779</u>	<u>405,946</u>
Total assets	<u>156,267</u>	<u>740,777</u>	<u>897,044</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>390,205</u>	<u>398,501</u>	<u>788,706</u>
LIABILITIES			
Current liabilities:			
Accounts payable	988	298	1,286
Compensated absences	15,464	18,732	34,196
Unearned revenues	16,187	365,000	381,187
Total current liabilities	<u>32,639</u>	<u>384,030</u>	<u>416,669</u>
Noncurrent liabilities:			
Net pension liability	405,797	414,425	820,222
Net OPEB liability	552,885	564,640	1,117,525
Compensated absences	20,699	25,072	45,771
Total liabilities	<u>1,012,020</u>	<u>1,388,167</u>	<u>2,400,187</u>
DEFERRED INFLOWS OF RESOURCES	<u>301,171</u>	<u>307,574</u>	<u>608,745</u>
NET POSITION			
Invested in capital assets	58,167	347,779	405,946
Unrestricted	<u>(824,886)</u>	<u>(904,242)</u>	<u>(1,729,128)</u>
Total net position	<u>\$ (766,719)</u>	<u>\$ (556,463)</u>	<u>\$ (1,323,182)</u>

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

Exhibit 7

	Major Funds		Total
	School Food Service	Child Care	
OPERATING REVENUES			
Food sales	\$ 287,858	\$ -	\$ 287,858
Child care fees	-	456,886	456,886
Total operating revenues	287,858	456,886	744,744
OPERATING EXPENSES			
Purchase of food	745,477	26,520	771,997
Salaries and benefits	931,701	886,223	1,817,924
Indirect costs	66,521	116,276	182,797
Materials and supplies	9,323	121,198	130,521
Noncapital equipment	21,656	-	21,656
Contracted services	16,667	15,879	32,546
Utilities	-	21,779	21,779
Depreciation	9,929	16,150	26,079
Other	4,326	2,717	7,043
Total operating expenses	1,805,600	1,206,742	3,012,342
Operating income (loss)	(1,517,742)	(749,856)	(2,267,598)
NONOPERATING REVENUES			
Madison County reimbursements	-	102,000	102,000
Federal reimbursements	918,837	-	918,837
Federal commodities	83,054	-	83,054
State Reduced Breakfast Grant	1,128	-	1,128
State Reduced Lunch Grant	2,290	-	2,290
Contributions and donations	-	120,425	120,425
Interest earned	914	3,999	4,913
Indirect costs not paid	66,521	116,276	182,797
Total nonoperating revenues	1,072,744	342,700	1,415,444
Transfer from other funds	88,363	-	88,363
Change in net position	(356,635)	(407,156)	(763,791)
Total net position (deficit) - beginning	(410,084)	(149,307)	(559,391)
Total net position (deficit) - ending	\$ (766,719)	\$ (556,463)	\$ (1,323,182)

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2023

Exhibit 8

	<u>Major Funds</u>		
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 283,110	\$ 811,574	\$ 1,094,684
Cash paid for goods and services	(716,459)	(188,453)	(904,912)
Cash paid to employees for services	(738,363)	(781,011)	(1,519,374)
Net cash provided (used) by operating activities	<u>(1,171,712)</u>	<u>(157,890)</u>	<u>(1,329,602)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	915,269	-	915,269
County reimbursements	-	102,000	102,000
State reimbursements	3,418	-	3,418
Contributions and donations	-	120,425	120,425
Increase (decrease) in due to other funds	(30,000)	(73,529)	(103,529)
Net cash provided (used) by financing activities	<u>888,687</u>	<u>148,896</u>	<u>1,037,583</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(16,000)	(16,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	914	3,999	4,913
Net increase (decrease) in cash and cash equivalents	(282,111)	(20,995)	(303,106)
Balance-beginning of the year	323,713	396,463	720,176
Balance-end of the year	<u>\$ 41,602</u>	<u>\$ 375,468</u>	<u>\$ 417,070</u>

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
For the Year Ended June 30, 2023

Exhibit 8
(Continued)

	<u>Major Funds</u>		
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating Income (loss)	\$ (1,517,742)	\$ (749,856)	\$ (2,267,598)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	9,929	16,150	26,079
Donated commodities consumed	83,054	-	83,054
Indirect costs not paid	66,521	116,276	182,797
Expenses paid by other funds	88,363	-	88,363
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in inventories	(2,668)	-	(2,668)
(Increase) decrease in accounts receivable	-	(10,312)	(10,312)
(Increase) decrease in net OPEB asset	289	302	591
Increase (decrease) in accounts payable	604	(360)	244
(Increase) decrease in deferred outflows of resources	(203,714)	(204,230)	(407,944)
Increase (decrease) in deferred inflows of resources	(11,581)	(18,227)	(29,808)
Increase (decrease) in net pension liability	310,760	315,423	626,183
Increase (decrease) in net OPEB liability	10,057	(837)	9,220
Increase (decrease) in unavailable revenues	(4,748)	365,000	360,252
Increase (decrease) in compensated absences	(836)	12,781	11,945
Total adjustments	346,030	591,966	937,996
Net cash provided (used) by operating activities	<u>\$ (1,171,712)</u>	<u>\$ (157,890)</u>	<u>\$ (1,329,602)</u>

Noncash investing, capital, and financing activities:

Indirect costs of \$182,797 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$83,054 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund contributed \$88,363 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages and the cost of supplies and equipment. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Madison 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 Madison County, North Carolina within its jurisdictional boundaries. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

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

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

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

MADISON COUNTY BOARD OF EDUCATION
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Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Operating expenses are those that are specifically associated with operating revenues. 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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

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

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

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

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

The Board reports the following major enterprise funds:

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

Child Care Fund. The Child Care Fund is used to account for the before and after school care and summer care programs within the school system and is reported as an enterprise fund.

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S & P Global Ratings and AAAMf by Moody's Investors Service. The NCCMT Government Portfolio is reported at fair value.

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

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2023 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

Cash and Cash Equivalents

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

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are reported as expenditures when consumed. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance

**MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1987 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

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

	<u>Years</u>
Buildings/improvements	10-50
Equipment and furniture	10
Vehicles	8
Computer equipment	5

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities. Land and Construction in Progress are not depreciated.

Deferred outflows and inflows of resources

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

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

revenue until then. The Board has several items that meet this criterion - pension and OPEB related deferrals.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2023 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made, based on prior years' records, of the current portion of compensated absences.

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

Net Position/Fund Balances

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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 Balances – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)]. This statute does not allow for governmental units to budget funds that have not yet been collected in the following year's budget appropriation. This amount is primarily comprised of amounts that are recorded as receivables at year end and any additional encumbrances.

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

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

Committed Fund Balance – portion of fund balance that can only be used for a specific purpose imposed by majority vote by the Board of Education's governing Board.

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

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

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

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

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(630,947) 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 on government-wide statement in governmental activities column)	\$ 73,637,535
Less Accumulated Depreciation	<u>(43,311,043)</u>
Net capital assets	30,326,492
Pension related deferred outflows of resources	8,859,545
OPEB related deferred outflows of resources	3,863,009
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 financing	(741,218)
Compensated absences	(1,861,527)
Net pension liability	(13,230,925)
Net OPEB liability	(18,026,718)
Deferred inflows of resources related to pensions	(334,102)
Deferred inflows of resources related to OPEB	<u>(9,485,503)</u>
Total adjustment	<u>\$ (630,947)</u>

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$3,935,654 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 1,776,552
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(2,271,144)
Change in fund balance due to change in reserve for inventory	(92,834)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,942,400
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,183,394
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	136,853
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	574,582
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	(2,783,921)
Net OPEB expense	2,403,609
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	74,841
Loss on disposal of assets	(8,678)
Total adjustment	<u>\$ 3,935,654</u>

**MADISON COUNTY BOARD OF EDUCATION
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For the Year Ended June 30, 2023**

Defined Benefit Pension Plan and OPEB Plans

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

NOTE 2 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board's 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, 2023, the Board had deposits with banks and savings and loans with a carrying amount of \$2,651,760 and with the State Treasurer of \$503,925. The bank balances with the financial institutions and the State Treasurer were \$3,120,321 and \$417,483, respectively. Of these balances, \$746,402 was covered by federal depository insurance and \$2,791,402 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Investments

At June 30, 2023, the Board had \$2,516,640 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Due from other governments consists of the following:

Governmental activities:

General Fund	66,779	Madison County fines and forfeitures
Capital Outlay Fund	211,886	Madison County
Other Special Revenue Fund	102,935	Federal and State grants
Total	<u>\$ 381,600</u>	

Business-type activities:

School Food Service	<u>\$ 3,568</u>	USDA Grant reimbursement
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**MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases and Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,576,556	\$ -	\$ -	\$ 1,576,556
Construction in progress	101,726	1,479,608	-	1,581,334
Total capital assets not being depreciated	<u>1,678,282</u>	<u>1,479,608</u>	<u>-</u>	<u>3,157,890</u>
Capital assets being depreciated:				
Buildings/improvements	60,931,792	182,250	51,662	61,062,380
Equipment and furniture	5,020,042	105,694	525,637	4,600,099
Vehicles	4,808,166	9,000	-	4,817,166
Total capital assets being depreciated	<u>70,760,000</u>	<u>296,944</u>	<u>577,299</u>	<u>70,479,645</u>
Less accumulated depreciation for:				
Buildings/improvements	33,974,563	1,810,875	45,285	35,740,153
Equipment and furniture	4,537,458	157,014	523,336	4,171,136
Vehicles	3,096,499	303,255	-	3,399,754
Total accumulated depreciation	<u>41,608,520</u>	<u>2,271,144</u>	<u>568,621</u>	<u>43,311,043</u>
Total capital assets being depreciated, net	<u>29,151,480</u>			<u>27,168,602</u>
Governmental activity capital assets, net	<u>\$ 30,829,762</u>			<u>\$ 30,326,492</u>

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 637,143	\$ -	\$ 13,963	\$ 623,180
Less accumulated depreciation for:				
Furniture and office equipment	<u>569,047</u>	<u>9,929</u>	<u>13,963</u>	<u>565,013</u>
School Food Service capital assets, net:	<u>\$ 68,096</u>			<u>\$ 58,167</u>
Child Care Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 533,355	\$ 16,000	\$ 19,773	\$ 529,582
Equipment	<u>85,927</u>	<u>-</u>	<u>-</u>	<u>85,927</u>
	<u>619,282</u>	<u>16,000</u>	<u>-</u>	<u>615,509</u>
Buildings and improvements	191,931	15,665	19,773	187,823
Equipment	<u>79,422</u>	<u>485</u>	<u>-</u>	<u>79,907</u>
Total accumulated depreciation	<u>271,353</u>	<u>16,150</u>	<u>19,773</u>	<u>267,730</u>
Child Care capital assets, net:	<u>\$ 347,929</u>			<u>\$ 347,779</u>

Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 1,810,875
System-wide support services	303,255
Unallocated depreciation	<u>157,014</u>
Total	<u>\$ 2,271,144</u>

**MADISON COUNTY BOARD OF EDUCATION
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Construction Commitments

Madison County Board of Education has various on-going construction projects as of June 30, 2023.

	<u>Spent-to-date</u>	<u>Total Commitment</u>
Madison High School Stadium	\$ 1,581,334	\$ 4,229,267

Liabilities

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

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TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in 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, 2023 was 17.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$3,124,808 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Board reported a liability of \$14,051,147 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share 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, 2022 and at June 30, 2021, the Boards proportion was .095% and .090%, respectively.

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For the year ended June 30, 2023, the Board recognized pension expense of \$3,022,730. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$61,180	\$191,519
Changes of assumptions	1,108,582	-
Net difference between projected and actual earnings on pension plan investments	4,614,960	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	499,242	163,295
Board contributions subsequent to the measurement date	<u>3,124,808</u>	<u>-</u>
Total	<u>\$ 9,408,772</u>	<u>\$ 354,814</u>

\$3,124,808 reported as deferred outflows of resources related to pensions resulted 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 1,615,141
2025	1,458,821
2026	642,905
2027	2,212,283
2028	-
Thereafter	<u>-</u>
Total	<u>\$ 5,929,150</u>

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Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2021 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2022. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

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

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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 2.50%. All rates of return and inflation are annualized.

Discount Rate. The discount rates used to measure the total pension liability reported at June 30, 2023 and 2022 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 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:

	<u>1% Decrease (5.50%)</u>	<u>Discounted Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 24,843,143	\$ 14,051,147	\$ 5,143,217

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

b. Other Post-employment Benefits

Healthcare Benefits

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.89% of covered payroll which amounted to \$1,238,776. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$475 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$145,337.

At June 30, 2023, Board reported a liability of \$19,120,025 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021, the Boards proportion was 0.081% and 0.078%, respectively.

\$1,238,776 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$	(2,835,920)
2025		(1,668,294)
2026		(1,781,687)
2027		(995,057)
2028		--
Thereafter		--
	Total	<u>\$ (7,280,958)</u>

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%
Healthcare cost trend rate – medical	5.00% - 6.00%
Healthcare cost trend rate – prescription drug	5.00% - 9.50%
Healthcare cost trend rate – administrative	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, 2023 was 3.54% and 2.16% for 2022. 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 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

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 (2.54 percent) or 1-percentage point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB liability	\$ 22,522,294	\$ 19,120,025	\$ 16,343,003

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

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	<u>1% Decrease in Trend Rates</u>	<u>Healthcare Trend Rates (Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%)</u>	<u>1% increase in Trend Rates</u>
Net OPEB liability	\$15,739,613	\$19,120,025	\$23,491,846

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

Disability Benefits

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

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

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

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.

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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, 2023, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$17,979 for the year ended June 30, 2023.

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, 2023, Board reported an OPEB liability of \$24,218 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021, the Boards proportion was .081% and .078%, respectively.

\$17,979 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ 13,158
2025	14,920
2026	10,872
2027	8,528
2028	2,223
Thereafter	3,454
Total	<u>\$ 53,155</u>

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

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

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

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB liability	\$ (29,821)	\$ (24,218)	\$ (18,601)

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 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, 2022. 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, 2022. 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, 2022 is 1.2%.

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 2,214,780	\$ (59,542)	\$ 2,155,238
OPEB liability (asset)	19,120,025	24,218	19,144,243
Proportionate share of the net OPEB liability (asset)	0.081%	0.081%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 185,630	\$ 27,146	\$ 212,776
Changes of assumptions	1,530,806	1,557	1,532,363
Net difference between projected and actual earnings on plan investments	165,571	25,615	191,186
Changes in proportion and defferences between Board contributions and proportionate share of contributions	905,620	3,788	909,408
Board contributions subsequent to the measurement date	<u>1,238,776</u>	<u>17,979</u>	<u>1,256,755</u>
Total Deferred Outflows of Resources	<u>\$ 4,026,403</u>	<u>\$ 76,085</u>	<u>\$ 4,102,488</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ 52,907	\$ -	\$ 52,907
Changes of assumptions	8,701,973	4,487	8,706,460
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>1,313,705</u>	<u>464</u>	<u>1,314,169</u>
Total Deferred Inflows of Resources	<u>\$ 10,068,585</u>	<u>\$ 4,951</u>	<u>\$ 10,073,536</u>

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2023 are as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 123,811
Other Governmental	236,028
Total - Governmental Activities	<u>\$ 359,839</u>
Business-Type Activities	<u>\$ 1,286</u>

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Unavailable Revenues

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

	<u>Unearned Revenue</u>
Prepayments of meals (School Food Service Fund)	\$ 16,187
Dogwood Health Trust - Early Childhood Grant (Child Care Fund)	\$ 365,000
K-12 Athletic Facilities Grant (Capital Outlay Fund)	\$ 2,398,274

Deferred Outflows and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$ 1,408,650	\$ 1,477,464
Changes in assumptions	2,640,945	8,706,460
Difference between projected and actual earnings on plan investments	4,806,146	-
Board contributions subsequent to the measurement date	4,381,563	-
Difference between expected and actual experience	<u>273,956</u>	<u>244,426</u>
Total	<u>\$ 13,511,260</u>	<u>\$ 10,428,350</u>

Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

coverage is either purchased through private insurers or self-insured by the local Board. Coverage is provided to the extent that employees are paid from federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent that employees are paid from state funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the State of North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption, and extra expense coverage. \$10 million per occurrence is provided on increased cost of construction.

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

In accordance with G.S. 1 ISC-442, the Board's employees who have custody of the Board's funds, at any given time, are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The remaining employees who have access to funds are covered under a blanket bond for up to \$50,000.

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.

Long-Term Obligations

a. Direct Placement Installment Purchases

The Board is authorized by state law G.S. 115C-47(28a) to enter into direct placement installment purchase contracts to finance energy construction measures that will reduce operating costs. In March 2009, the Board entered into such a contract to reduce the energy costs associated with six of its schools and three administrative buildings. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments for fifteen years beginning in the 2011 fiscal year with an interest rate of 4.29%.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party direct placement financing arrangements with various companies. The buses are pledged as collateral for the debt while the debt is outstanding. The Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts are four years, while the required annual payments range from \$21,620 to \$117,210.

MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

The future minimum payments of the installment purchases as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 537,136	\$ 20,074
2025	<u>204,082</u>	<u>2,189</u>
Total	<u>\$ 741,218</u>	<u>\$ 22,263</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Governmental activities:					
Direct placement					
installment purchases	\$ 1,315,800	\$ -	\$ 574,582	\$ 741,218	\$ 574,582
Net pension liability	4,010,937	9,219,988	-	13,230,925	-
Net OPEB liability	22,909,562	-	4,882,844	18,026,718	-
Compensated absences	1,936,368	1,171,291	1,246,132	1,861,527	746,449
Total	<u>\$ 30,172,667</u>	<u>\$ 10,391,279</u>	<u>\$ 6,703,558</u>	<u>\$ 33,860,388</u>	<u>\$ 1,321,031</u>
Business-type activities:					
Net pension liability	\$ 194,039	\$ 626,183	\$ -	\$ 820,222	\$ -
Net OPEB liability	1,108,305	9,220	-	1,117,525	-
Compensated absences	68,022	71,690	59,745	79,967	34,196
Total	<u>\$ 1,370,366</u>	<u>\$ 707,093</u>	<u>\$ 59,745</u>	<u>\$ 2,017,714</u>	<u>\$ 34,196</u>

Net pension liability, net OPEB liability, and compensated absences are typically liquidated by the general and other governmental funds.

**MADISON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

Interfund Balances and Activity

Transfers to/from other funds during the year ended June 30, 2023 consist of a \$88,363 transfer from the State Public School Fund to the School Food Service Fund for administrative salaries.

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	\$	785,370
Less:		
Inventories		(325,142)
Stabilization by State statute		(66,779)
Appropriated Fund Balance in 2023-2024 budget		<u>(165,550)</u>
Remaining fund balance	\$	<u>227,899</u>

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
*Last Nine Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Board's proportion of the net pension liability (asset)	0.095%	0.090%	0.094%	0.093%	0.094%
Board's proportionate share of the net pension liability (asset)	\$ 14,051,147	\$ 4,204,976	\$ 11,373,992	\$ 9,597,729	\$ 9,379,631
Board's covered payroll	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545	\$ 13,616,841
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	82.03%	28.09%	76.67%	65.97%	68.88%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	94.86%	85.98%	87.56%	87.61%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability (asset)	0.096%	0.097%	0.101%	0.099%
Board's proportionate share of the net pension liability (asset)	\$ 7,579,771	\$ 8,875,781	\$ 3,733,474	\$ 1,164,214
Board's covered payroll	\$ 13,461,455	\$ 13,231,673	\$ 13,529,944	\$ 12,899,255
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.31%	67.08%	27.59%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%

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

Note: This is required supplementary information and 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.

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
Teachers' and State Employees' Retirement System
*Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,124,808	\$ 2,805,852	\$ 2,212,360	\$ 1,924,189	\$ 1,787,893
Contributions in relation to the contractually required contribution	3,124,808	2,805,852	2,212,360	1,924,189	1,787,893
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,979,335	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,467,895	\$ 1,343,453	\$ 1,210,698	\$ 1,237,990	\$ 1,110,766
Contributions in relation to the contractually required contribution	1,467,895	1,343,453	1,210,698	1,237,990	1,110,766
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 13,616,841	\$ 13,461,455	\$ 13,231,673	\$ 13,529,944	\$ 12,899,255
Contributions as a percentage of covered payroll	10.78%	9.98%	9.15%	9.15%	8.61%

Note: This is required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Board's proportion of the net OPEB liability (asset)	0.081%	0.078%	0.080%	0.081%	0.083%
Board's proportionate share of the net OPEB liability (asset)	\$ 19,120,025	\$ 24,017,867	\$ 22,249,976	\$ 25,585,947	\$ 23,520,079
Board's covered payroll	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545	\$ 13,616,841
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	111.62%	160.45%	149.98%	175.88%	172.73%
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	7.72%	6.92%	4.40%	4.40%

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.087%	0.082%
Board's proportionate share of the net OPEB liability (asset)	\$ 28,553,119	\$ 35,057,766
Board's covered payroll	\$ 13,461,455	\$ 13,231,673
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	212.11%	264.95%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

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

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
*Last Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,238,776	\$ 1,077,461	\$ 999,903	\$ 959,869	\$ 912,131
Contributions in relation to the contractually required contribution	<u>1,238,776</u>	<u>1,077,461</u>	<u>999,903</u>	<u>959,869</u>	<u>912,131</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,979,335	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 823,819	\$ 782,111
Contributions in relation to the contractually required contribution	<u>823,819</u>	<u>782,111</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 13,616,841	\$ 13,461,455
Contributions as a percentage of covered payroll	6.05%	5.81%

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

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET (LIABILITY)
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Board's proportion of the net OPEB asset (liability)	0.081%	0.078%	0.082%	0.081%	0.083%
Board's proportionate share of the net OPEB asset (liability)	\$ (24,218)	\$ 12,807	\$ 40,196	\$ 34,982	\$ 25,109
Board's covered payroll	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545	\$ 13,616,841
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	-0.14%	0.09%	0.27%	0.24%	0.18%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	90.34%	105.18%	115.57%	113.00%	108.47%

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset (liability)	0.083%	0.085%
Board's proportionate share of the net OPEB asset (liability)	\$ 50,876	\$ 104,099
Board's covered payroll	\$ 13,461,455	\$ 13,231,673
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	0.38%	0.79%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	116.06%	116.06%

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

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

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 17,979	\$ 15,417	\$ 13,472	\$ 14,836	\$ 20,367
Contributions in relation to the contractually required contribution	17,979	15,417	13,472	14,836	20,367
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,979,335	\$ 17,129,742	\$ 14,968,607	\$ 14,835,690	\$ 14,547,545
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 19,064	\$ 51,154
Contributions in relation to the contractually required contribution	19,064	51,154
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 13,616,841	\$ 13,461,455
Contributions as a percentage of covered payroll	0.14%	0.38%

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

**MADISON COUNTY BOARD OF EDUCATION
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2023

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Madison County			
County appropriation	\$ 3,076,120	\$ 3,076,120	\$ -
Supplemental tax	200,000	247,609	47,609
	<u>3,276,120</u>	<u>3,323,729</u>	<u>47,609</u>
Other :			
Fines and forfeitures	100,000	115,605	15,605
Miscellaneous	-	45	45
Total	<u>100,000</u>	<u>115,650</u>	<u>15,650</u>
Total revenues	<u>3,376,120</u>	<u>3,439,379</u>	<u>63,259</u>
Expenditures:			
Instructional services	1,668,059	1,491,485	176,574
System-wide support services	2,159,929	2,022,971	136,958
Non-programmed charges	56,985	41,985	15,000
Total expenditures	<u>3,884,973</u>	<u>3,556,441</u>	<u>328,532</u>
Revenues over (under) expenditures	(508,853)	(117,062)	391,791
Appropriated fund balance	<u>508,853</u>	<u>-</u>	<u>(508,853)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(117,062)</u>	<u>\$ (117,062)</u>
Fund balances:			
Beginning of year, July 1		995,266	
Change in reserve for inventories		<u>(92,834)</u>	
End of year, June 30		<u>\$ 785,370</u>	

**MADISON COUNTY BOARD OF EDUCATION
 CAPITAL OUTLAY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2023**

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina - buses	\$ 2,052,856	\$ 187,778	\$ (1,865,078)
State of North Carolina - lottery	106,000	106,000	-
Public School Building Repair & Renovation Fund	385,122	385,122	-
Public School Capital Fund - Needs Based	1,667,721	1,479,608	(188,113)
Madison County appropriations	1,183,077	1,206,513	23,436
Other	-	55,522	55,522
Total revenues	<u>5,394,776</u>	<u>3,420,543</u>	<u>(1,974,233)</u>
Expenditures:			
Current:			
System-wide support services	2,142,056	292,053	1,850,003
Debt service:			
Principal	600,000	574,582	25,418
Interest	40,000	37,196	2,804
Capital outlay	<u>2,612,720</u>	<u>2,272,777</u>	<u>339,943</u>
Total expenditures	<u>5,394,776</u>	<u>3,176,608</u>	<u>2,218,168</u>
Revenues over (under) expenditures	<u>\$ -</u>	243,935	<u>\$ 243,935</u>
Fund balances:			
Beginning of year, July 1		<u>330,603</u>	
End of year, June 30		<u>\$ 574,538</u>	

**MADISON COUNTY BOARD OF EDUCATION
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP)
For the Year Ended June 30, 2023**

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ 580,000	\$ 287,858	\$ (292,142)
Operating expenditures:			
Business support services	1,681,722	1,610,982	70,740
Operating loss	(1,101,722)	(1,323,124)	(221,402)
Nonoperating revenues:			
Federal reimbursements		918,837	
Federal commodities		83,054	
State Reduced Breakfast Grant		1,128	
State Reduced Lunch Grant		2,290	
Interest earned		914	
	912,574	1,006,223	(93,649)
Revenues over (under) expenditures before transfers and appropriated fund balance	(189,148)	(316,901)	(127,753)
Transfer from other funds	64,148	88,363	24,215
Appropriated fund balance	125,000	-	(125,000)
Revenues and other sources over (under) expenditures	\$ -	(228,538)	\$ (228,538)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(26,079)	
Net pension liability		(310,760)	
Net OPEB liability		(10,057)	
Deferred outflows		203,714	
Deferred inflows		11,581	
(Increase) decrease in compensated absences		836	
Increase (decrease) in inventories		2,668	
Change in net position - full accrual		\$ (356,635)	

**MADISON COUNTY BOARD OF EDUCATION
CHILD CARE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP)
For the Year Ended June 30, 2023**

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Child care fees	\$ 618,891	\$ 456,886	\$ (162,005)
Operating expenditures:			
Business support services	1,005,891	969,406	36,485
Operating income (loss)	(387,000)	(512,520)	(125,520)
Nonoperating revenues:			
Madison County reimbursements		102,000	
Contributions and donations		120,425	
Interest earned		3,999	
	137,000	226,424	89,424
Revenues under expenditures before appropriated fund	(250,000)	(286,096)	(36,096)
Appropriated fund balance	250,000	-	(250,000)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(286,096)	\$ (286,096)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(16,150)	
Net pension liability		(315,423)	
Net OPEB liability		837	
Deferred outflows		204,230	
Deferred inflows		18,227	
(Increase) decrease in compensated absences		(12,781)	
Change in net position - full accrual		\$ (407,156)	

COMPLIANCE SECTION



**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 Madison County Board of Education
Marshall, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County Board of Education, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Madison County Board of Education's basic financial statements and have issued our report thereon dated November 7, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison 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 7, 2023

Huntersville, North Carolina



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

INDEPENDENT AUDITORS' REPORT

**To the Madison County Board of Education
Marshall, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison County Board of Education's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Madison County Board of Education's major federal programs for the year ended June 30, 2023. Madison County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

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

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

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

Anderson Smith & Wike PLLC

*November 7, 2023
Huntersville, North Carolina*



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

INDEPENDENT AUDITORS' REPORT

**To the Madison County Board of Education
Marshall, North Carolina**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Madison County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Madison County Board of Education's major state programs for the year ended June 30, 2023. The Madison County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

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

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

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

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

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

Anderson Smith & Wike PLLC

*November 7, 2023
Huntersville, North Carolina*

**Madison County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

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

**Madison County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Grants to Local Education Agencies
84.425	COVID-19 - Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

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

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

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

yes no

Identification of major State programs:

Program Name
State Public School Fund
Public School Capital Fund - Needs Based

**MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

**MADISON COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Finding 2022-001: Corrected

Finding 2022-002: Corrected

Finding 2022-003: Corrected

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2023

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>AL</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>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	\$ 83,054
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	258,028
National School Lunch Program	10.555	PRC 035	592,365
Summer Food Service Program for Children	10.559	PRC 035	4,361
Supply Chain Assistance	10.559	PRC 035	64,083
Cash Assistance Subtotal			<u>918,837</u>
Total Child Nutrition Cluster			<u>1,001,891</u>
Local Food for Schools Cooperative Agreement Program	10.185		<u>7,896</u>
Total U.S. Department of Agriculture			<u>1,009,787</u>
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Education Agencies	84.010A	PRC 050	773,439
CTE - Program Improvement	84.048	PRC 017	46,732
Student Support and Academic Enrichment Program	84.424	PRC 108	56,059
Supporting Effective Instruction State Grant	84.367	PRC 103	105,868
COVID-19 - Education Stabilization Fund			
CARES Act:			
ESSER I - Digital Curricula	84.425D	PRC 165	2,129
CRRSA:			
K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	194,553
ESSER II - Learning Loss Funding	84.425D	PRC 176	43,021
ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	11,246
ARP:			
ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	3,178,270
ESSER III - Math Enrichment Programs	84.425U	PRC 189	2,716
ESSER III - Principal Retention Supplements	84.425U	PRC 206	5,025
Total Education Stabilization Fund			<u>3,436,960</u>
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	548,166
Special Education - Targeted Assistance	84.027	PRC 118	13,126
Special Education - Preschool Targeted Assistance	84.173	PRC 119	2,000
Special Education - Preschool Grants	84.173	PRC 049	22,950
Total Special Education Cluster			<u>586,242</u>

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2023

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Passed-through Appalachian State University Gear Up Grant	84.334	PRC 311	183,961
Total U.S. Department of Education			<u>5,189,261</u>
<u>U.S. Department of Defense</u>			
Direct Program: JROTC	12.000		86,161
<u>U.S. Department of Labor</u>			
Passed-through Mountain Area Job Training Services: Workforce Investment Act	17.259	PRC 314	72,939
Total Federal Assistance			<u>6,358,148</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Direct Programs:			
State Public School Fund			19,590,179
Career and Technical Education			
State Months of Employment		PRC 013	1,123,960
Program Support Funds		PRC 014	87,748
Driver Training		PRC 012	38,757
School Technology Fund		PRC 015	47,605
School Buses (non-cash)			187,778
Passed-through Madison County:			
Public School Capital Fund - Lottery			106,000
Public School Building Repair & Renovation Fund			385,122
Public School Capital Fund - Needs Based			1,479,608
			<u>1,970,730</u>
Total N.C. Department of Public Instruction			<u>23,046,757</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			1,128
State Reduced Lunch Program			2,290
Total N.C. Department of Agriculture			<u>3,418</u>
<u>N.C. Department of Public Safety</u>			
Passed-through Madison County			
Juvenile Crime Prevention Councils			68,999
Total State Assistance			<u>23,119,174</u>
Total Federal and State Assistance			<u>\$29,477,322</u>

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2023

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>AL</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
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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 Madison County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. 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 Madison County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Madison County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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