

**Board of Education of Vance  
County Schools  
(Henderson, North Carolina)**

**ANNUAL  
COMPREHENSIVE  
FINANCIAL REPORT**

**For the Fiscal Year Ended  
JUNE 30, 2022**



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

Board of Education of Vance County Schools  
Henderson, North Carolina

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022

PREPARED BY

John Suther, Chief Finance Officer  
Vance County Schools Finance Office

# BOARD OF EDUCATION OF VANCE COUNTY SCHOOLS

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## **Introductory Section**



## LETTER OF TRANSMITTAL

### TO THE MEMBERS OF THE VANCE COUNTY BOARD OF EDUCATION AND CITIZENS OF VANCE COUNTY, NORTH CAROLINA

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December 19, 2022

In compliance with the Public School Laws of North Carolina, the Annual Comprehensive Financial Report of the Board of Education of Vance County Schools (“Board”), operating as “Vance County Schools,” for the fiscal year ended June 30, 2022, is herewith submitted. The accuracy, completeness and clarity of the financial report are the responsibility of the Board. The accompanying financial report has been prepared in accordance with Generally Accepted Accounting Principles. We believe the data presented in this financial report is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain a complete understanding of the Board’s financial activities have been included.

The annual comprehensive financial report is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory section, which is unaudited, contains this transmittal letter, a list of the Board members and principal officials and the organizational chart. The Financial section includes the auditor’s opinion, management’s discussion and analysis, the basic financial statements and the combining and individual fund financial statements and schedules arranged by fund type. The Statistical section includes several tables of unaudited data providing a ten-year financial history of the Board. Finally, the Compliance section includes reports and schedules required by Government Auditing Standards, US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of North Carolina’s Single Audit Implementation Act.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Vance County Board of Education’s MD&A can be found immediately following the report of the independent auditors.

### PROFILE OF REPORTING ENTITY

The Board, a local education agency empowered by the North Carolina General Statutes, has responsibility and control over all activities related to public school education in Vance County, North Carolina with the exception of the public Charter School entities located within. The seven members of the Board are elected officials of Vance County and have the authority to designate management. They have the ability to significantly influence operations and are primarily accountable for fiscal matters.



The Board is recognized as a separate governmental reporting entity under definition by the Governmental Accounting Standards Board. The Board has limited borrowing authority, cannot levy taxes and is required to maintain accounting records in a uniform state format established by the State's General Assembly. The Board receives government funding from local, state, and federal sources and must comply with established legal requirement of each funding entity.

Vance County Schools has an enrollment of 4,984 which was a decrease of 33 students from the prior fiscal year. Vance County has 2 charter schools that reside within the county limits that comprise 70.7% of the total Vance students attending charter schools. There are 2,068 charter school students attending 17 different charter schools in the surrounding counties. The projection for FY 2022-2023 is that Vance County Schools will have a slight increase to 5,011 students. The resident charter schools completed their grade level expansion with the FY 2019-2020 school year so we should remain relatively flat concerning enrollment numbers in the coming years. For FY 2021-2022, total charter school students comprised 29.3% of the total Vance County enrollment for public schools and as such receive that same pro-rata share of the Local County Appropriation for operations. Because of the decrease in Vance students, there was an increase in the per-pupil share of local funding annually for the district by \$1.29 per pupil on average.

## **ECONOMIC CONDITION AND FUTURE OUTLOOK**

The US Census has created the community classification, the Micropolitan Area. Micropolitan areas have a core city or cities with a population of 10,000 to 50,000 and include a central county that contains a core city. Vance County, population currently at 42,185 per the U.S. Census Bureau, is classified as a micropolitan area, serving as a regional hub for health care, professional services and shopping for neighboring counties. We would also consider our area rural-urban in that we have much of the concerns in our city center (Henderson) as urban areas while still being primarily a rural county geographically.

Vance County's economy has transitioned from a predominately agricultural and textile manufacturing community prior to 2005 to a more diverse economy of retail sales, tourism, health-care and transportation-related businesses. Vance County has two industrial parks with remaining capacity to attract new industry and a planned expansion in progress. The school district continues to be one of the largest employers in the county. The local economy continues to recover at a slower rate than other areas in North Carolina. Unemployment rates decreased slightly by the end of the fiscal year to 6.8% which is still well above the overall state average of 4.1%.

Vance County is the home of Kerr Lake. In the 1950's, Kerr Lake, the largest man-made lake east of the Mississippi river; was built as a means of flood control for eastern North Carolina. Since that time it has become one of the State's largest parks and tourist attractions. Interstate 85 provides a major transportation corridor from Montgomery, Alabama through Atlanta, Georgia, to Charlotte, North Carolina, and on through Vance County to Richmond, Virginia, terminated at Interstate 95. Because of this corridor, Vance County offers an exceptional location for distribution operations, warehouse facilities, truck terminal, and other transportation-related businesses.

Vance County understands the obstacles and challenges they face in creating a new economic future. The community knows that education and life-long learning opportunities are critical to their future. The

Board of County Commissioners responded to the needs of the county's school children by adopting the 2021-2022 fiscal budget in which \$7.25 million is appropriated for general fund expenditures, \$1.2 million for teacher supplements, and \$3.76 million of capital funds. Like the school district the county is facing the same pressures as the school district related to additional financial investments in safety and infection control mitigation. This is likely to impact available resources for other services for the next few years as the world deals with the continued effects of the coronavirus pandemic. However, the partnership between the Board and the County remains strong and resolute in the importance of education for our children.

In October of 2019, the Board of Education and County commissioners agreed to the sale/purchase of one of our vacant school facilities which resulted in the commitment from the County for the Board's five-year Capital Investment Plan (CIP). This commitment provided an extra \$5.2 million of capital investment funds for our district over the five-year period ending June 30, 2024, in addition to our annual operating capital funds of \$625 thousand. The annual operating capital funds include separate funding for technology (\$200 thousand) to help ensure our teachers all have current laptop equipment for their work and our students have access to current technology. The technology investment by the county over the years and continuing has proven critical given the recent coronavirus pandemic. This commitment has enabled the district to replace crucial HVAC systems in our elementary schools and middle school as well as other preventive maintenance work. We are also able to use these funds to redesign portions of our facilities to meet the 21<sup>st</sup> century needs for our students and staff. In recent years, the CIP has provided funds for school safety measures that included bus camera systems, school digital camera systems, access door control systems and identification systems for visitors. The county commissioners have been working with the school district to ensure our buildings stay current and are well maintained with the limited funding available. With the declining enrollment, however, there is no need for any new facilities at this time.

## **MAJOR INITIATIVES**

The Board of Education in Vance County adopted a Strategic Roadmap in August 2016 which outlines six Strategic Priorities. These priorities align with the Board's Vision, Mission, and Belief statements as well as the North Carolina State Board of Education's five goals. The Board completed Master Board Training in June 2018 and continues to educate themselves to be effective leaders for the school district and the community.

***The Board's Mission statement reads*** as "The Vance County School System is committed to providing a world-class education, focused on preparing ALL students for success, life-long learning and living as contributing, productive global citizens."

***The Boards Belief Statements are:***

1. Excellence is an attitude, a belief and an action embedded in everything we do.
2. Educators set high expectations that drive learning and coursework to be rigorous, engaging, and aligned with college and career readiness.
3. Student achievement and success should not be predictable by race, ethnicity, gender, or socio-economic status.

4. Educators believe in and share the responsibility for the development of the whole child.
5. All stakeholders share responsibility for promoting a culture of integrity, honor and respect.
6. Effective family and community partnerships are a cornerstone of the educational experience.

***The Boards Strategic Priorities are:***

1. Every Vance County Schools' student receives a personalized education in order to graduate from high school prepared for work, further education and citizenship.
2. Every Vance County Schools' student, every day has excellent educators.
3. Vance County Schools will establish and maintain up-to-date financial, business, and technology systems to serve our students, parents and educators.
4. Vance County Schools will promote student health, safety, and responsibility.
5. Vance County Schools' families, businesses, and community stakeholders are engaged and valued partners with our schools.
6. Every Vance County Schools' student has a healthy and safe learning environment consistent with the system's instructional goals.

Expectations and accountability have been raised for students, staff and leadership. The administration is working to improve student achievement throughout the school system with an emphasis on modern learning environments, skills and experiences. Administration has revised the district's *Instructional Framework* to define what teaching and learning looks like in the district's classrooms. It emphasizes a commitment to the students and their academic, social and emotional needs. The district has been working with Modern Teacher and NC State for professional growth for staff focused on futuristic thinking and innovative pathways of personalized learning for students in traditional schools. Staff is committed to providing the knowledge, skills, and opportunities for our students to compete in an ever-changing instructional environment. The district continued its growth and development of options and pathways at our AdVance Academy for alternative and innovate educational options for our most at-risk youth. The district also offers Vance Virtual Village Academy which is our K-12 online school that provides personalized learning plans, self-paced instruction and academic flexibility for students. The Center for Innovation was also developed to serve as an incubator and accelerator for innovative ideas, opportunities and strategies by offering a variety of user experiences including student-centered learning environments, high-level problem solving, collaborative work and performances, and the use of cutting-edge technology. The district's website has expanded its social media outreach and other data tools to allow the community to engage with the district and examine how our schools are doing and how they are meeting the Board's priorities. Leadership continues to develop more transparency with the community in relation to the schools' data and performance.

Vance County Schools has continued to show substantial improvements over the years. Due to the coronavirus pandemic, all accountability measures were suspended for the FY 2020-2021 school year. For the 2021-2022 student accountability performance was measured again. We expected to continue to show gains. All schools met or exceed growth in Math and Science and/or Overall except one.

The four-year cohort graduation rate for the district decreased to 76.2 percent in 2021-2022 from 84.9 percent in 2020-2021. The dropout rate increased to 4.9 percent. The district has an alternative program AdVance Academy which provides mostly online course work on a flexible schedule from 8:00 am to 8:00 pm to help students who are academically behind stay engaged in learning and to get back on course

to graduation. We also created Vance Virtual Village Academy, a fully remote K-12 online school, that provides personalized learning plans, self-paced instruction, and academic flexibility for students.

## **RELEVANT FINANCIAL POLICIES**

The Board of Education completely updated all of their policies in 2017-2018 and they are reviewed annually and updated to ensure compliance with any changes in federal and state legislation and to ensure they are current with all applicable accounting requirements. They have comprehensive financial policies which meet all applicable federal and North Carolina statutory requirements.

In accordance with North Carolina School Budget and Fiscal Control Act, all governmental units are required to adopt a balanced budget by July 1 of each year. The Board approves the annual budget by fund and purpose code on a modified accrual basis. The budget is then allocated by line item for internal management by the finance (business) department. Staffing and Non-Instructional funding is allocated based on formulas to each school site within the total resources available and approved by the Board. The final budget amount, as amended for the fiscal year, is reflected in the financial and individual statement sections of this report. Also, as required by state statutes, an encumbrance system is used to record encumbrances when obligations are incurred. The encumbrance system helps to ensure that budgeted amounts are not exceeded.

When establishing and evaluating its financial accounting system, the Board ensures that adequate internal accounting controls are in place. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets and the reliability of financial records. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits to be derived. We believe that the Vance County Board of Education adequately safeguards the assets and provides reasonable assurance of proper recording of financial transactions through its internal controls.

The school system invests cash in only fully guaranteed sources. The majority of these investments are deposited in the North Carolina State Treasurer's Short Term Investment Fund (STIF), where interest rates are significantly higher than those offered by commercial banking institutions. Special Revenue Funds are not under the depository control of the school system and therefore are not available for investment by the system. The Board follows state statute and guidance as it pertains to the use and investment of cash instruments.

The Board carries various forms of insurance including, but not limited to, general liability, automobile liability with comprehensive and collision, hazard and theft insurance on property and contents, and blanket finance and forgery bonds, student accident, data protection, workers compensation, and unfortunately active shooter protection. The Board participates in the North Carolina School Boards Insurance Trust for general and professional liability insurance. The Division of Insurance for the State Board of Education provides the Vance County Schools with hazard and theft insurance on all buildings and contents. Other agencies handle the other insurance needs for the district.

## INDEPENDENT AUDIT

The state statutes require an annual audit by independent certified public accountant and the Board has selected the firm of FORVIS, LLP. In addition to meeting the requirements set forth in state statutes, the auditors designed their audit to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the North Carolina Single Audit Implementation Act. The auditors conducted the engagement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

## FINANCIAL REPORTING AWARDS

The Board was awarded the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for fiscal years 2017-2018, 2018-2019, 2019-2020 and 2020-2021. The Board is committed to financial excellence in reporting and budgeting and will be submitting their financial reports for consideration again with the fiscal year 2021-2022 reporting cycle.

## ACKNOWLEDGMENTS


The preparation of the Annual Comprehensive Financial Report could not have been accomplished without the efforts and dedication of the staff, finance department, county finance officer, and our independent audit firm, FORVIS, LLP. We would like to express our appreciation to all of the employees who contributed in the development of this report and to the Vance County government in providing information from their financial statements for the statistical data section.

Also, we would like to thank the members of the Board of Education of Vance County Schools for their interest and dedication in the planning and conducting of the financial operations of the school system.

Respectfully submitted,



Cynthia W. Bennett, PhD  
Superintendent  
Vance County Schools



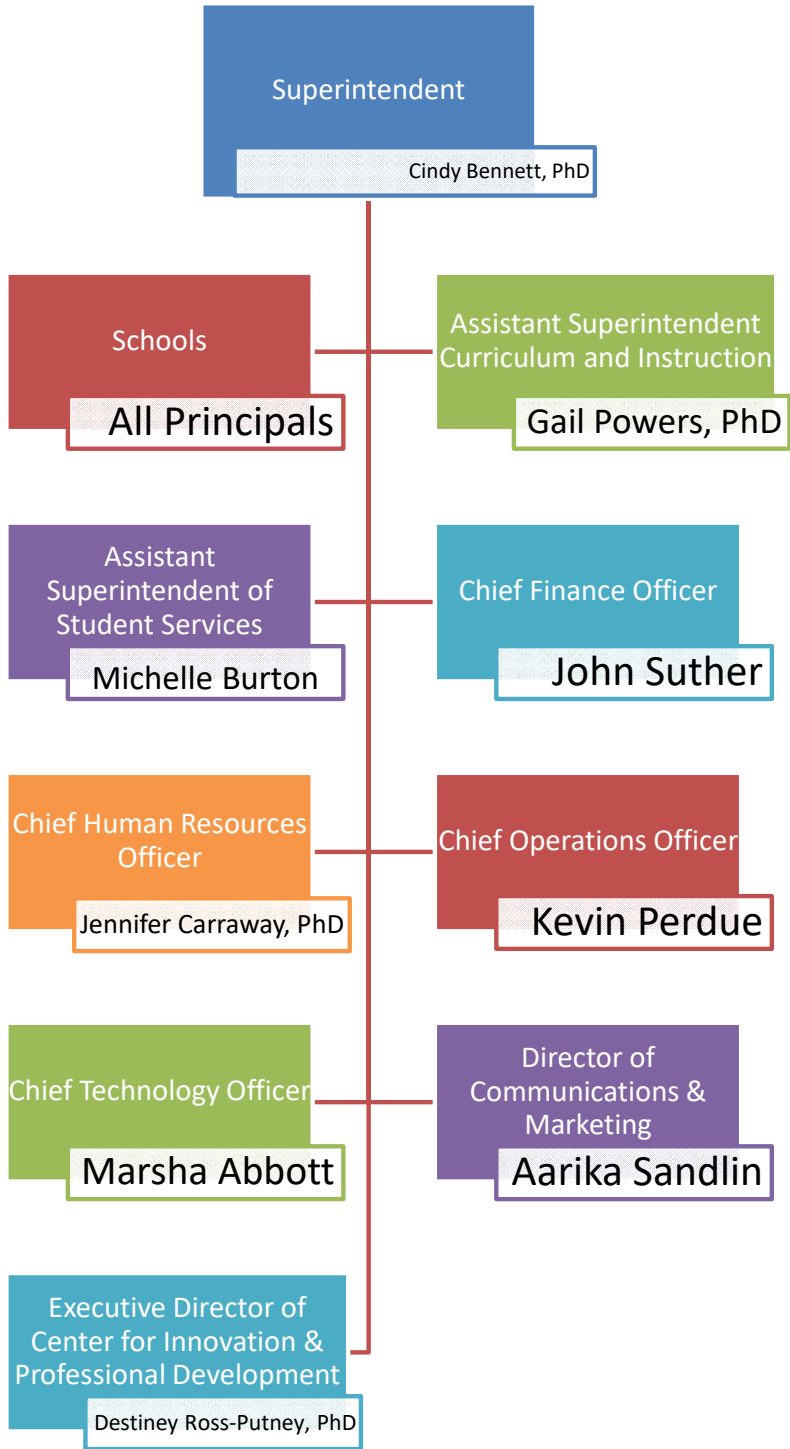
John D. Suther  
Chief Finance Officer  
Vance County Schools

**Vance County Board of Education  
Board Members and Principal Officers**

Ruth M. Hartness, Chairperson	District 7
Gloria J. White, Vice-Chairperson	District 1
Darlynn P. Oxendine	District 2
Dorothy W. Gooche	District 3
Edward B. Wilson	District 4
Linda S. Cobb	District 5
Margaret A. Ellis	District 6

Dr. Cindy W. Bennett, Superintendent  
Jerry Stainback, Board Attorney

**Board of Education of Vance County Schools**
















# VANCE COUNTY SCHOOL DISTRICT

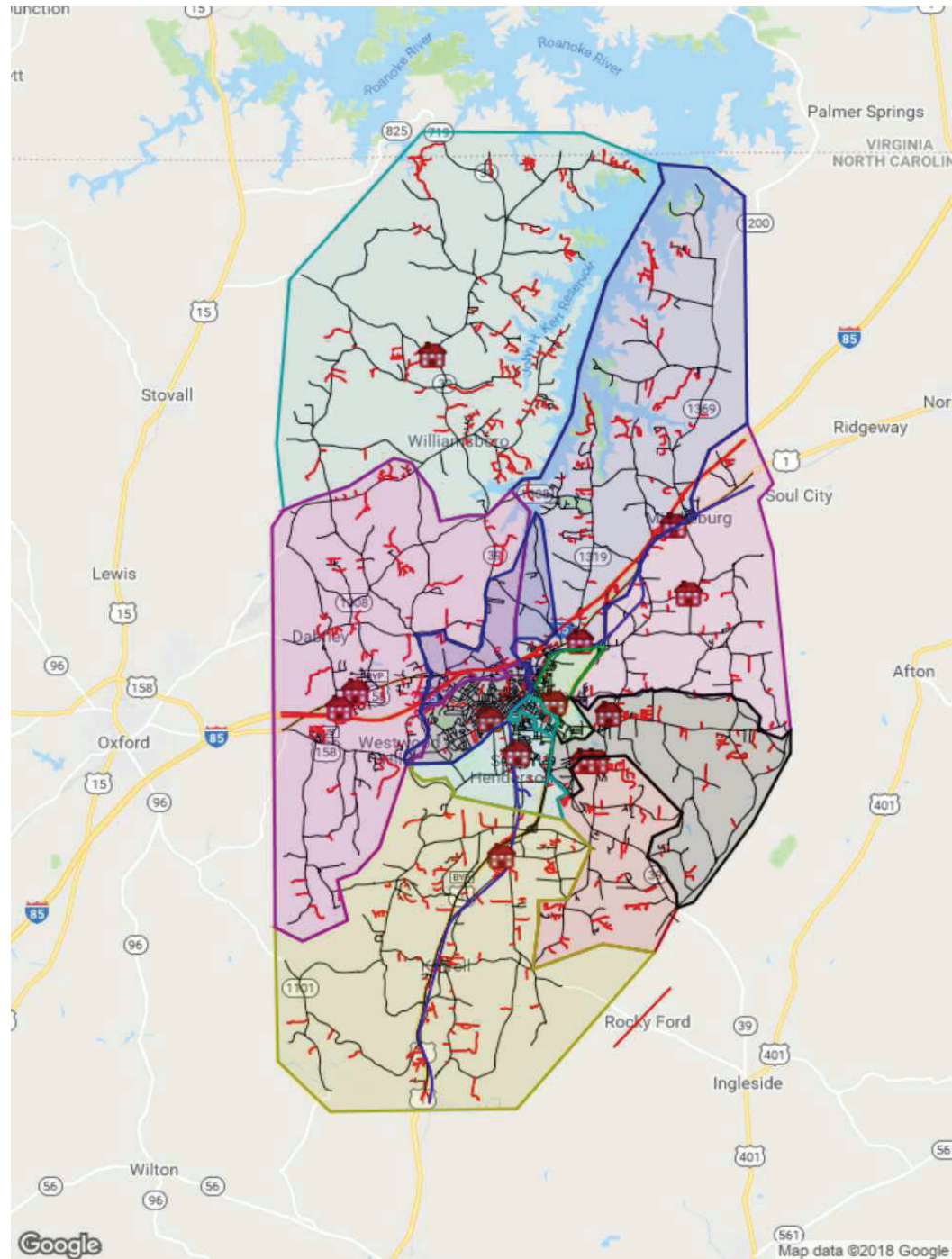
## Boundaries

-  NEW HOPE ELEMENTARY
-  E.M. ROLLINS ELEMENTARY
-  CARVER ELEMENTARY
-  E.O. YOUNG ELEMENTARY
-  PINKSTON ELEMENTARY
-  CLARK ELEMENTARY
-  AYCOCK ELEMENTARY
-  L.B. YANCEY ELEMENTARY
-  ZEB VANCE ELEMENTARY
-  DABNEY ELEMENTARY
-  E.M. ROLLINS ATT AREA
-  CLARK ELEM CITY STREETS

## Legend:

### Schools

-  304 - AYCOCK ELEMENTARY
-  308 - CARVER ELEMENTARY
-  311 - CLARKE ELEMENTARY
-  314 - DABNEY ELEMENTARY
-  316 - VANCE COUNTY MIDDLE SCHOOL
-  340 - NEW HOPE ELEMENTARY
-  346 - E.O. YOUNG JR. ELEMENTARY
-  356 - PINKSTON STREET ELEMENTARY
-  360 - E.M. ROLLINS ELEMENTARY (YEAR ROUND)
-  370 - VANCE COUNTY HIGH SCHOOL
-  376 - LELIA B. YANCEY ELEMENTARY
-  380 - ZEB VANCE ELEMENTARY
-  382 - VANCE GRANVILLE COMMUNITY COLLEGE







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
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Presented to

**Vance County Board of Education  
North Carolina**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

## Vance County Board of Education

for its Annual Comprehensive Financial Report  
for the Fiscal Year Ended June 30, 2021.

The district report meets the criteria established for  
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'William A. Sutter'.

William A. Sutter  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
Executive Director



## **Financial Section**

## Independent Auditor's Report

Board of Education  
Vance County Schools  
Henderson, NC

### Report on the Audit of the Financial Statements

#### **Opinions**

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

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

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board, 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.

#### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, the Board adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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 10 and the Teachers' and State Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Board Contributions, on pages 50 through 51, respectively, and the Retiree Health Benefit Fund's Schedules of Proportionate Share of the Net OPEB Liability and Board Contributions, on pages 52 through 53, respectively, and the Disability Income Plan of North Carolina's Schedules of the Proportionate Share of the Net OPEB Asset and Board Contributions, on pages 54 through 55, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Supplementary Information***

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

## ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.

**FORVIS, LLP**

**Winston-Salem, NC  
December 19, 2022**

## Board of Education of Vance County Schools Management's Discussion and Analysis

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

### **Financial Highlights**

- Local funding for the district comprises 10.9% of the operating revenues and remained relatively flat with a slight decrease. The small percentage decrease is a result of the continuing additional federal funds the district received due to the COVID-19 pandemic. Of the local operating funds; 29.3% is provided to Charter Schools for those Vance County students who attend those schools. Charter School growth was 25 students as they continue their grade level expansions. Overall the total students served by the public schools in Vance County decreased by 91 students in FY 2021-22. There continues to be a shift in those local funds moving to the charter schools to align directly with the students served by each school. The continuing pandemic effects are continually shifting students that are impacting both the traditional public school as well as the charter schools. This likely won't stabilize until FY 2022-23 or later.
- Fund Balance in the General Fund for the district increased to \$2.7 million. The district continues to right size its staffing and expenditures to match its revenues and student numbers. This is critically important due under the continuing effects of the pandemic reality and the current workforce pressures.

### **Overview of the Financial Statements**

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

- Independent Auditors' Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and budgetary statements for the governmental and proprietary 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 (Deficit) and the Statement of Activities. The Statement of Net Position (Deficit) includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, obligations to creditors, and deferred inflows of resources. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

## Board of Education of Vance County Schools Management's Discussion and Analysis

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### **Government-wide Statements**

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

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

- Over time, increases or decreases in the Board's net position (deficit) 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. School food service is included here.

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

### **Fund Financial Statements**

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

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

The Board 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 – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Restricted Fund, and the Federal Grants Fund.



**Board of Education of Vance County Schools  
Management's Discussion and Analysis**

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

**Proprietary funds:** Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board's only proprietary fund is an enterprise fund, School Food Service.

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

**Financial Analysis of the Board as a Whole**

Net deficit is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$36.1 million as of June 30, 2022. The largest positive component of net deficit is net investment in capital assets of \$40.1 million. Restricted and unrestricted net position (deficit) amounted to \$1.5 million and (\$77.7) million, respectively. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components have a \$77.9 million negative effect to the Board's overall net deficit.

Following is a summary of the Statement of Net Position (Deficit):

**Table 1  
Condensed Statement of Net Position (Deficit)  
as of June 30, 2022 and 2021**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 8,732,649	\$ 8,310,947	\$ 1,839,458	\$ 1,016,415	\$ 10,572,107	\$ 9,327,362
Capital assets	40,673,133	39,223,389	290,469	348,712	40,963,602	39,572,101
Total assets	49,405,782	47,534,336	2,129,927	1,365,127	51,535,709	48,899,463
Deferred outflows of resources	14,098,354	12,491,764	614,048	557,721	14,712,402	13,049,485
Current liabilities	3,348,976	3,147,746	150,436	50,038	3,499,412	3,197,784
Long-term liabilities	57,997,636	71,254,443	2,620,961	3,118,287	60,618,597	74,372,730
Total liabilities	61,346,612	74,402,189	2,771,397	3,168,325	64,118,009	77,570,514
Deferred inflows of resources	36,706,305	33,121,671	1,525,276	1,401,395	38,231,581	34,523,066
Invested in capital assets, net of related debt	35,826,816	34,508,035	290,469	348,712	36,117,285	34,856,747
Restricted net position	1,500,621	1,484,834	1,341	3,263	1,501,962	1,488,097
Unrestricted net deficit	(71,876,218)	(83,490,629)	(1,844,508)	(2,998,847)	(73,720,726)	(86,489,476)
Total net deficit	<u>\$ (34,548,781)</u>	<u>\$ (47,497,760)</u>	<u>\$ (1,552,698)</u>	<u>\$ (2,646,872)</u>	<u>\$ (36,101,479)</u>	<u>\$ (50,144,632)</u>

**Board of Education of Vance County Schools  
Management's Discussion and Analysis**

The net deficit of the Board's governmental activities decreased from \$47.5 million at June 30, 2021 to \$34.5 million at June 30, 2022, a decrease of \$13 million. The Board's net investment in capital assets increased by \$1.3 million during the year primarily due to capital additions in excess of depreciation expense. Restricted net position increased by \$15 thousand due to increases in the restricted amounts for school capital outlay. Unrestricted net deficit decreased by \$11.6 million as a result of the changes in the proportionate share of the Teachers' and State Employees' Retirement System plan net pension liability as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources. Restrictions to net position are related to stabilization by state statute, reserves for school capital outlay, and reserves for individual schools. The Board does not believe there are any other restrictions, commitments, or other limitations that will significantly affect fund resources for future use.

The net deficit of business-type activities decreased \$1.1 million from June 30, 2021 to June 30, 2022. This decrease is primarily related to an increase in cash of \$753 thousand. This change in cash was caused by an increase as compared to the prior year in federal reimbursements of \$2 million in excess of the increases in food purchasing expense and salaries and benefits of \$446 thousand and \$260 thousand, respectively.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 405,302	\$ 246,508	\$ 100,132	\$ 13,188	\$ 505,434	\$ 259,696
Operating grants and contributions	61,333,912	51,854,099	3,951,706	2,159,296	65,285,618	54,013,395
Capital grants and contributions	153,918	369,403	-	-	153,918	369,403
<b>General revenues:</b>						
Unrestricted state and federal appropriations	1,843,194	1,445,015	-	-	1,843,194	1,445,015
Unrestricted county appropriations	11,378,698	10,319,057	-	-	11,378,698	10,319,057
Other revenues	554,323	1,056,919	9,484	14,226	563,807	1,071,145
Total revenues	<u>75,669,347</u>	<u>65,291,001</u>	<u>4,061,322</u>	<u>2,186,710</u>	<u>79,730,669</u>	<u>67,477,711</u>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	43,551,270	40,729,912	-	-	43,551,270	40,729,912
System-wide support services	13,534,039	12,196,396	-	-	13,534,039	12,196,396
Ancillary services	316,026	232,316	-	-	316,026	232,316
Non-programmed charges	3,269,101	2,155,016	-	-	3,269,101	2,155,016
Interest on long-term debt	189,205	182,069	-	-	189,205	182,069
Unallocated depreciation expense	1,800,430	1,911,237	-	-	1,800,430	1,911,237
<b>Business-type activities:</b>						
School food service	-	-	3,027,445	2,336,999	3,027,445	2,336,999
Total expenses	<u>62,660,071</u>	<u>57,406,946</u>	<u>3,027,445</u>	<u>2,336,999</u>	<u>65,687,516</u>	<u>59,743,945</u>
Transfers in (out)	<u>(60,297)</u>	<u>(60,098)</u>	<u>60,297</u>	<u>60,098</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	12,948,979	7,823,957	1,094,174	(90,191)	14,043,153	7,733,766
Net position, beginning	<u>(47,497,760)</u>	<u>(55,321,717)</u>	<u>(2,646,872)</u>	<u>(2,556,681)</u>	<u>(50,144,632)</u>	<u>(57,878,398)</u>
Net deficit, ending	<u>\$ (34,548,781)</u>	<u>\$ (47,497,760)</u>	<u>\$ (1,552,698)</u>	<u>\$ (2,646,872)</u>	<u>\$ (36,101,479)</u>	<u>\$ (50,144,632)</u>

## Board of Education of Vance County Schools Management's Discussion and Analysis

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During the year ended June 30, 2022, governmental activities generated revenues of \$75.7 million and incurred expenses of \$62.7 million. Overall, revenues increased by \$10.4 million when compared to the prior year, while expenses increased \$5.3 million. The increase in revenues is primarily the result of an increase in operating grants and contributions of \$9.5 million. Primary sources of revenue were funding from the state of North Carolina, Vance County, and the United States government, which respectively comprised 62.1%, 15%, and 20.7% of revenues. As would be expected, the major component of the Board's expenses was instructional services, which accounted for 70% of total expenses during the most recent fiscal year. Of the remaining expenses, 20.9% was attributable to system-wide support services. To assist the Board in mitigating the increased cost of education during the COVID-19 pandemic, the Board received and expended \$7.3 million in funding from the federal government through the Coronavirus State and Local Fiscal Recovery Funds and Education Stabilization Fund.

Business-type activities generated revenue of \$4.1 million and incurred expenses of \$3.0 million, resulting in a decrease in the net deficit of \$1.1 million after transfers in of \$60 thousand. This represents a decrease of \$1.2 million in net deficit over the prior year increase in net deficit of \$90 thousand. This change was caused by an increase as compared to the prior year in federal reimbursements of \$1.9 million in excess of the increases in food purchasing expense and salaries and benefits of \$346 thousand and \$259 thousand, respectively.

### ***Financial Analysis of the Board's Funds***

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

The Board's governmental funds reported a combined fund balance of \$7.5 million at June 30, 2022, a \$325 thousand increase compared to the prior year. Overall, total revenues increased by \$10.9 million, or 9.6%, compared to the prior year while total expenditures increased by \$12.7 million, or 20.4%. The increase in revenues is attributable to the increase in revenues from the U.S. Government of \$6.9 million and the State of North Carolina of \$3.6 million as compared to the prior year. The increase in expenditures primarily relates to increases in instructional service expenditures.

For the fiscal year ended June 30, 2022, the Board's General Fund and Other Restricted Fund experienced a net change in fund balance of \$570 thousand and \$(388) thousand, respectively. Specifically related to the General Fund, the local current appropriation increased by \$50 thousand. Expenditures in the General Fund increased by \$378 thousand due to increases and reallocations of personnel costs. The Other Restricted Fund recognized a decrease in total revenues of \$352 thousand when compared to the prior year. During the same period, the Board experienced an increase in expenditures of \$1.1 for the other restricted fund. Of the \$1.1 million increase, \$878 thousand is the result of an incurred claim that the Board became liable for as of June 30, 2022.

The Board's State Public School Fund and Federal Grants Fund recognized changes in revenues of \$3.5 million or 8.2% and \$6.7 million or 92.4%, respectively. The increases in the State Public School Fund are attributable to increased appropriations as a result of the increases in education costs. The increases in the Federal Grants Fund are primarily attributable to additional funding provided under the Education Stabilization Fund of \$6.2 million.

The Board's Individual Schools Fund and Capital Outlay Fund had a net change in fund balance of \$(5) thousand and \$108 thousand, respectively. In comparison to the prior year, the Individual Schools Fund and Capital Outlay Fund had a net change of \$(63) thousand and \$278 thousand, respectively. Due to the COVID-19 pandemic, the Board operated in a virtual environment in fiscal year 2021 which contributed to the increase in revenues of \$176 thousand and increase in expenditures of \$118 thousand in the Individual Schools Fund. County capital project revenues are dependent on the Board's ongoing construction activity, financing arrangements with the County, and the general availability of funds from the County. Capital Outlay Fund expenditures increased by \$788

**Board of Education of Vance County Schools  
Management’s Discussion and Analysis**

thousand in the current year primarily related to increases in real property and buildings expenditures of \$1 million.

**Proprietary Funds:** The School Food Service Fund incurred a change in net deficit of 1.1 million during the year ended June 30, 2022 compared to a change of \$(90) thousand during the prior year, a decrease in deficit of approximately \$1.2 million. This change was caused by a increase as compared to the prior year in federal reimbursements of \$1.9 million in excess of the increases in food purchasing expense and salaries and benefits of \$346 thousand and \$259 thousand, respectively.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the General Fund budget several times to account for changes in expectations of expenditures. Total budgeted revenues and total budgeted expenditures increased \$135 thousand compared to the initial budget with minor shifts between Instructional Services expenditures, System-Wide Support Services expenditures, and non-programmed charges. The primary reason for these changes were to redistribute the use of County appropriations for current year activities of the Board.

**Capital Assets**

During the fiscal year ended June 30, 2022, capital assets, net of accumulated depreciation, increased by \$946 thousand for governmental activities and decreased by \$58 thousand for business-type activities, compared to the prior year. Total depreciation charges for the year ended June 30, 2022 was \$2.3 million for governmental activities. Total depreciation charges for the year ended June 30, 2022 was \$58 thousand for business-type activities. For more detailed information, please see Capital Assets in Note 3 in the accompanying notes to the financial statements.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 3,693,117	\$ 3,693,117	\$ -	\$ -	\$ 3,693,117	\$ 3,693,117
Buildings and improvements	34,634,676	33,354,567	-	-	34,634,676	33,354,567
Equipment and furniture	705,349	552,170	290,469	348,712	995,818	900,882
Vehicles	1,136,553	1,623,535	-	-	1,136,553	1,623,535
 Total	 <u>\$ 40,169,695</u>	 <u>\$ 39,223,389</u>	 <u>\$ 290,469</u>	 <u>\$ 348,712</u>	 <u>\$ 40,460,164</u>	 <u>\$ 39,572,101</u>

**Debt Outstanding**

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. During the year ended June 30, 2022, the Board’s outstanding debt decreased by \$372 thousand due to made payments on installment purchase obligations for school buses and the energy savings obligation in the current year. For more detailed information, please see Long-Term Obligations in Note 3 in the accompanying notes to the financial statements.

**Board of Education of Vance County Schools  
Management's Discussion and Analysis**

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***Economic Factors***

- The Board experienced a 3% decrease in student average daily membership as compared to the previous fiscal year. Some is attributable to charter school growth as noted above but also the COVID-19 pandemic due to parents enrolling their children in home schools. As noted above the charter schools in the county and surrounding counties continue to grow and as a result there is a shift in students. Due to our county being considered low-wealth related to its ability to fund school districts and infrastructure our funding remains relatively flat but with an increase of \$50,000 in operating funding. This is the first increase in funding since 2012. With the continual shift in those fixed resources to charter schools the Board continues to adjust staffing and expenditures so that they can remain steadfast in its commitment to provide 21st century education to all students and to prepare them for lifelong learning and productive citizenship.
- Local funding is a major source of income for the Board; therefore, Vance County's economic outlook directly affects that of the schools. Vance County's unemployment rate saw a very slight increase from the prior year June 2021 rate of 4.6% to the current rate for June 2022 of 5.90%. However, even with the increase attributable to the coronavirus pandemic it is still well above the state average of 3.4%. Annual taxable sales for the fiscal year totaled \$451.5 million compared to the prior year figure of \$450.3 million.
- General Fund contains the majority of revenue and expenditures for operations of Vance County government. All general ad valorem tax proceeds are directed into this Fund. The county budget for fiscal year 2021-2022 was based on an ad valorem tax rate of \$0.89 per \$100 of value. The estimated tax base value is \$2,890,099,446 with an estimated collection rate of 97.60%. The Board and Vance County Board of Commissioners collaboratively worked together in developing a plan to address the capital improvement and facility needs of the school system, and closed on a \$5,045,000 loan for those improvement needs.

***Impact of Coronavirus on Schools***

- During the fiscal year, the state and the nation were affected by the spread of a coronavirus (COVID-19) as well as supply chain issues in receiving materials. With the joint Board of Educations' and County Commissioner's investment in technology over the years we are able to ensure all our students have laptops to sustain instructional efforts not only remotely but for daily use in the classroom. Students can now seamlessly complete schoolwork and assignments in the school setting or at home should the district require a remote day. We implemented sanitization procedures and other safety protocols, following CDC (Center for Disease Control) and State guidelines during the pandemic and are continuing those same efforts going forward not only to reduce the spread of COVID-19 but other viruses as well. We were fortunate to receive Federal COVID relief funds (CRF and ESSR) to help mitigate those additional costs. This investment is critical as we bring students back to the schools in the fall and re-engage our students in robust learning experiences to mitigate any deficit instructionally and emotionally that has resulted due to the pandemic. We also recognize that students as well as staff face social and emotional needs in the coming school year. Our resources will all be dedicated towards these efforts.

***Requests for Information***

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

John Suther, Chief Finance Officer  
Board of Education of Vance County Schools  
1724 Graham Avenue  
Henderson, NC 27536

Board of Education of Vance County Schools  
Statement of Net Position (Deficit)  
June 30, 2022

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,079,526	\$ 1,579,126	\$ 9,658,652
Cash and cash equivalents - restricted	199,418	-	199,418
Due from other governments	21,178	124,621	145,799
Internal balances	32,293	(32,293)	-
Receivables	98,676	-	98,676
Net OPEB asset	23,230	1,341	24,571
Inventories	278,328	166,663	444,991
Right to use leased assets, net of amortization	503,438	-	503,438
Capital assets:			
Land	3,693,117	-	3,693,117
Other capital assets, net of depreciation	36,476,578	290,469	36,767,047
Total capital assets	40,169,695	290,469	40,460,164
Total assets	49,405,782	2,129,927	51,535,709
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	14,098,354	614,048	14,712,402
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,137,258	641	1,137,899
Unearned revenue	111,322	93,183	204,505
Long-term liabilities:			
Due within one year	2,100,396	56,612	2,157,008
Due in more than one year	57,997,636	2,620,961	60,618,597
Total liabilities	61,346,612	2,771,397	64,118,009
<b>DEFERRED INFLOWS OF RESOURCES</b>	36,706,305	1,525,276	38,231,581
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	35,826,816	290,469	36,117,285
Restricted for:			
Stabilization by state statute	152,147	-	152,147
School capital outlay	1,214,098	-	1,214,098
Individual schools	111,146	-	111,146
DIPNC OPEB Plan	23,230	1,341	24,571
Unrestricted	(71,876,218)	(1,844,508)	(73,720,726)
Total net deficit	\$ (34,548,781)	\$ (1,552,698)	\$ (36,101,479)

**Board of Education of Vance County Schools**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 20,233,061	\$ -	\$ 24,384,237	\$ -	\$ 4,151,176	\$ -	\$ 4,151,176
Special populations	5,129,086	-	6,476,559	-	1,347,473	-	1,347,473
Alternative programs	9,122,346	-	8,547,553	-	(574,793)	-	(574,793)
School leadership	3,548,685	-	4,582,619	-	1,033,934	-	1,033,934
Co-curricular	520,196	-	210,497	-	(309,699)	-	(309,699)
School based support	4,997,896	253,813	5,008,439	-	264,356	-	264,356
System-wide support services:							
Support and development	649,229	-	748,241	-	99,012	-	99,012
Special populations support and development	259,123	-	357,081	-	97,958	-	97,958
Alternative programs and services support and development	294,388	-	274,427	-	(19,961)	-	(19,961)
Technology support services	379,872	-	358,309	-	(21,563)	-	(21,563)
Operational support services	8,965,326	151,489	7,834,119	153,918	(825,800)	-	(825,800)
Financial and human resource	1,583,958	-	945,533	-	(638,425)	-	(638,425)
Accountability	176,474	-	94,078	-	(82,396)	-	(82,396)
Policy, leadership, and public relations	1,225,669	-	900,726	-	(324,943)	-	(324,943)
Ancillary services	316,026	-	297,363	-	(18,663)	-	(18,663)
Non-programmed charges	3,269,101	-	298,767	-	(2,970,334)	-	(2,970,334)
Interest on long-term debt	189,205	-	15,364	-	(173,841)	-	(173,841)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	1,800,430	-	-	-	(1,800,430)	-	(1,800,430)
<b>Total governmental activities</b>	<b>62,660,071</b>	<b>405,302</b>	<b>61,333,912</b>	<b>153,918</b>	<b>(766,939)</b>	<b>-</b>	<b>(766,939)</b>
Business-type activities:							
School food service	3,027,445	100,132	3,951,706	-	-	1,024,393	1,024,393
<b>Total primary government</b>	<b>\$ 65,687,516</b>	<b>\$ 505,434</b>	<b>\$ 65,285,618</b>	<b>\$ 153,918</b>	<b>(766,939)</b>	<b>1,024,393</b>	<b>257,454</b>
General revenues:							
Unrestricted county appropriations - operating					8,482,440	-	8,482,440
Unrestricted county appropriations - capital					2,896,258	-	2,896,258
Unrestricted State and Federal appropriations - operating					1,843,194	-	1,843,194
State OPEB contribution - non-capital					270,512	9,484	279,996
Investment earnings, unrestricted					100	-	100
Miscellaneous, unrestricted					283,711	-	283,711
<b>Total general revenues before transfers</b>					<b>13,776,215</b>	<b>9,484</b>	<b>13,785,699</b>
Transfers					(60,297)	60,297	-
<b>Total general revenues and transfers</b>					<b>13,715,918</b>	<b>69,781</b>	<b>13,785,699</b>
Change in net deficit					12,948,979	1,094,174	14,043,153
Net deficit, beginning					(47,497,760)	(2,646,872)	(50,144,632)
Net deficit, ending					<b>\$ (34,548,781)</b>	<b>\$ (1,552,698)</b>	<b>\$ (36,101,479)</b>

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

**Board of Education of Vance County Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

**Exhibit 3**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Other Restricted	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,608,697	\$ -	\$ -	\$ 1,128,372	\$ 111,146	\$ 4,231,311	\$ 8,079,526
Receivables	56,649	-	-	-	-	42,027	98,676
Due from other funds	32,293	-	-	-	-	-	32,293
Due from other governments	20,192	-	-	-	-	986	21,178
Inventories	177,621	-	-	-	-	100,707	278,328
Cash and cash equivalents - restricted	-	-	-	199,418	-	-	199,418
Total assets	<u>\$ 2,895,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,327,790</u>	<u>\$ 111,146</u>	<u>\$ 4,375,031</u>	<u>\$ 8,709,419</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued expenditures	\$ 223,674	\$ -	\$ -	\$ 2,370	\$ -	\$ 911,214	\$ 1,137,258
Unearned revenue	-	-	-	111,322	-	-	111,322
Total liabilities	<u>223,674</u>	<u>-</u>	<u>-</u>	<u>113,692</u>	<u>-</u>	<u>911,214</u>	<u>1,248,580</u>
Fund balances:							
Nonspendable:							
Inventories	177,621	-	-	-	-	100,707	278,328
Restricted:							
Stabilization by state statute	109,134	-	-	-	-	43,013	152,147
School capital outlay	-	-	-	1,214,098	-	-	1,214,098
Individual schools	-	-	-	-	111,146	-	111,146
Assigned:							
Other special programs	-	-	-	-	-	3,320,097	3,320,097
Unassigned	2,385,023	-	-	-	-	-	2,385,023
Total fund balances	<u>2,671,778</u>	<u>-</u>	<u>-</u>	<u>1,214,098</u>	<u>111,146</u>	<u>3,463,817</u>	<u>7,460,839</u>
Total liabilities and fund balances	<u>\$ 2,895,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,327,790</u>	<u>\$ 111,146</u>	<u>\$ 4,375,031</u>	

Amounts reported for governmental activities in the Statement of Net Position (Deficit) (Exhibit 1) are different because:

Net OPEB asset	23,230
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,169,695
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	503,438
Deferred outflows of resources related to pensions	8,212,025
Deferred outflows of resources related to OPEB	5,886,329
Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(7,635,229)
Lease liabilities	(484,370)
Claims payable	(178,469)
Net pension liability	(7,673,047)
Net OPEB liability	(44,126,917)
Deferred inflows of resources related to pensions	(11,679,717)
Deferred inflows of resources related to OPEB	(25,026,588)
Net deficit of governmental activities	<u>\$ (34,548,781)</u>



**Board of Education of Vance County Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 4**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Other Restricted	
<b>Revenues:</b>							
Intergovernmental:							
State of North Carolina	\$ -	\$ 45,516,330	\$ -	\$ 153,918	\$ -	\$ 1,348,795	\$ 47,019,043
Vance County:							
Local Current Appropriation	7,252,440	-	-	-	-	-	7,252,440
Other	-	-	-	2,896,258	-	1,230,000	4,126,258
U.S. Government	-	1,162,474	14,007,617	-	-	494,399	15,664,490
Other	271,082	-	-	12,649	253,813	1,097,827	1,635,371
<b>Total revenues</b>	<b>7,523,522</b>	<b>46,678,804</b>	<b>14,007,617</b>	<b>3,062,825</b>	<b>253,813</b>	<b>4,171,021</b>	<b>75,697,602</b>
<b>Expenditures:</b>							
Current:							
Instructional services:							
Regular instructional	129,558	22,655,067	1,597,150	-	-	885,952	25,267,727
Special populations	2,749	5,884,086	592,473	-	-	82,039	6,561,347
Alternative programs	7,044	1,953,873	6,593,680	-	-	1,340,897	9,895,494
School leadership	79,221	4,342,405	240,214	-	-	162,725	4,824,565
Co-curricular	54,994	205,441	5,056	-	258,772	790	525,053
School-based support	2,534	3,476,401	1,532,038	-	-	626,384	5,637,357
System-wide support services:							
Support and development	5,655	509,831	238,410	-	-	-	753,896
Special populations support and development	-	176,065	181,016	-	-	-	357,081
Alternative programs and services support and development	2,960	63,680	210,747	-	-	63,856	341,243
Technology support services	18,275	291,410	66,899	-	-	7,527	384,111
Operational support services	2,750,344	5,313,418	1,873,210	-	-	200,006	10,136,978
Financial and human resource	724,864	796,088	149,445	-	-	193,515	1,863,912
Accountability	119,482	91,925	2,153	-	-	-	213,560
Policy, leadership, and public relations	450,186	623,483	277,243	-	-	27,618	1,378,530
Ancillary services	384	87,950	149,116	-	-	89,171	326,621
Nonprogrammed charges	2,212,444	-	298,767	-	-	878,188	3,389,399
Debt service:							
Principal	218,558	132,020	-	243,210	-	-	593,788
Interest	173,841	15,364	-	-	-	-	189,205
Capital outlay:							
Real property and buildings	-	-	-	2,558,864	-	-	2,558,864
Furnishings and equipment	-	-	-	96,188	-	-	96,188
Buses and motor vehicles	-	-	-	56,856	-	-	56,856
<b>Total expenditures</b>	<b>6,953,093</b>	<b>46,618,507</b>	<b>14,007,617</b>	<b>2,955,118</b>	<b>258,772</b>	<b>4,558,668</b>	<b>75,351,775</b>
Revenues over (under) expenditures	570,429	60,297	-	107,707	(4,959)	(387,647)	345,827
Other financing sources (uses):							
Transfers from (to) other funds	-	(60,297)	-	-	-	-	(60,297)
Total other financing uses	-	(60,297)	-	-	-	-	(60,297)
Net change in fund balances	570,429	-	-	107,707	(4,959)	(387,647)	285,530
Fund balances:							
Beginning of year	2,045,258	-	-	1,106,391	116,105	3,867,955	7,135,709
Increase (decrease) in reserve for inventories	56,091	-	-	-	-	(16,491)	39,600
End of year	\$ 2,671,778	\$ -	\$ -	\$ 1,214,098	\$ 111,146	\$ 3,463,817	\$ 7,460,839

**Board of Education of Vance County Schools**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 285,530
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	39,600
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.	946,306
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	4,915,340
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,898,338
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Net OPEB benefit	5,713,410
State OPEB contribution	270,512
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.	593,788
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.	
Incurred claims	(178,469)
Amortization expense for right to use assets	(202,245)
Pension expense	(1,135,417)
Compensated absences	(197,714)
Change in net position (deficit) of governmental activities	<u>\$ 12,948,979</u>

**Board of Education of Vance County Schools**  
**General Fund and Annually Budgeted Major Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

	<b>General Fund</b>			<b>Variance with final budget positive (negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
<b>Intergovernmental:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Vance County	7,252,440	7,252,440	7,252,440	-
U.S. Government	-	-	-	-
Other	130,000	264,285	271,082	6,797
<b>Total revenues</b>	<b>7,382,440</b>	<b>7,516,725</b>	<b>7,523,522</b>	<b>6,797</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services	168,540	269,793	276,100	(6,307)
System-wide support services	4,890,119	4,450,395	4,071,766	378,629
Ancillary services	3,000	1,153	384	769
Nonprogrammed charges	2,320,781	2,399,620	2,212,444	187,176
<b>Debt Service:</b>				
Principal	-	221,923	218,558	3,365
Interest	-	173,841	173,841	-
<b>Total expenditures</b>	<b>7,382,440</b>	<b>7,516,725</b>	<b>6,953,093</b>	<b>563,632</b>
Revenues over (under) expenditures	-	-	570,429	570,429
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	-	-	-	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>570,429</b>	<b>\$ 570,429</b>
<b>Fund balances:</b>				
Beginning of year			2,045,258	
Increase in reserve for inventories			56,091	
End of year			<u>\$ 2,671,778</u>	

Board of Education of Vance County Schools  
 General Fund and Annually Budgeted Major Special Revenue Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2022

	Other Restricted			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 1,350,980	\$ 1,346,980	\$ 1,348,795	\$ 1,815
Vance County	1,230,000	1,230,000	1,230,000	-
U.S. Government	391,832	70,000	494,399	424,399
Other	282,636	1,027,164	1,097,827	70,663
Total revenues	<u>3,255,448</u>	<u>3,674,144</u>	<u>4,171,021</u>	<u>496,877</u>
Expenditures:				
Current:				
Instructional services	2,834,600	3,243,875	3,098,787	145,088
System-wide support services	680,848	673,123	492,522	180,601
Ancillary services	75,000	89,171	89,171	-
Nonprogrammed charges	-	-	878,188	(878,188)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>3,590,448</u>	<u>4,006,169</u>	<u>4,558,668</u>	<u>(552,499)</u>
Revenues over (under) expenditures	(335,000)	(332,025)	(387,647)	(55,622)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	<u>335,000</u>	<u>332,025</u>	<u>-</u>	<u>(332,025)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(387,647)	<u>\$ (387,647)</u>
Fund balances:				
Beginning of year			3,867,955	
Decrease in reserve for inventories			<u>(16,491)</u>	
End of year			<u>\$ 3,463,817</u>	

**Board of Education of Vance County Schools**  
**General Fund and Annually Budgeted Major Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

	<b>State Public School Fund</b>			<b>Variance with final budget positive (negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 39,296,580	\$ 47,504,780	\$ 45,516,330	\$ (1,988,450)
Vance County	-	-	-	-
U.S. Government	-	-	1,162,474	1,162,474
Other	-	-	-	-
Total revenues	<u>39,296,580</u>	<u>47,504,780</u>	<u>46,678,804</u>	<u>(825,976)</u>
Expenditures:				
Current:				
Instructional services	33,218,845	39,318,699	38,517,273	801,426
System-wide support services	5,862,735	7,890,450	7,865,900	24,550
Ancillary services	215,000	87,950	87,950	-
Nonprogrammed charges	-	-	-	-
Debt Service:				
Principal	-	132,020	132,020	-
Interest	-	15,364	15,364	-
Total expenditures	<u>39,296,580</u>	<u>47,444,483</u>	<u>46,618,507</u>	<u>825,976</u>
Revenues over (under) expenditures	-	60,297	60,297	-
Other financing sources (uses):				
Operating transfers in (out)	-	(60,297)	(60,297)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase in reserve for inventories			<u>-</u>	
End of year			<u>\$ -</u>	

Board of Education of Vance County Schools  
 General Fund and Annually Budgeted Major Special Revenue Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2022

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Vance County	-	-	-	-
U.S. Government	39,581,731	49,793,544	14,007,617	(35,785,927)
Other	-	-	-	-
Total revenues	<u>39,581,731</u>	<u>49,793,544</u>	<u>14,007,617</u>	<u>(35,785,927)</u>
Expenditures:				
Current:				
Instructional services	25,088,222	32,704,713	10,560,611	22,144,102
System-wide support services	13,549,165	13,104,762	2,999,123	10,105,639
Ancillary services	236,821	36,822	149,116	(112,294)
Nonprogrammed charges	707,523	3,947,247	298,767	3,648,480
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>39,581,731</u>	<u>49,793,544</u>	<u>14,007,617</u>	<u>35,785,927</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase in reserve for inventories			-	
End of year			<u>\$ -</u>	

Board of Education of Vance County Schools  
Statement of Net Position (Deficit)  
Proprietary Fund  
June 30, 2022

Exhibit 7

	<u>Enterprise Major Fund School Food Service</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,579,126
Due from other governments	124,621
OPEB asset	1,341
Inventories	166,663
Total current assets	<u>1,871,751</u>
Noncurrent assets:	
Capital assets:	
Furniture, equipment and vehicles, net	<u>290,469</u>
Total assets	<u>2,162,220</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>614,048</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	641
Due to other funds	32,293
Unearned revenue	93,183
Compensated absences	56,612
Total current liabilities	<u>182,729</u>
Noncurrent liabilities:	
Net pension liability	418,019
Net OPEB liability	2,163,193
Compensated absences	39,749
Total noncurrent liabilities	<u>2,620,961</u>
Total liabilities	<u>2,803,690</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,525,276</u>
<b>NET POSITION (DEFICIT)</b>	
Investment in capital assets	290,469
Restricted:	
DIPNC OPEB plan	1,341
Unrestricted	<u>(1,844,508)</u>
Total net deficit	<u>\$ (1,552,698)</u>

Board of Education of Vance County Schools  
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2022

Exhibit 8

	<u>Enterprise</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating revenues:	
Food sales	\$ 100,132
Operating expenses:	
Food cost:	
Purchase of food	1,331,661
Donated commodities	306,654
Salaries and benefits	1,239,662
Contracted services	9,912
Materials and supplies	38,361
Repairs and maintenance	30,032
Depreciation	58,243
Other	12,920
Total operating expenses	<u>3,027,445</u>
Operating loss	<u>(2,927,313)</u>
Nonoperating revenues:	
Federal reimbursements	3,645,052
Federal commodities	306,654
State OPEB contribution	9,484
Total nonoperating revenues	<u>3,961,190</u>
Income before transfers	1,033,877
Transfers from other funds	<u>60,297</u>
Change in net deficit	1,094,174
Total net deficit, beginning	<u>(2,646,872)</u>
Total net deficit, ending	<u>\$ (1,552,698)</u>



**Board of Education of Vance County Schools**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 9**

	<u>Enterprise</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 188,184
Cash paid for goods and services	(1,429,755)
Cash paid to employees for services	(1,604,212)
Net cash used by operating activities	<u>(2,845,783)</u>
Cash flows from noncapital financing activities:	
Federal and state grants and reimbursements	<u>3,598,352</u>
Net increase in cash and cash equivalents	752,569
Cash and cash equivalents, beginning of year	<u>826,557</u>
Cash and cash equivalents, end of year	<u>\$ 1,579,126</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,927,313)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	58,243
Federal commodities consumed	306,654
Salaries and goods paid by State Public School Fund	60,297
State OPEB contribution	9,484
Changes in assets and liabilities:	
Increase in inventories	(25,696)
Decrease in net OPEB asset	1,922
Increase in deferred outflows of resources	(56,327)
Decrease in accounts payable and accrued expenses	(247)
Increase in unearned revenues	88,052
Decrease in net pension liability	(507,061)
Increase in net OPEB liability	26,917
Decrease in compensated absences payable	(4,589)
Increase in deferred inflows of resources	<u>123,881</u>
Total adjustments	<u>81,530</u>
Net cash used by operating activities	<u>\$ (2,845,783)</u>

**NONCASH OPERATING, CAPITAL AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$306,654 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

During the fiscal year, the State Health Plan transferred assets to the Retiree Health Benefit Fund as a result of cost savings to the State Health Plan. In accordance with GASB 75, the School Food Service Fund recorded \$9,484 as a nonoperating revenue on Exhibit 8 as a result of this transfer.

The State Public School Fund paid salaries and benefits of \$41,224 to administrative personnel and paid for food costs of \$19,073 of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 8.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The 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 Vance County, North Carolina ("County"). The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board does not have any component units for which it is financially accountable, and as such, there are no component units included in the accompanying financial statements.

#### B. Basis of Presentation

**Government-wide Statements:** The Statement of Net Position (Deficit) 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 on revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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**Notes to Financial Statements**  
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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.

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

*Federal Grants Fund.* The Federal Grants Fund is used to account for federal grant monies administered through the Department of Public Instruction.

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

*Other Restricted Fund.* The Other Restricted Fund is used to account for activities designated for specific purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local sources and the U.S. Government.

The Board reports the following major enterprise fund:

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

**C. 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 sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

**Board of Education of Vance County Schools  
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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.

**D. Budgetary Data**

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, 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 purpose level for all annually budgeted funds. The Board has authorized the superintendent to transfer appropriations within a fund between sub-functions and objects of expenditure within a function without limitations and without a report to the Board. Amounts may be transferred between purposes of the same fund or between funds with a report on such transfers being required at the next meeting of the Board. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) 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. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .15 years. Both the NCCMT Government and Term Portfolios are 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 fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices— included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of .9 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.

**Board of Education of Vance County Schools  
Notes to Financial Statements  
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(2) Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Certain assets of the Capital Outlay Fund are classified as restricted assets because their use is restricted by the energy savings installment purchase obligation.

(3) Inventories

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

(4) Capital Assets

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

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Vance 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 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	30 to 50
Building improvements	10 to 25
Equipment and furniture	3 to 10
Vehicles	6

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.

**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
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(5) Right to Use Assets

The Board has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board Statement No. 87, Leases ("GASB 87"). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

(6) Deferred Outflows and Inflows of Resources

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

(7) 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.

(8) Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

(9) Net Position (Deficit)

Net position (deficit) 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. For purposes of net position classification, expenses are to be spent from restricted net position first, followed by unrestricted net position (deficit).

(10) Fund Balance

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:

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

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.

*Restricted Fund Balance* - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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

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

*Assigned Fund Balance* - portion of fund balance that the Board intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Other special programs – portion of fund balance that includes carry over funding for the applicable state and federal programs accounted for in the Other Restricted Fund activities as well as a portion of the fund balance that will be used by Other Restricted Fund activities, as determined by the governing body.

*Unassigned fund balance* – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance. While governmental funds other than the General Fund do not report positive unassigned fund balance, they do report deficits, if any, in that category.

The Board has a revenue spending policy 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, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board.

**F. Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position (Deficit).

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position (deficit) – governmental activities* as reported in the government-wide Statement of Net Position (Deficit). The net adjustment of \$(42,009,620) 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)	\$ 103,529,132

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Less: accumulated depreciation	<u>(63,359,437)</u>
Net capital assets	40,169,695
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds	705,683
Less: accumulated amortization	<u>(202,245)</u>
Net right to use assets	503,438
Net OPEB asset	23,230
Pension related deferred outflows of resources	8,212,025
OPEB related deferred outflows of resources	5,886,329
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:	
Lease liabilities	(484,370)
Claims payable	(178,469)
Installment financing	(4,342,879)
Compensated absences	(3,292,350)
Net pension liability	(7,673,047)
Net OPEB liability	(44,126,917)
Deferred inflows of resources related to pensions	(11,679,717)
Deferred inflows of resources related to OPEB	<u>(25,026,588)</u>
Total adjustment	<u>\$ (42,009,620)</u>

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 (deficit) of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$12,663,449 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 3,232,195
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the Statement of Activities but not in the fund statements.	(2,285,889)
Principal payments on leases and installment financing are recorded as a use of funds on the fund statements but affect only the statement of Net Position (Deficit) in the government-wide statements	593,788
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	4,915,340
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	1,898,338



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Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Net OPEB benefit	5,713,410
State OPEB contribution	270,512

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:

Incurring claims	(178,469)
Pension expense	(1,135,417)
Amortization expense for right to use assets	(202,245)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(197,714)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>39,600</u>
Total adjustment	<u>\$ 12,663,449</u>

**G. Defined Benefit Pension Plans and OPEB Plans**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

**2. Stewardship, Compliance, and Accountability**

(1) Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2022, the Board reported expenditures within the Federal Grants Fund that violated state law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance. At the legal level of budgetary control, the Federal Grants Fund exceeded the amounts appropriated in the budget ordinance by \$112,294. This violation occurred because the Board was not appropriately monitoring expenditures against the budget. See additional detail on Schedule 9 and 10.

Subsequent to June 30, 2022, the Board became subject to a certain incurred claim for which the Board has become liable. In accordance with the Modified Accrual Basis of Accounting, the Board has recorded an expense of \$878,188 in the Other Restricted Fund as it is expected that this portion of the incurred claim will be liquidated with current expendable available resources. As the claim was not known at June 30, 2022, the Board believes it is in compliance with state law [G.S. 115C-441] with respect to the Other Restricted Fund.

**3. Detail Notes on all Funds**

**A. Assets**

(1) Deposits

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

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$9,791,586 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$10,974,088 and \$596,065, respectively. Of these balances, \$500,000 was covered by federal depository insurance and \$11,070,153 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. At June 30, 2022, the Board's petty cash totaled \$174.

(2) Investments

At June 30, 2022, the Board had \$66,310 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is classified as a Level 2 fair value investment.

*Interest Rate Risk.* The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of .9 years as of June 30, 2022.

*Credit Risk.* The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

*Concentration of Credit Risk.* The Board places no limit on the amount the Board may invest in any one issuer.

**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
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(3) Receivables

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

	<u>Due from (to) other funds</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 32,293	\$ 20,192	\$ 56,649	\$ 109,134
Other governmental activities	<u>-</u>	<u>986</u>	<u>42,027</u>	<u>43,013</u>
Total governmental activities	<u>\$ 32,293</u>	<u>\$ 21,178</u>	<u>\$ 98,676</u>	<u>\$ 152,147</u>
Business-type activities:				
School Food Service Fund	<u>\$ (32,293)</u>	<u>\$ 124,621</u>	<u>\$ -</u>	<u>\$ 156,914</u>

Internal balances consist of administrative costs due to the General Fund from the State Public School Fund, School Food Service Fund, and the Other Local Current Expense Fund.

Due from other governments consists of the following:

Governmental activities:			
General Fund		\$ 20,192	Local government fines and forfeitures
Other Restricted Fund		<u>986</u>	Due from local government
		<u>\$ 21,178</u>	
Business-type activities:			
School Food Service Fund		<u>\$ 124,621</u>	Federal funds

**Board of Education of Vance County Schools**  
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(4) Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,693,117	\$ -	\$ -	\$ -	\$ 3,693,117
Capital assets being depreciated:					
Buildings and improvements	84,148,328	2,927,950	-	-	87,076,278
Equipment and furniture	2,201,959	267,972	-	-	2,469,931
Vehicles	10,253,533	36,273	-	-	10,289,806
Total capital assets being depreciated	<u>96,603,820</u>	<u>3,232,195</u>	<u>-</u>	<u>-</u>	<u>99,836,015</u>
Less accumulated depreciation					
Buildings and improvements	50,793,761	1,647,841	-	-	52,441,602
Equipment and furniture	1,649,789	114,793	-	-	1,764,582
Vehicles	8,629,998	523,255	-	-	9,153,253
Total accumulated depreciation	<u>61,073,548</u>	<u>2,285,889</u>	<u>-</u>	<u>-</u>	<u>63,359,437</u>
Total capital assets being depreciated, net	<u>35,530,272</u>				<u>36,476,578</u>
Governmental activity capital assets, net	<u>\$ 39,223,389</u>				<u>\$ 40,169,695</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Equipment and furniture	\$ 1,723,272	\$ -	\$ -	\$ -	\$ 1,723,272
Less accumulated depreciation					
Equipment and furniture	<u>1,374,560</u>	58,243	-	-	<u>1,432,803</u>
Business-type activities capital assets, net	<u>\$ 348,712</u>				<u>\$ 290,469</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,800,430
Operational support services	<u>485,459</u>
Total	<u>\$ 2,285,889</u>

**Board of Education of Vance County Schools**  
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(5) Right to Use Leased Assets

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

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

	<u>Beginning Balances, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Right to use assets:				
Leased equipment	\$ 705,683	\$ -	\$ -	\$ 705,683
Less accumulated amortization:				
Leased equipment	<u>-</u>	202,245	-	<u>202,245</u>
Right to use assets, net	<u>\$ 705,683</u>			<u>\$ 503,438</u>

**B. Liabilities**

(1) Pension Plan and Other Postemployment Obligations

(a) **Teachers' and State Employees' Retirement System**

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

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's

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Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate was 14.78 percent of covered payroll from July 1, 2021 to December 31, 2021 and 17.97 percent of covered payroll from January 1, 2022 to June 30, 2022. These actuarially determined contribution rates were determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned during the year. Contributions to the pension plan from the Board were \$5,087,670 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$8,091,066 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2022 and 2021, the Board's proportion was 0.1728% and 0.1909%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$1,173,430. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 454,809	\$ 183,757
Changes of assumptions	3,035,046	-
Net difference between projected and actual earnings on pension plan investments	-	10,024,932
Changes in proportions and differences between Board contributions and proportionate share of contributions	-	1,879,985
Board contributions subsequent to the measurement date	<u>5,087,670</u>	<u>-</u>
Total	<u>\$ 8,577,525</u>	<u>\$ 12,088,674</u>

The Board reported \$5,087,670 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (1,831,832)
2024	(1,864,382)
2025	(1,827,999)
2026	<u>(3,074,606)</u>
	<u>\$ (8,598,819)</u>

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

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

The plan currently uses mortality tables (RP-2014 Total Data Set Mortality Table) 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 assumptions used for the December 31, 2020 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021, Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

<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%
Totals	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. 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 Liability to Changes in the Discount Rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Board's proportionate share of the net pension liability	\$ 27,140,485	\$ 8,091,066	\$ (7,743,776)

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



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**(b) Other Postemployment Healthcare Benefits**

1. Healthcare Benefits

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

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

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

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

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

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

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.

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*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. The Board’s contractually required contribution rate was 6.68 percent of covered payroll from July 1, 2021 to December 31, 2022 and 5.90 percent of covered payroll from January 1, 2022 to June 30, 2022. Board contributions to the plan were \$1,937,085 for the year ended June 30, 2022. During the year ended June 30, 2022, the North Carolina State Health Plan (“SHP”) contributed \$187 million to the Retiree Health Benefit Fund. In accordance with GASB 75, the Board recognized revenue of \$279,996 as a result of this non-employer contribution.

***OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB***

At June 30, 2022, the Board reported a liability of \$46,290,110 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2022 and 2021, the Board’s proportion was 0.1497% and 0.1640%, respectively.

The Board reported \$1,937,085 as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2023	\$ 9,739,398
2024	6,070,954
2025	3,410,462
2026	2,481,615
2027	<u>372,136</u>
	<u>\$ 22,074,565</u>

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

Inflation	2.5%
Salary increases based on service	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%
Healthcare cost trend rates:	
Medical	5.0% to 6.0%
Prescription drug	5.0% to 9.5%

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Administrative costs	3.0%
Post-Retirement Mortality Rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.16% at June 30, 2022 compared to 2.21% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

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

	<b>1% Decrease (1.16%)</b>	<b>Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Board's proportionate share of the net OPEB liability	\$ 55,061,13	\$46,290,110	\$39,186,341

*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 Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point.

	<b>1% Decrease Medical - 5.5%, Pharmacy - 6.25%, Administrative - 2.0%</b>	<b>Healthcare Trend Rates Medical - 6.5%, Pharmacy - 7.25%, Administrative - 3.0%</b>	<b>1% Increase Medical - 7.5%, Pharmacy - 8.25%, Administrative - 4.0%</b>
Board's proportionate share of the net OPEB liability	\$37,487,182	\$46,290,110	\$57,968,003

*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.

**2. 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

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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.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$27,809 for the year ended June 30, 2022.

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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.

**OPEB Assets, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB**

At June 30, 2022, the Board reported an asset of \$24,571 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and 2021, the Board's proportion was 0.1504% and 0.1653%, respectively.

The Board reported \$27,809 as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2023	\$	23,583
2024		18,466
2025		21,726
2026		12,232
2027		7,903
Thereafter		<u>17,731</u>
	<u>\$</u>	<u>101,641</u>

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

Inflation	2.5%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	3.00%, net of OPEB plan expense, including inflation

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB 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>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Board's proportionate share of the net OPEB asset	\$ 15,514	\$ 24,571	\$ 32,950

*Common actuarial assumptions for both OPEB plans.* The net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 using the following actuarial assumptions, applied to all periods in the

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

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

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

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

<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%
Totals	<u>100.0%</u>	

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

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

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	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB (benefit) expense	\$ (5,975,274)	\$ 61,553	\$ (5,913,721)
OPEB liability (asset)	\$ 46,290,110	\$ (24,571)	\$ 46,265,539
State OPEB contribution	\$ (279,996)	\$ -	\$ (279,996)
Proportionate share of the net OPEB liability (asset)	0.164%	0.165%	
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 273,290	\$ 62,650	\$ 335,940
Changes of assumptions	3,786,132	4,314	3,790,446
Net difference between projected and actual earnings on pension plan investments	-	2,398	2,398
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	41,199	41,199
Employer contributions subsequent to the measurement date	<u>1,937,085</u>	<u>27,809</u>	<u>1,964,894</u>
Total	<u>\$ 5,996,507</u>	<u>\$ 138,370</u>	<u>\$ 6,134,877</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 861,674	\$ -	\$ 861,674
Changes of assumptions	11,249,501	8,920	11,258,421
Net difference between projected and actual earnings on pension plan investments	23,679	-	23,679
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,999,133	-	13,999,133
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,133,987</u>	<u>\$ 8,920</u>	<u>\$ 26,142,907</u>

(2) Payables

Payables as of June 30, 2022 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Totals</u>
Governmental activities:			
General	\$ 223,674	\$ -	\$ 223,674
Other governmental	<u>911,584</u>	<u>-</u>	<u>911,584</u>
Total governmental activities	<u>\$ 1,137,258</u>	<u>\$ -</u>	<u>\$ 1,137,258</u>
Business-type activities:			
School Food Service	<u>\$ 641</u>	<u>\$ -</u>	<u>\$ 641</u>

**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

(3) Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience (Pension & OPEB)	\$ 790,749	\$ 1,045,431
Changes of assumptions (Pension & OPEB)	6,825,492	11,258,421
Difference between projected and actual earnings on plan investments (Pension & OPEB)	2,398	10,048,611
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	41,199	15,879,118
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>7,052,564</u>	<u>-</u>
Totals	<u>\$ 14,712,402</u>	<u>\$ 38,231,581</u>

(4) Unearned Revenue

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

Unearned grant revenue (Other Restricted Fund)	<u>\$ 111,322</u>
School Food Service Fund:	
Prepayments of meals	\$ 5,028
Unearned grant revenue	<u>88,155</u>
	<u>\$ 93,183</u>

(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1,000,000 per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund to the extent that employees are paid from state funds. 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. Workers' compensation coverage provides employers' liability insurance of \$1 million per claim for bodily injury incurred in the course of employment.

The Board also participates in the Public-School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents



**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board owned property in flood zones.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

(6) Contingent Liabilities

At June 30, 2022, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorneys, the ultimate effect of any outstanding legal matters will not have a material adverse effect on the Board's financial position.

(7) Long-Term Obligations

**(a) Leases**

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

The agreements were executed before July 1, 2021, ranged in terms from 38 to 60 months, and require quarterly or annual payments in accordance with the respective contract. There are no variable payment components of the leases. The lease liability was measured using a discount rate of 3.85%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Governmental Activities			
Year Ending			
June 30,	Principal	Interest	Total
2023	\$ 219,972	\$ 16,705	\$ 236,677
2024	228,517	8,159	236,676
2025	35,881	345	36,226
	<u>\$ 484,370</u>	<u>\$ 25,209</u>	<u>\$ 509,579</u>

**(b) Installment Purchases**

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. During the fiscal years ended June 30, 2021 and June 30, 2019, the Board entered into installment purchase contracts to finance the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contracts require principal-only payments, due at the beginning of each contract year.

The Board is authorized by state law [G.S.115C-47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In July 2016, the Board entered into such a contract to reduce the energy costs throughout the school system. The financing contract requires payments for twenty years beginning in the fiscal year 2018 with an interest rate equal to 3.85%.

The future minimum payments due under these installment purchase contracts as of June 30, 2022 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 274,307	\$ 165,426
2024	238,273	156,640
2025	248,740	147,466
2026	259,637	137,890
2027	256,874	127,894
2028-2032	1,422,271	485,269
2033-2037	963,225	119,856
2038	<u>679,552</u>	<u>252,101</u>
	<u>\$ 4,342,879</u>	<u>\$ 1,592,542</u>

**(c) Claims Payable**

Subsequent to June 30, 2022, the Board became subject to a certain incurred claim for which the Board has become liable. Of the total claim amount, \$178,469 has been recorded as a long-term obligation with an expectation to be paid out in the fiscal year 2024.

**Board of Education of Vance County Schools**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

(8) 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, 2022:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 3,094,636	\$ 2,258,190	\$ 2,060,476	\$ 3,292,350	\$ 1,606,117
Net pension liability	22,135,828	-	14,462,781	7,673,047	-
Net OPEB liability	43,359,183	767,734	-	44,126,917	-
Claims payable	-	178,469	-	178,469	-
Lease liabilities	705,683	-	221,313	484,370	219,972
Direct placement installment purchases	4,715,354	-	372,475	4,342,879	274,307
<b>Total</b>	<u>\$ 74,010,684</u>	<u>\$ 3,204,393</u>	<u>\$ 17,117,045</u>	<u>\$ 60,098,032</u>	<u>\$ 2,100,396</u>
Business-type activities:					
Compensated absences	\$ 100,950	\$ 77,479	\$ 82,068	\$ 96,361	\$ 56,612
Net pension liability	925,080	-	507,061	418,019	-
Net OPEB liability	2,136,276	26,917	-	2,163,193	-
<b>Total</b>	<u>\$ 3,162,306</u>	<u>\$ 104,396</u>	<u>\$ 589,129</u>	<u>\$ 2,677,573</u>	<u>\$ 56,612</u>

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

(8) Interfund Activity

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

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative personnel costs and certain food costs	\$ 60,297

**C. Fund Balance**

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

Restrictions for the stabilization by state statute is required by the North Carolina General Statutes. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". The formula is "appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.

**Board of Education of Vance County Schools  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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

Total fund balance – General Fund	\$ 2,671,778
Less:	
Inventories	177,621
Stabilization by State Statute	<u>109,134</u>
Remaining Fund Balance	<u>\$ 2,385,023</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Capital Outlay Fund</i>
	\$0	\$0

**4. Summary Disclosure of Significant Contingencies**

***Federal and State Assisted Programs***

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

**5. Change in Accounting Principle**

Effective July 1, 2021, the Board implemented the accounting and financial reporting requirements of GASB 87. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. At July 1, 2021, the Board recognized right to use assets of \$705,683 and lease liabilities of \$705,683. There was no effect to net position as a result of the adoption of this statement.

## ***Required Supplementary Information***

This section contains additional information required by generally accepted accounting principles.

- Schedule of the Proportionate Share of the Net Pension Liability - Teachers' and State Employees' Retirement System
- Schedule of Board Contributions - Teachers' and State Employees' Retirement System
- Schedule of the Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund
- Schedule of Board Contributions – Retiree Health Benefit Fund
- Schedule of the Proportionate Share of the Net OPEB Asset – Disability Income Plan of North Carolina
- Schedule of Board Contributions – Disability Income Plan of North Carolina

**Board of Education of Vance County Schools  
Schedules of Required Supplementary Information  
Schedule of the Board's Proportionate Share of the Net Pension Liability  
Teachers' and State Employees' Retirement System  
Last Nine Fiscal Years\***

**Schedule 1**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	0.1728%	0.1909%	0.2062%	0.2194%	0.2349%	0.2462%	0.2503%	0.2546%	0.2624%
Board's proportionate share of the net pension liability	\$ 8,091,066	\$ 23,060,908	\$ 21,377,702	\$ 21,847,642	\$ 18,634,828	\$ 22,632,000	\$ 9,223,314	\$ 2,985,453	\$ 15,930,354
Board's covered payroll	\$ 29,010,799	\$ 31,649,963	\$ 33,180,576	\$ 33,995,143	\$ 35,412,850	\$ 36,165,083	\$ 35,782,703	\$ 37,233,490	\$ 38,842,629
Board's proportionate share of the net pension liability as a percentage of its covered payroll	27.89%	72.86%	64.43%	64.27%	52.62%	62.58%	25.78%	8.02%	41.01%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	92.01%	91.89%	89.51%	87.32%	94.64%	98.24%	90.60%	90.60%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
Ten years of data not available.

**Board of Education of Vance County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Teachers' and State Employees' Retirement System  
Last Nine Fiscal Years\***

**Schedule 2**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,087,670	\$ 4,261,828	\$ 4,071,639	\$ 4,075,221	\$ 3,671,257	\$ 3,539,132	\$ 3,320,031	\$ 3,274,117	\$ 3,235,591
Contributions in relation to the contractually required contribution	<u>5,087,670</u>	<u>4,261,828</u>	<u>4,071,639</u>	<u>4,075,221</u>	<u>3,671,257</u>	<u>3,539,132</u>	<u>3,320,031</u>	<u>3,274,117</u>	<u>3,235,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$31,375,731	\$29,010,799	\$31,649,963	\$33,180,576	\$33,995,143	\$35,412,850	\$36,165,083	\$35,782,703	\$37,233,499
Contributions as a percentage of covered payroll	16.22%	14.69%	12.86%	12.28%	10.80%	9.99%	9.18%	9.15%	8.69%

\* Ten years of data not available.

**Board of Education of Vance County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Fund**  
**Last Six Fiscal Years\***

**Schedule 3**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.1497%	0.1640%	0.1749%	0.1943%	0.2096%	0.2134%
Board's proportionate share of the net OPEB liability	\$ 46,290,110	\$ 45,495,459	\$ 55,327,794	\$ 55,355,517	\$ 68,727,085	\$ 92,849,888
Board's covered payroll	\$ 29,010,799	\$ 31,649,963	\$ 33,180,576	\$ 33,995,143	\$ 35,412,850	\$ 36,165,083
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	159.56%	143.75%	166.75%	162.83%	194.07%	256.74%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	4.40%	3.52%	3.52%	2.41%	2.41%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
Ten years of data not available.



**Board of Education of Vance County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Retiree Health Benefit Fund  
Last Six Fiscal Years\***

**Schedule 4**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,937,085	\$ 1,926,185	\$ 2,031,110	\$ 2,079,400	\$ 2,060,400	\$ 2,059,060
Contributions in relation to the contractually required contribution	<u>1,937,085</u>	<u>1,926,185</u>	<u>2,031,110</u>	<u>2,079,400</u>	<u>2,060,400</u>	<u>2,059,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 31,375,731	\$ 29,010,799	\$ 31,649,963	\$ 33,180,576	\$ 33,995,143	\$ 35,412,850
Contributions as a percentage of covered payroll	6.17%	6.64%	6.42%	6.27%	6.06%	5.81%

\* Ten years of data not available.

**Board of Education of Vance County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Asset**  
**Disability Income Plan of North Carolina**  
**Last Six Fiscal Years\***

**Schedule 5**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.1504%	0.1653%	0.1804%	0.1926%	0.2057%	0.2183%
Board's proportionate share of the net OPEB asset	\$ 24,571	\$ 81,313	\$ 77,821	\$ 58,504	\$ 125,742	\$ 135,539
Board's covered payroll	\$ 29,010,799	\$ 31,649,963	\$ 33,180,576	\$ 33,995,143	\$ 35,412,850	\$ 36,165,083
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.08%	0.26%	0.23%	0.17%	0.36%	0.37%
Plan fiduciary net position as a percentage of the net OPEB asset	105.18%	116.47%	116.37%	116.23%	116.06%	117.06%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Ten years of data not available.

Board of Education of Vance County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Disability Income Plan of North Carolina  
Last Six Fiscal Years\*

Schedule 6

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 27,809	\$ 25,952	\$ 43,950	\$ 46,422	\$ 47,679	\$ 134,585
Contributions in relation to the contractually required contribution	<u>27,809</u>	<u>25,952</u>	<u>43,950</u>	<u>46,422</u>	<u>47,679</u>	<u>134,585</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 31,375,731	\$ 29,010,799	\$ 31,649,963	\$ 33,180,576	\$ 33,995,143	\$ 35,412,850
Contributions as a percentage of covered payroll	0.09%	0.09%	0.14%	0.14%	0.14%	0.38%

\* Ten years of data not available.



**Individual Fund Statements and  
Schedules**

**Board of Education of Vance County Schools**  
**Capital Outlay Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

**Schedule 7**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 265,240	\$ 153,918	\$ (111,322)
Vance County:			
General county revenues	5,051,663	2,896,258	(2,155,405)
Other:			
Interest earned on investment	-	20	20
Miscellaneous	12,629	12,629	-
Total other	12,629	12,649	20
Total revenues	<u>5,329,532</u>	<u>3,062,825</u>	<u>(2,266,707)</u>
Expenditures:			
Capital outlay:			
Real property and buildings	4,603,377	2,558,864	2,044,513
Furniture and equipment	358,258	96,188	262,070
Buses and motor vehicles	142,876	56,856	86,020
Total capital outlay	<u>5,104,511</u>	<u>2,711,908</u>	<u>2,392,603</u>
Debt service:			
Principal	236,210	243,210	(7,000)
Total debt service	<u>236,210</u>	<u>243,210</u>	<u>(7,000)</u>
Total expenditures	<u>5,340,721</u>	<u>2,955,118</u>	<u>2,385,603</u>
Revenues over (under) expenditures	(11,189)	107,707	118,896
Fund balance appropriated	<u>11,189</u>	<u>-</u>	<u>(11,189)</u>
Net change in fund balance	<u>\$ -</u>	<u>107,707</u>	<u>\$ 107,707</u>
Fund balance:			
Beginning of year		<u>1,106,391</u>	
End of year		<u>\$ 1,214,098</u>	

Board of Education of Vance County Schools  
School Food Service Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2022

Schedule 8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Food sales	\$ 73,564	\$ 100,132	\$ 26,568
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		1,357,357	
Donated commodities		306,654	
Salaries and benefits		1,654,919	
Purchase of services		9,912	
Materials and supplies		38,361	
Repairs and maintenance		30,032	
Other		12,920	
Total business support services	<u>4,151,072</u>	<u>3,410,155</u>	<u>740,917</u>
Operating loss	<u>(4,077,508)</u>	<u>(3,310,023)</u>	<u>767,485</u>
Nonoperating revenues:			
Federal reimbursements		3,645,052	
Federal commodities		306,654	
Total nonoperating revenues	<u>4,017,508</u>	<u>3,951,706</u>	<u>(65,802)</u>
Excess of revenues over (under) expenditures before other financing sources	(60,000)	641,683	701,683
Other financing sources:			
Transfers from other funds	<u>60,000</u>	<u>60,297</u>	<u>(297)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 701,980</u>	<u>\$ 701,386</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(58,243)	
State OPEB contribution		9,484	
Increase in inventories		25,696	
Decrease in net OPEB asset		(1,922)	
Increase in deferred outflows of resources		56,327	
Decrease in net pension liability		507,061	
Increase in net OPEB liability		(26,917)	
Decrease in compensated absences payable		4,589	
Increase in deferred inflows of resources		<u>(123,881)</u>	
Change in net deficit (full accrual)		<u>\$ 1,094,174</u>	



## **Statistical Section**

## **STATISTICAL SECTION (UNAUDITED)**

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This section of the Board's Annual Comprehensive Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

### **CONTENTS**

#### Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial position has changed over time.

#### Revenue Capacity

As the Board's revenues are derived primarily from property taxes assessed by Vance County, these schedules contain information to help the reader assess the underlying financial sources of revenues.

#### Debt Capacity

As the Board's school construction funding is derived from and is principally held by Vance County, these schedules present information to help the reader assess the affordability of Vance County's current levels of outstanding debt and their ability to issue additional debt.

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the Board's financial activities are conducted.

#### Operating Information

These schedules contain staffing, key operating statistics, and capital asset data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.

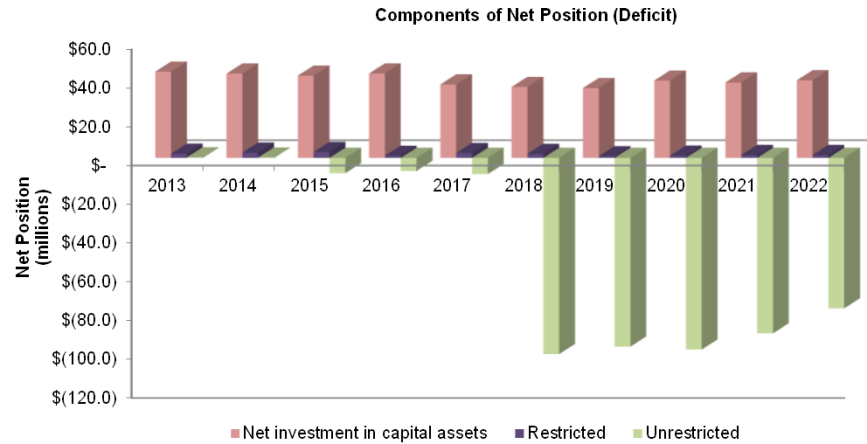


**Board of Education of Vance County Schools**  
**Government-Wide - Net Position (Deficit) by Component**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 44,329,106	\$ 43,364,422	\$ 42,302,515	\$ 43,469,554	\$ 37,813,364	\$ 36,549,684	\$ 35,979,670	\$ 39,776,920	\$ 38,640,289	\$ 39,797,220
Restricted	2,174,069	2,754,797	3,043,278	1,105,811	2,563,058	2,093,229	883,324	1,154,144	1,484,834	1,500,621
Unrestricted	(710,670)	(754,292)	(8,543,856)	(7,196,161)	(8,944,962)	(98,120,980)	(94,368,349)	(96,252,781)	(87,622,883)	(75,846,622)
Total net position (deficit)	45,792,505	45,364,927	36,801,937	37,379,204	31,431,460	(59,478,067)	(57,505,355)	(55,321,717)	(47,497,760)	(34,548,781)
<b>Business-Type Activities</b>										
Net investment in capital assets	242,018	204,627	193,449	158,386	153,049	133,096	100,345	178,316	348,712	290,469
Restricted	-	-	-	-	-	5,255	2,461	3,200	3,263	1,341
Unrestricted	1,015,955	969,874	651,776	512,152	595,310	(3,213,484)	(3,094,224)	(2,738,197)	(2,998,847)	(1,844,508)
Total net position (deficit)	1,257,973	1,174,501	845,225	670,538	748,359	(3,075,133)	(2,991,418)	(2,556,681)	(2,646,872)	(1,552,698)
<b>Total Primary Government</b>										
Net investment in capital assets	44,571,124	43,569,049	42,495,964	43,627,940	37,966,413	36,682,780	36,080,015	39,955,236	38,989,001	40,087,689
Restricted	2,174,069	2,754,797	3,043,278	1,105,811	2,563,058	2,098,484	885,785	1,157,344	1,488,097	1,501,962
Unrestricted	305,285	215,582	(7,892,080)	(6,684,009)	(8,349,652)	(101,334,464)	(97,462,573)	(98,990,978)	(90,621,730)	(77,691,130)
Total net position (deficit)	\$ 47,050,478	\$ 46,539,428	\$ 37,647,162	\$ 38,049,742	\$ 32,179,819	\$ (62,553,200)	\$ (60,496,773)	\$ (57,878,398)	\$ (50,144,632)	\$ (36,101,479)

Certain reclassifications were made to the governmental activities net position in periods prior to June 30, 2011 based on the guidance issued under GASB No. 54.

The Board implemented GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, as of and for the year ended June 30, 2018. This implementation caused the significant change in net position from 2017 to 2018.



**Board of Education of Vance County Schools**  
**Government-Wide - Expenses, Program Revenues, and Net (Expense) Revenue**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental activities:										
Instructional programs	\$ 49,365,717	\$ 47,911,178	\$ 45,175,529	\$ 45,776,026	\$ 49,919,515	\$ 48,842,016	\$ 44,299,874	\$ 43,923,410	\$ 40,729,912	\$ 43,551,270
System-wide support services	12,866,067	12,757,354	11,995,154	12,781,912	17,709,188	14,137,528	12,846,912	11,444,176	12,196,396	13,534,039
Ancillary Services	81,053	57,536	65,230	278,131	172,813	110,806	84,374	646,487	232,316	316,026
Non-programmed charges	689,811	792,854	908,913	1,096,227	1,323,294	1,662,302	1,855,572	2,094,821	2,155,016	3,269,101
Interest on long-term debt	31,434	19,236	6,482	-	-	216,882	216,985	194,628	182,069	189,205
Unallocated depreciation expense	2,713	-	-	1,470,075	1,476,621	1,501,632	1,525,391	1,832,148	1,911,237	1,800,430
Total governmental activities expenses	<u>63,036,795</u>	<u>61,538,158</u>	<u>58,151,308</u>	<u>61,402,371</u>	<u>70,601,431</u>	<u>66,471,166</u>	<u>60,829,108</u>	<u>60,135,670</u>	<u>57,406,946</u>	<u>62,660,071</u>
Business-type activities:										
School food service	4,834,688	4,838,440	4,916,746	4,619,219	4,597,797	4,495,950	4,134,398	3,777,804	2,336,999	3,027,445
Child care	123,223	5,550	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>4,957,911</u>	<u>4,843,990</u>	<u>4,916,746</u>	<u>4,619,219</u>	<u>4,597,797</u>	<u>4,495,950</u>	<u>4,134,398</u>	<u>3,777,804</u>	<u>2,336,999</u>	<u>3,027,445</u>
Total school district expenses	<u>67,994,706</u>	<u>66,382,148</u>	<u>63,068,054</u>	<u>66,021,590</u>	<u>75,199,228</u>	<u>70,967,116</u>	<u>64,963,506</u>	<u>63,913,474</u>	<u>59,743,945</u>	<u>65,687,516</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
School-based support	-	-	9,328	630,322	576,891	418,846	526,676	365,577	77,372	253,813
Operational support services	13,802	30,447	1,690	54,256	81,263	49,013	37,068	38,094	169,136	151,489
Operating grants and contributions	54,092,713	52,850,826	53,498,806	46,622,640	46,334,918	46,552,745	47,004,942	46,874,711	51,854,099	61,333,912
Capital grants and contributions	9,778	15,749	598,536	773,899	1,112,288	492,466	502,441	379,884	369,403	153,918
Total governmental activities program revenue	<u>54,116,293</u>	<u>52,897,022</u>	<u>54,108,360</u>	<u>48,081,117</u>	<u>48,105,360</u>	<u>47,513,070</u>	<u>48,071,127</u>	<u>47,658,266</u>	<u>52,470,010</u>	<u>61,893,132</u>
Business-type activities:										
Charges for services	794,766	630,082	367,673	339,103	330,566	253,855	255,958	179,181	13,188	100,132
Operating grants and contributions	4,125,792	4,057,570	4,659,342	4,195,643	4,338,495	4,188,487	3,962,155	4,033,360	2,159,296	3,951,706
Total business-type activities program revenue	<u>4,920,558</u>	<u>4,687,652</u>	<u>5,027,015</u>	<u>4,534,746</u>	<u>4,669,061</u>	<u>4,442,342</u>	<u>4,218,113</u>	<u>4,212,541</u>	<u>2,172,484</u>	<u>4,051,838</u>
Total school district program revenues	<u>59,036,851</u>	<u>57,584,674</u>	<u>59,135,375</u>	<u>52,615,863</u>	<u>52,774,421</u>	<u>51,955,412</u>	<u>52,289,240</u>	<u>51,870,807</u>	<u>54,642,494</u>	<u>65,944,970</u>
<b>Net (expense) revenue</b>										
Governmental activities										
Governmental activities	(8,920,502)	(8,641,136)	(4,042,948)	(13,321,254)	(22,496,071)	(18,958,096)	(12,757,981)	(12,477,404)	(4,936,936)	(766,939)
Business-type activities	(37,353)	(156,338)	110,269	(84,473)	71,264	(53,608)	83,715	434,737	(164,515)	1,024,393
Total school district net (expense) revenue	<u>\$ (8,957,855)</u>	<u>\$ (8,797,474)</u>	<u>\$ (3,932,679)</u>	<u>\$ (13,405,727)</u>	<u>\$ (22,424,807)</u>	<u>\$ (19,011,704)</u>	<u>\$ (12,674,266)</u>	<u>\$ (12,042,667)</u>	<u>\$ (5,101,451)</u>	<u>\$ 257,454</u>

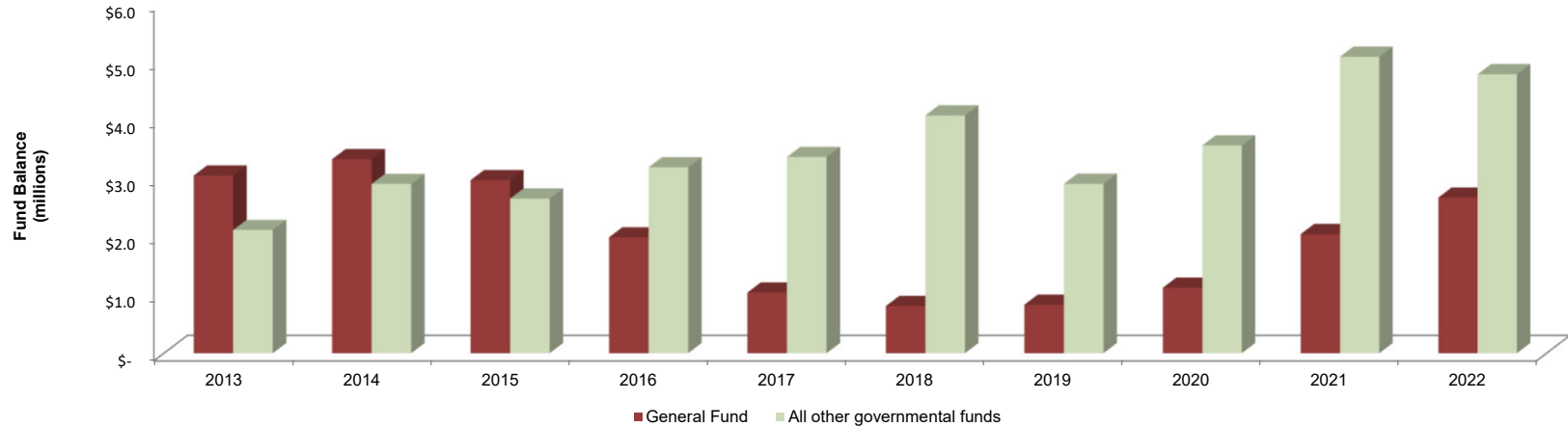
**Board of Education of Vance County Schools**  
**Government-Wide - General Revenues and Total Change in Net Position (Deficit)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense) revenue										
Governmental activities	\$ (8,920,502)	\$ (8,641,136)	\$ (4,042,948)	\$ (13,321,254)	\$ (22,496,071)	\$ (18,958,096)	\$ (12,757,981)	\$ (12,477,404)	\$ (4,936,936)	\$ (766,939)
Business-type activities	(37,353)	(156,338)	110,269	(84,473)	71,264	(53,608)	83,715	434,737	(164,515)	1,024,393
Total school district net (expense) revenue	<u>(8,957,855)</u>	<u>(8,797,474)</u>	<u>(3,932,679)</u>	<u>(13,405,727)</u>	<u>(22,424,807)</u>	<u>(19,011,704)</u>	<u>(12,674,266)</u>	<u>(12,042,667)</u>	<u>(5,101,451)</u>	<u>257,454</u>
General revenues and other changes in net position										
Governmental activities:										
Unrestricted county appropriations - operating	7,202,441	7,202,440	7,202,440	8,232,440	8,232,447	8,432,442	8,432,440	8,432,440	8,432,436	8,482,440
Unrestricted county appropriations - capital	330,857	652,724	425,000	425,000	964,993	1,464,998	1,337,000	807,000	1,886,621	2,896,258
Unrestricted county appropriations - contributed capital	-	-	-	762,731	849,442	-	-	-	-	-
Unrestricted State and Federal appropriations - operating	-	-	-	4,193,349	5,212,360	4,508,097	4,646,388	4,945,457	1,445,015	1,843,194
Unrestricted State and Federal appropriations - capital	571,457	178,503	-	403,702	653,630	-	-	-	-	-
State OPEB contribution - non-capital	-	-	-	-	-	-	-	-	765,110	270,512
Investment earnings, unrestricted	5,739	3,672	902	1,130	1,648	2,088	21	758	197	100
Miscellaneous, unrestricted	225,667	249,091	233,381	205,185	624,920	378,415	314,844	475,387	291,612	283,711
Restricted State appropriations - capital	-	-	-	-	-	-	-	-	-	-
Transfers	(73,053)	(72,872)	(72,025)	-	8,887	-	-	-	(60,098)	(60,297)
Total governmental activities	<u>8,263,108</u>	<u>8,213,558</u>	<u>7,789,698</u>	<u>14,223,537</u>	<u>16,548,327</u>	<u>14,786,040</u>	<u>14,730,693</u>	<u>14,661,042</u>	<u>12,760,893</u>	<u>13,715,918</u>
Business-type activities:										
Unrestricted Federal appropriations - operating	-	-	-	-	15,215	-	-	-	-	-
Unrestricted Federal appropriations - capital	-	-	-	-	-	13,348	-	-	-	-
State OPEB contribution - non-capital	-	-	-	-	-	-	-	-	14,226	9,484
Miscellaneous, unrestricted	-	-	-	-	229	-	-	-	-	-
Transfers	73,053	72,872	72,025	-	(8,887)	-	-	-	60,098	60,297
Total business-type activities	<u>73,053</u>	<u>72,872</u>	<u>72,025</u>	<u>-</u>	<u>6,557</u>	<u>13,348</u>	<u>-</u>	<u>-</u>	<u>74,324</u>	<u>69,781</u>
Change in net position (deficit)										
Governmental activities	(657,394)	(427,578)	3,746,750	902,283	(5,947,744)	(4,172,056)	1,972,712	2,183,638	7,823,957	12,948,979
Business-type activities	35,700	(83,466)	182,294	(84,473)	77,821	(40,260)	83,715	434,737	(90,191)	1,094,174
Total school district change in net position (deficit)	<u>\$ (621,694)</u>	<u>\$ (511,044)</u>	<u>\$ 3,929,044</u>	<u>\$ 817,810</u>	<u>\$ (5,869,923)</u>	<u>\$ (4,212,316)</u>	<u>\$ 2,056,427</u>	<u>\$ 2,618,375</u>	<u>\$ 7,733,766</u>	<u>\$ 14,043,153</u>

**Board of Education of Vance County Schools**  
**Governmental Funds - Fund Balances**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Fund</b>										
Nonspendable										
Inventories	\$ 207,087	\$ 200,499	\$ 154,064	\$ 175,503	\$ 167,445	\$ 117,209	\$ 108,959	\$ 112,682	\$ 121,530	\$ 177,621
Prepays	-	-	-	-	-	295,715	-	428,695	-	-
Restricted										
Stabilization by state statute	58,830	67,911	56,486	19,236	34,607	15,824	27,747	29,405	183,178	109,134
Assigned										
Subsequent year's expenditures	680,498	680,498	-	-	-	-	-	-	-	-
Unassigned	2,103,736	2,382,362	2,760,761	1,794,702	840,611	381,920	695,749	552,886	1,740,550	2,385,023
<b>Total general fund</b>	<b>\$ 3,050,151</b>	<b>\$ 3,331,270</b>	<b>\$ 2,971,311</b>	<b>\$ 1,989,441</b>	<b>\$ 1,042,663</b>	<b>\$ 810,668</b>	<b>\$ 832,455</b>	<b>\$ 1,123,668</b>	<b>\$ 2,045,258</b>	<b>\$ 2,671,778</b>
<b>All other governmental funds</b>										
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,198	\$ 100,707
Restricted										
Stabilization by state statute	-	-	-	116,150	67,688	379,967	88,378	42,023	1,110	43,013
Restricted Grants fund	581,038	699,990	866,506	-	-	-	-	-	-	-
School capital outlay	406,781	568,071	683,408	791,906	2,281,893	1,418,623	548,509	828,620	1,106,391	1,214,098
Individual schools	229,523	207,549	212,061	178,519	178,870	158,328	162,647	179,475	116,105	111,146
Assigned										
Other special programs	-	219,387	892,599	2,105,237	840,611	2,126,169	2,108,867	2,517,751	3,749,647	3,320,097
Subsequent year's expenditures	897,897	1,211,276	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 2,115,239</b>	<b>\$ 2,906,273</b>	<b>\$ 2,654,574</b>	<b>\$ 3,191,812</b>	<b>\$ 3,369,062</b>	<b>\$ 4,083,087</b>	<b>\$ 2,908,401</b>	<b>\$ 3,567,869</b>	<b>\$ 5,090,451</b>	<b>\$ 4,789,061</b>

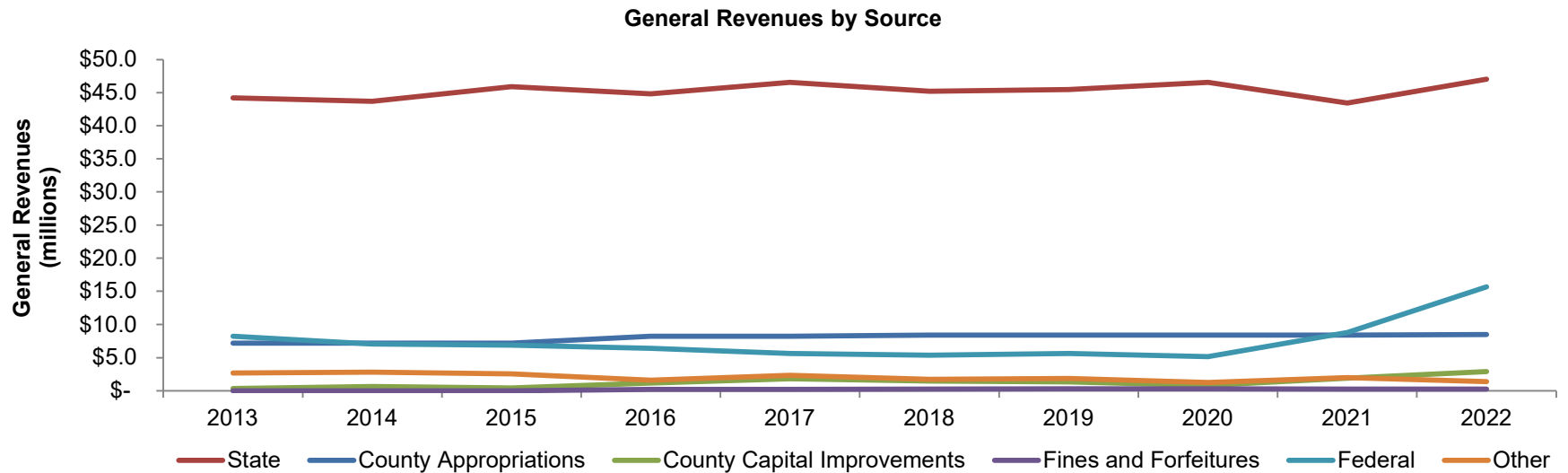
**Governmental Fund Balances**



**Board of Education of Vance County Schools  
Governmental Funds - Revenues by Sources  
Last Ten Fiscal Years**

Fiscal Year	State	County Appropriations	County Capital Improvements	Fines and Forfeitures	Federal	Other	Total
2013	\$ 44,212,438	\$ 7,202,440	\$ 330,857	*	\$ 8,258,617	\$ 2,670,917	\$ 62,675,269
2014	43,689,734	7,202,440	652,724	*	7,086,006	2,805,725	61,436,629
2015	45,898,926	7,202,440	425,000	*	6,885,960	2,574,702	62,987,028
2016	44,807,347	8,232,440	1,187,731	205,185	6,412,344	1,602,335	62,447,382
2017	46,566,943	8,232,447	1,814,435	234,050	5,633,965	2,343,266	64,825,106
2018	45,217,406	8,432,442	1,464,998	268,744	5,364,115	1,746,449	62,494,154
2019	45,456,425	8,432,440	1,337,000	286,189	5,629,077	1,877,457	63,018,588
2020	46,532,139	8,432,440	807,000	283,528	5,150,565	1,253,239	62,458,911
2021	43,451,896	8,432,436	1,886,621	237,658	8,800,903	1,979,874	64,789,388
2022	47,019,043	8,482,440	2,896,258	262,717	15,664,490	1,372,654	75,697,602

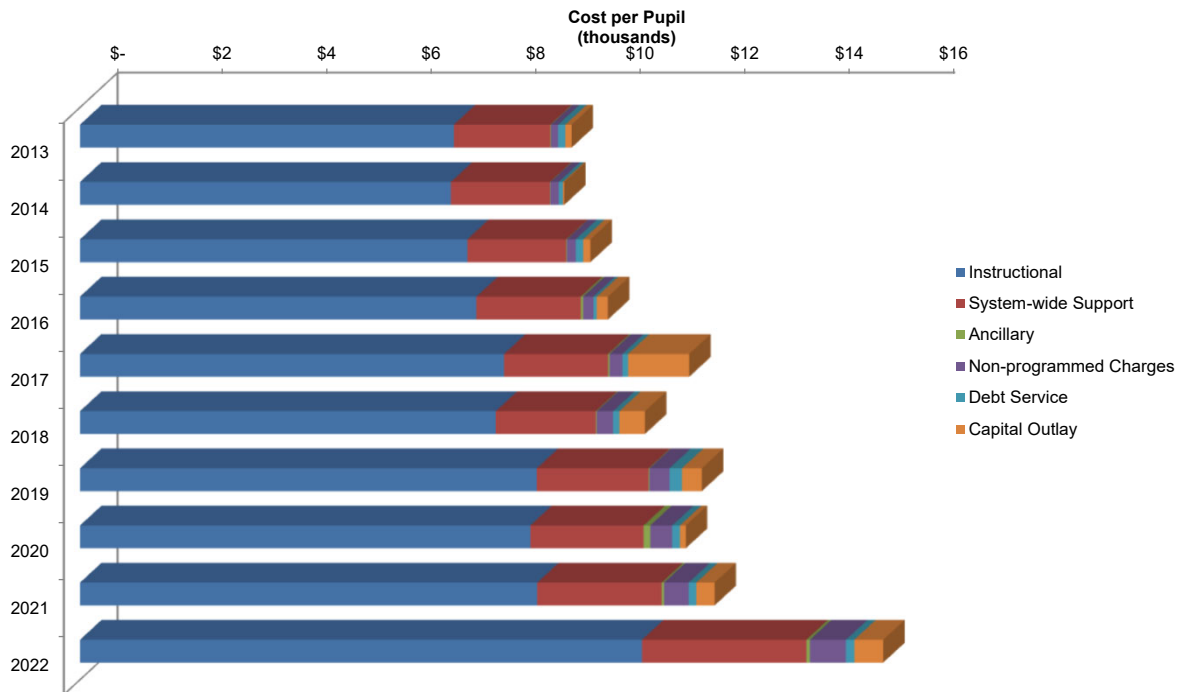
\* Information not available



**Board of Education of Vance County Schools**  
**Governmental Funds - Expenditures by Function Per Pupil and in Total**  
**Last Ten Fiscal Years**

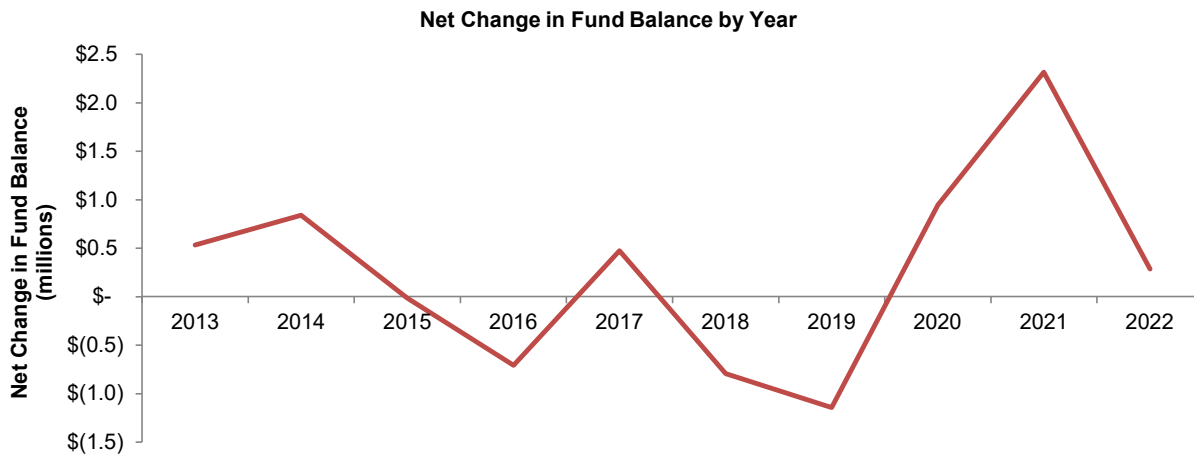
Fiscal Year	Average Daily Membership	Instructional Services	System-wide Support Services	Ancillary Services	Non-programmed Charges	Debt Service		Capital Outlay	Total
						Principal	Interest		
2013	6,680	7,148 47,745,728	1,844 12,318,767	12 81,008	137 914,270	132 880,024	5 31,433	122 813,877	9,399 62,785,107
2014	6,538	7,091 46,358,715	1,893 12,378,086	9 57,355	160 1,046,506	75 492,885	3 19,236	26 170,990	9,257 60,523,773
2015	6,449	7,406 47,761,940	1,891 12,193,503	10 62,615	170 1,097,812	143 921,270	1 6,927	137 886,283	9,758 62,930,350
2016	6,296	7,579 47,719,482	1,995 12,558,559	45 282,906	197 1,238,955	64 403,702	- -	213 1,343,777	10,093 63,547,381
2017	6,077	8,109 49,279,919	1,987 12,072,509	28 171,651	246 1,495,725	108 653,630	- -	1,169 7,103,936	11,647 70,777,370
2018	5,922	7,950 47,077,415	1,912 11,321,816	18 106,869	314 1,857,346	83 492,466	37 216,882	488 2,891,753	10,801 63,964,547
2019	5,433	8,732 47,440,264	2,140 11,628,217	16 84,374	381 2,072,340	200 1,085,187	40 216,985	380 2,067,175	11,889 64,594,542
2020	5,311	8,610 45,727,766	2,167 11,506,409	126 667,547	421 2,234,424	110 584,506	37 194,628	112 596,673	11,582 61,511,953
2021	5,159	8,742 45,100,486	2,380 12,277,131	46 235,907	469 2,418,513	113 583,100	35 182,069	349 1,798,320	12,133 62,595,526
2022	4,906	10,744 52,711,543	3,145 15,429,311	67 326,621	691 3,389,399	121 593,788	39 189,205	553 2,711,908	15,359 75,351,775

**Cost per Pupil by Function**



**Board of Education of Vance County Schools**  
**Governmental Funds - Other Financing Sources (Uses) and Net Change in Fund Balances**  
**Last Ten Fiscal Years**

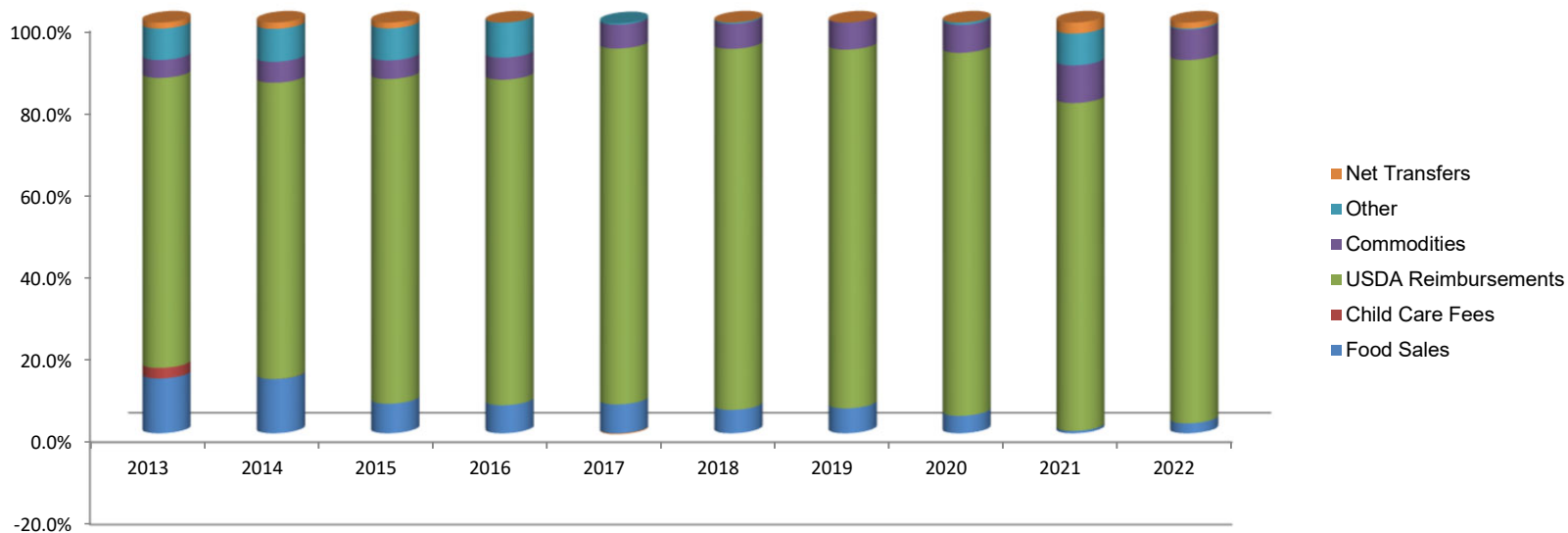
Fiscal Year	Excess of Revenues over (under) Expenditures	Transfers In	Transfers Out	Installment Purchases and Leases	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Debt Service As a Percentage of Noncapital Expenditures
2013	\$ (109,838)	\$ 125,000	\$ (198,053)	\$ 715,654	\$ 642,601	\$ 532,763	1.47%
2014	912,856	125,000	(197,872)	475	(72,397)	840,459	0.85%
2015	56,678	128,515	(200,540)	1,729	(70,296)	(13,618)	1.50%
2016	(1,099,999)	125,000	(125,000)	391,400	391,400	(708,599)	0.65%
2017	(5,952,264)	8,887	-	6,417,292	6,426,179	473,915	1.03%
2018	(1,470,393)	-	-	677,584	677,584	(792,809)	1.16%
2019	(1,575,954)	-	-	431,305	431,305	(1,144,649)	2.08%
2020	946,958	-	-	-	-	946,958	1.28%
2021	2,193,862	117,198	(177,296)	184,362	124,264	2,318,126	1.26%
2022	345,827	-	(60,297)	-	(60,297)	285,530	1.08%



**Board of Education of Vance County Schools**  
**Proprietary Funds - Revenues by Source and Net Transfers**  
**Last Ten Fiscal Years**

Fiscal Year	Food Sales	Child Care Fees	USDA Reimbursements	Donated Commodities	Other	Net Transfers	Total
2013	\$ 667,366	\$ 127,400	\$ 3,526,213	\$ 217,617	\$ 381,962	\$ 73,053	\$ 4,993,611
2014	629,341	741	3,432,974	242,957	381,639	72,872	4,760,524
2015	367,673	-	4,030,705	230,872	397,765	72,025	5,099,040
2016	339,103	-	3,929,676	265,967	423,576	-	4,958,322
2017	330,566	-	4,066,191	272,304	15,444	(8,887)	4,675,618
2018	253,855	-	3,916,580	271,907	13,348	-	4,455,690
2019	255,958	-	3,684,064	278,091	-	-	4,218,113
2020	179,181	-	3,722,983	287,006	23,371	-	4,212,541
2021	13,188	-	1,793,373	206,196	173,953	60,098	2,246,808
2022	100,132	-	3,645,052	306,654	9,484	60,297	4,121,619

**Proprietary Fund Revenues as a Percentage of Total**

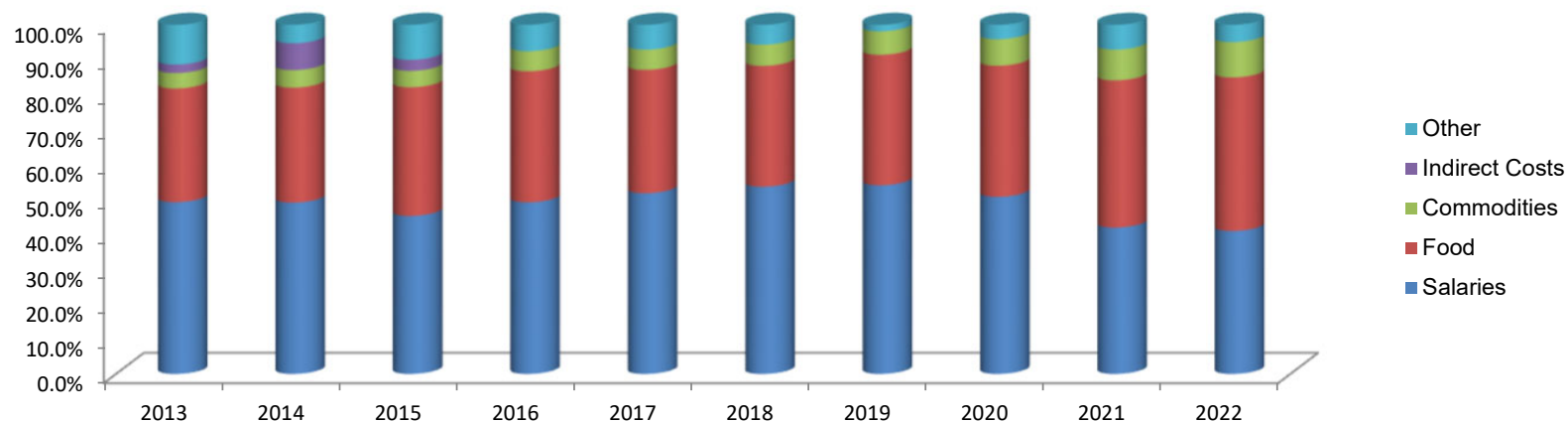




**Board of Education of Vance County Schools**  
**Proprietary Funds - Expenses by Category**  
**Last Ten Fiscal Years**

Fiscal Year	Salaries and Benefits	Food	Donated Commodities	Indirect Costs	Other	Total
2013	\$ 2,439,313	\$ 1,615,487	\$ 217,617	\$ 121,443	\$ 564,051	\$ 4,957,911
2014	2,376,926	1,595,878	242,957	372,648	255,581	4,843,990
2015	2,225,702	1,812,182	230,872	155,619	492,371	4,916,746
2016	2,270,214	1,734,129	265,967	-	348,909	4,619,219
2017	2,380,165	1,624,313	265,967	-	327,352	4,597,797
2018	2,411,194	1,556,616	272,304	-	255,836	4,495,950
2019	2,234,707	1,545,155	278,091	-	76,445	4,134,398
2020	1,916,577	1,418,716	287,006	-	155,505	3,777,804
2021	979,736	985,281	206,196	-	165,786	2,336,999
2022	1,239,662	1,331,661	306,654	-	149,468	3,027,445

**Proprietary Expenses as a Percentage of Total**



**Board of Education of Vance County Schools**  
**Debt by Type**  
**Last Ten Fiscal Years**

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Fiscal Year	Governmental Activities		Business-type	Total Primary Government	Total Per Student
	Installment Purchases	Lease Liabilities	Installment Purchases		
2013	\$ 357,004	-	-	\$ 357,004	\$ 53
2014	178,502	-	-	178,502	27
2015	416,002	-	-	416,002	65
2016	403,700	-	-	403,700	64
2017	6,167,363	-	-	6,167,363	1,015
2018	6,352,480	-	-	6,352,480	1,073
2019	5,698,598	-	-	5,698,598	1,049
2020	5,114,092	-	-	5,114,092	963
2021	4,715,354	-	-	4,715,354	914
2022	4,342,879	484,370	-	4,827,249	984

**Board of Education of Vance County Schools**  
**Assessed Value and Actual Value of Taxable Property for Vance County**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Public Service (1)</u>	<u>Personal Property</u>	<u>Other (2)</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (3)</u>	<u>Estimated Actual Taxable Value (4)</u>	<u>Assessed Value as a Percentage of Actual Value (5)</u>
2013	\$ 2,201,282	\$ 77,739	\$ 543,520	\$ -	\$ 2,822,541	0.782	\$ 3,920,227	72%
2014	2,206,168	77,789	660,846	947	2,945,750	0.782	4,091,352	72%
2015	2,207,130	76,918	563,094	11,476	2,858,618	0.792	3,510,669	81%
2016	2,205,456	86,880	586,370	19,161	2,897,867	0.792	3,477,440	83%
2017	1,923,946	87,563	704,901	-	2,716,410	0.890	2,787,308	97%
2018	1,949,154	88,126	736,703	-	2,773,983	0.890	2,714,897	102%
2019	1,965,569	90,148	795,552	-	2,851,269	0.890	2,758,888	103%
2020	1,970,037	99,845	836,354	-	2,906,236	0.890	2,812,074	103%
2021	1,982,037	93,345	888,575	-	2,963,957	0.890	2,812,074	103%
2022	2,008,574	96,422	801,878	-	2,906,874	0.890	2,637,923	100%

- Notes:
- (1) Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.
  - (2) Includes Personal Property taxes at the prior year's tax rate due to grandfathering provisions.
  - (3) Per \$100 of value. A revaluation of real property is required by North Carolina General Statutes at least every eight years. Assessed valuations are established by the County's Board of Commissioners at 100% of market value as of the year of the revaluation. The last revaluation was effective January 1, 2016 and reflected in the 2017 fiscal year.
  - (4) Estimated actual taxable value reflects a decrease in real and exempt property. Estimated Actual Taxable Value was computed by using Real Estate Assessment Sales Ratio Study Percentages from the North Carolina Department of Revenue. Includes interest, penalties, discoveries, releases and abatements.
  - (5) Estimated actual values and the ratio of total assessed value to total estimated actual value have been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools**  
**Direct and Overlapping Property Tax Rates for Vance County**  
**Last Ten Fiscal Years**

	Year Taxes are Payable									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Direct Rates</u>										
County General	\$ 0.782	\$ 0.782	\$ 0.792	\$ 0.792	\$ 0.890	\$ 0.890	\$ 0.890	\$ 0.890	\$ 0.890	\$ 0.890
<u>Municipality Rates</u>										
City of Henderson	0.585	0.620	0.620	0.620	0.712	0.712	0.712	0.712	0.712	0.712
Town of Kittrell	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Town of Middleburg	0.250	0.250	0.250	0.450	0.450	0.450	0.450	0.450	0.450	0.450
Fire District - Countywide	0.040	0.040	0.040	0.040	0.044	0.044	0.064	0.064	0.640	0.640

Notes: Not all overlapping rates apply to all Vance County property owners (e.g. the rates for special districts apply only to the proportion of the governments' property owners whose property is located within the geographic boundaries of the special district).

Revaluation year was tax year 2016.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above and County Tax Office data.

**Board of Education of Vance County Schools  
Principal Property Tax Payers for Vance County  
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2022			Fiscal Year 2013		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
IAMS Company	\$ 68,085,131	1	*	\$ 66,574,610	2	*
Duke Energy Progress Inc	63,234,994	2	*	45,386,023	3	*
DLP Maria Parham Medical	58,564,838	3	*	87,291,505	1	*
Ardagh Glass	48,179,026	4	*			
Wal-Mart Stores East LP	26,817,904	5	*			
DLP Maria Parham Medical Center	22,996,196	6	*			
Variety Wholesalers	19,645,733	7	*	18,953,395	6	*
Carolina Sunrock LLC	18,185,901	8	*			
W&W Properties and Rentals LLC	16,991,586	9	*	16,775,284	7	*
Wall-Mart Real Estate Bus Trust	12,694,707	10	*	13,966,061	9	*
Saint Gobain Containers, Inc.				31,996,577	4	*
Wal Mart Stores				25,743,438	5	*
Carolina Telephone				14,956,310	8	*
Pacific Coast Feather				10,708,261	10	*
	<u>\$ 355,396,016</u>		<u>0.00%</u>	<u>\$ 332,351,464</u>		<u>*</u>

\* Information not available

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools**  
**Property Tax Levies and Collections for Vance County**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

Fiscal Year	Taxes Levied for the Fiscal Year (net)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2013	\$ 22,133	\$ 20,859	94%	*	*	*
2014	23,078	22,073	96%	*	*	*
2015	22,677	21,886	97%	*	*	*
2016	22,998	22,167	96%	*	*	*
2017	24,176	23,579	98%	*	*	*
2018	24,688	24,187	98%	*	*	*
2019	25,349	24,755	98%	*	*	*
2020	25,865	24,650	95%	*	*	*
2021	26,533	25,896	98%	*	*	*
2022	25,912	25,313	98%	*	*	*

\* Information not available

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools**  
**Ratios of Outstanding Debt by Type for Vance County**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands, except per capita)**

Fiscal Year	Governmental Activities			Business-Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	Leases	Installment Purchase	General Obligation Bonds	Notes Payable	Total Primary Government		
2013	\$ 2,795	\$ 2,020	\$ 20,221	\$ -	\$ 3,841	\$ 28,877	*	\$ 649
2014	2,205	1,884	18,593	-	11,760	34,442	*	773
2015	1,750	1,428	17,982	11,760	1,662	34,582	*	778
2016	1,305	1,543	18,061	11,760	1,575	34,244	*	769
2017	865	1,263	17,856	11,585	1,575	33,144	*	747
2018	430	996	16,132	11,408	1,531	30,497	*	682
2019	-	849	14,985	11,438	-	27,272	*	611
2020	-	496	13,740	11,469	-	25,705	*	*
2021	-	256	19,514	11,052	-	30,822	*	*
2022	*	*	*	*	*	*	*	*

\* Information not available

Note: See the "Demographic and Economic Statistics for Vance County" schedule for personal income and population data.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools**  
**Ratios of Net General Bonded Debt Outstanding for Vance County**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands, except per capita)**

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<u>Fiscal Year</u>	<u>General Obligation Bonds (in thousands)</u>	<u>Percentage of Actual Taxable Property Value (1)</u>	<u>Per Capita (2)</u>
2013	\$ 2,795	0.07%	\$ 63
2014	2,205	0.05%	50
2015	13,510	0.38%	304
2016	13,065	0.38%	293
2017	12,450	0.45%	280
2018	11,838	0.44%	265
2019	11,438	0.41%	256
2020	11,469	0.41%	270
2021	11,052	0.39%	262
2022	*	*	*

\* Information not available

- Note:
- (1) See the schedule of "Assessed Value and Estimated Actual Value of Taxable Property for Vance County" for property value data.
  - (2) Population data can be found in the schedule of "Demographic and Economic Statistics for Vance County".

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.



**Board of Education of Vance County Schools**  
**Direct and Overlapping Governmental Activities Debt for Vance County**  
**As of June 30, 2022**

<u>Type</u>	<u>Governmental Unit (1)</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated share of Overlapping Debt</u>
<u>Direct Debt</u>				
	Vance County Board of Education			
	Installment purchases	\$ 4,715,354	100%	\$ 4,342,879
	Lease liabilities			484,370
				<u>4,827,249</u>
<u>Overlapping Debt</u>				
	Vance County			
	Debt repaid with property taxes	*	*	*
	Municipality:			
	City of Henderson			-
	Town of Kittrell			-
	Town of Middleburg			-
	Total overlapping debt			<u>*</u>
	Total direct and overlapping debt			<u><u>*</u></u>

\* Information not available

Notes: (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Vance County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools**  
**Legal Debt Margin for Vance County**  
**Last Ten Fiscal Years**

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	Year Taxes are Payable (amount expressed in thousands)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$225,803	\$196,748	\$207,529	\$208,390	\$217,313	\$221,919	\$274,857	\$232,499	\$248,374	*
Total net debt applicable to limit	<u>28,878</u>	<u>34,442</u>	<u>32,921</u>	<u>34,288</u>	<u>33,144</u>	<u>30,497</u>	<u>34,360</u>	<u>25,706</u>	<u>31,027</u>	<u>*</u>
Legal Debt Margin	<u>196,925</u>	<u>162,306</u>	<u>174,608</u>	<u>174,102</u>	<u>184,169</u>	<u>191,422</u>	<u>240,497</u>	<u>206,793</u>	<u>217,347</u>	<u>*</u>
Total net debt applicable to the limit as a percentage of debt	13%	18%	16%	16%	15%	14%	13%	11%	12%	*

Legal Debt Margin Calculation for Fiscal Year 2022 - Information not available

\* Information not available

Note: NC Statute G.S. 159-55 limits the County's outstanding debt to 8% of the appraised property value subject to taxation. The legal debt margin is the difference between the debt limit and the County's net debt outstanding to the limit and represents the County's legal borrowing authority.

Source: Vance County, North Carolina, Annual Financial Statements for the fiscal years ended above.

**Board of Education of Vance County Schools  
Principal Employers for Vance County  
Current Year and Nine Years Ago**

Employer	2022			2013		
	Employees (Note)	Rank	Percentage of Total County Employment	Employees (Note)	Rank	Percentage of Total County Employment
Vance County Schools	500 - 999	1	*	1,000 +	1	*
Wal-Mart Associates, Inc.	500 - 999	2	*	500 - 999	3	*
Variety Wholesalers, Inc.	500 - 999	3	*	500 - 999	2	*
Maria Parham Hospital	500 - 999	4	*	500 - 999	4	*
County of Vance	250 - 499	5	*	250 - 499	6	*
United Call Center Solutions, LLC	250 - 499	6	*			
Hollander Sleep Products, LLC	250 - 499	7	*			
Vance Granville Community College	250 - 499	8	*	250 - 499	5	*
Ardagh Glass, Inc.	250 - 499	9	*			
City of Henderson	250 - 499	10	*			
Pacific Coast Feather Company				500 - 999	7	*
Saint Gobain Containers				250 - 499	8	*
Food Lion, LLC				100 - 249	9	*
Staples Contract & Commercial Inc				100 - 249	10	*

\* Information not available

Source: Per the North Carolina Employment Security Commission, Labor Market Division. Employee figures were compiled for statistical purposes on a range basis only.

**Board of Education of Vance County Schools**  
**Demographic and Economic Statistics for Vance County**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2013	44,507	\$ 30,369	6,680	12.2%
2014	44,533	31,649	6,538	9.6%
2015	44,477	32,660	6,449	9.1%
2016	44,558	33,360	6,296	7.5%
2017	44,387	34,174	6,077	6.2%
2018	44,735	34,929	5,922	5.9%
2019	44,670	36,561	5,433	6.8%
2020	42,529	39,845	5,311	11.5%
2021	42,185	44,399	5,159	8.1%
2022	*	*	4,906	*

\* Information not available

- Source:
- (1) Per U.S. Census Bureau
  - (2) Per Bureau of Economic Analysis
  - (3) Per North Carolina Public Schools Final ADM
  - (4) Vance County, North Carolina, Annual Financial Statement

**Board of Education of Vance County Schools**  
**Employees by Function**  
**Last Ten Fiscal Years**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>School and School Based Support</u>										
Principals	16	16	17	17	17	17	15	15	15	16
Assistant Principals	6	5	5	6	13	18	16	17	15	12
Elementary Teachers	229	222	235	222	195	181	258	261	176	148
Secondary Teachers	74	73	70	82	77	54	46	48	39	44
Teacher Assistants	151	134	118	113	113	98	102	102	103	80
Other Teachers	200	209	203	204	191	166	83	83	146	115
Guidance Counselors	24	24	26	25	21	18	18	18	18	16
Psychological	-	-	-	-	1	1	1	1	-	-
Librarian / Audiovisual	16	15	15	15	14	13	7	9	6	3
Consultants	14	12	13	9	12	13	13	13	13	8
Other	39	39	32	32	40	32	32	32	27	32
Total School and School Based Support	<u>769</u>	<u>749</u>	<u>734</u>	<u>725</u>	<u>694</u>	<u>611</u>	<u>591</u>	<u>599</u>	<u>558</u>	<u>474</u>
<u>Central Services</u>										
Administration and Management	15	14	13	14	14	14	14	15	15	16
Technicians	7	7	8	8	7	7	7	7	3	4
Clerical	60	59	59	56	55	55	55	55	46	42
Service Workers	217	218	165	159	166	229	229	229	211	89
Other	20	20	20	19	20	18	18	18	25	14
Total Central Services	<u>319</u>	<u>318</u>	<u>265</u>	<u>256</u>	<u>262</u>	<u>323</u>	<u>323</u>	<u>324</u>	<u>300</u>	<u>165</u>
Total Employees	<u>1,088</u>	<u>1,067</u>	<u>999</u>	<u>981</u>	<u>956</u>	<u>934</u>	<u>914</u>	<u>923</u>	<u>858</u>	<u>639</u>

Source: North Carolina Public Schools Statistical Profile

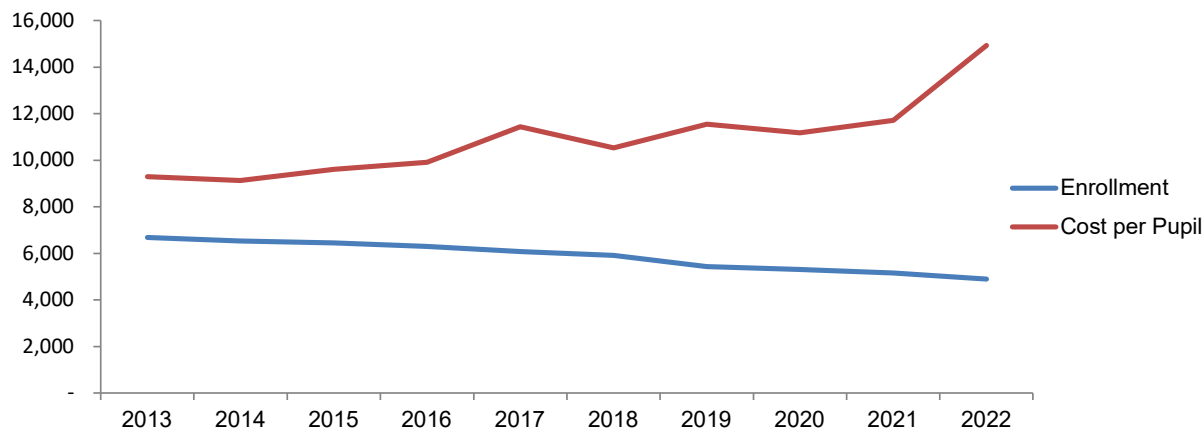
**Board of Education of Vance County Schools**  
**Operating Indicators**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Percentage Change</u>	<u>Operating Expenditures (1)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Number of Schools</u>	<u>Graduating Class</u>
2013	6,680	-1.62%	62,073,757	9,292	5.44%	16	413
2014	6,538	-2.13%	59,718,527	9,134	-1.70%	16	435
2015	6,449	-1.36%	62,040,826	9,620	5.32%	17	408
2016	6,296	-2.37%	62,456,049	9,920	3.12%	17	447
2017	6,077	-3.48%	69,531,526	11,442	15.34%	17	507
2018	5,922	-2.55%	62,428,151	10,542	-7.87%	17	536
2019	5,433	-8.26%	62,738,970	11,548	9.54%	15	434
2020	5,311	-2.25%	59,417,131	11,188	-3.12%	15	365
2021	5,159	-2.86%	60,440,511	11,716	4.72%	16	364
2022	4,901	-5.00%	73,139,331	14,923	27.38%	16	255

Source: North Carolina Public Schools Statistical Profile

(1) Operating expenditure data excludes payments of local funds to charter schools to better reflect the expenditure directly related to Vance County Schools students only.

**Enrollment Compared to the Cost per Pupil**



**Board of Education of Vance County Schools**  
**Capital Assets**  
**For the Year Ended June 30, 2022**

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<u>Schools</u>	<u>Square Footage</u>	<u>Year First Built</u>	<u>Building Classrooms (1)</u>	<u>Mobile Unit Classrooms</u>	<u>Targeted Capacity (2)</u>	<u>Enrollment</u>
<u>Elementary Schools</u>						
Aycock	65,861	1994	31		460	333
Carver	23,885	1950	14	1	272	116
Clarke	94,848	2010	37		589	319
Dabney	65,861	1995	31	4	533	355
New Hope	30,092	1953	16		256	97
EO Young Jr	52,667	1978	20		335	148
Pinkston Street	49,150	1962	26	1	329	214
EM Rollins	82,538	1959	31	2	512	284
LB Yancey	51,058	1951	26		313	183
Zeb Vance	65,861	1992	31		428	302
<u>Middle Schools</u>						
Vance County Middle	185,298	1965	47		1,004	814
STEM Early High School	at AA					250
<u>High Schools</u>						
Vance County High	238,778	1990	51		1,475	820
Early College HS	N/A		9		198	202
<u>Alternative School</u>						
Advance Academy	114,178	1934				190
<u>Virtual School</u>						
Vance Virtual Village Academy	at AA					274

Source: Vance County Schools Operations & Finance Departments

Notes:

- (1) Building classrooms are based off targeted capacity and are from the FY 2013-14 facility study by NC State University
- (2) Targeted capacity excludes mobile and modular units and is based on a FY 2013-14 study by NC State University



## **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 Auditor's Report

Board of Education  
Vance County Schools  
Henderson, NC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Vance County Schools, North Carolina ("Board") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 19, 2022 which contained an emphasis of matter paragraph regarding a change in accounting principle.

#### ***Report on Internal Control over Financial Reporting***

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider being material weaknesses. However, we identified a certain deficiency, as described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

# FORVIS

## ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Board'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 financial statements. 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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

## ***The Board's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## ***Purpose of this Report***

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

**FORVIS, LLP**

**Winston-Salem, NC  
December 19, 2022**

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

### Independent Auditor's Report

Board of Education  
Vance County Schools  
Henderson, NC

#### Report on Compliance for Each Major Federal Program

##### ***Opinion on Each Major Federal Program***

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

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

##### ***Basis for Opinion on Each Major Federal Program***

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

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board'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*, and the Uniform Guidance 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 the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 the Board'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 the Board'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, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 a 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.

# FORVIS

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

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

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

**FORVIS,LLP**

**Winston-Salem, NC  
December 19, 2022**

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

### Independent Auditor's Report

Board of Education  
Vance County Schools  
Henderson, NC

#### Report on Compliance for Each Major State Program

##### ***Opinion on Each Major State Program***

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

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

##### ***Basis for Opinion on Each Major State Program***

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

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board'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*, and the Uniform Guidance 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 the Board's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 the Board'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 the Board'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, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 a 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.

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

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

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

**FORVIS,LLP**

**Winston-Salem, NC  
December 19, 2022**



**1. 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 weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted  yes  no

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.425	COVID-19 Education Stabilization Fund
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund
32.009	COVID-19 Emergency Connectivity Fund Program
84.010	Title I Grants to Local Education Agencies

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 weaknesses identified?                      \_\_\_\_\_ yes        x   no
- Significant deficiencies identified?                      \_\_\_\_\_ yes        x   none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act                      \_\_\_\_\_ yes        x   no

Identification of major state programs:

<u>Program Name</u>
State Public School Fund

**2. Financial Statement Findings**

***Finding 2022-001***

***Expenditures in excess of budget for Federal Grants Fund***

**SIGNIFICANT DEFICIENCY**

*Criteria:* North Carolina General Statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* While the Board did not overspend federal allotments, the Board expended \$112,294 more for Ancillary Services than appropriated in the annual budget ordinance for the Federal Grants Fund.

*Effect:* Monies were spent that had not been appropriated in the budget ordinance as required by North Carolina General Statutes.

*Cause:* The Board received and expended grants in the Ancillary Services purpose code that wasn't included in the final budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 10 for the Corrective Action Plan.

**3. Federal Award Findings and Questioned Costs**

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

**4. State Award Findings and Questioned Costs**

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



**Board of Education of Vance County Schools  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2022**

**Schedule 10**

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***Finding 2022-001***

SIGNIFICANT DEFICIENCY

*Name of contact person:* John Suther, Chief Finance Officer

*Corrective action:* The Board of Education via the Finance Department will ensure they amend their budget timely and sufficiently to cover Ancillary Services before the final expenditure date of June 30 to ensure the final budget amendment aligns with final trial balance. In the future, the Finance Department will also project any final adjustments prior to the final budget resolution actions by the Board.

*Proposed completion date:* Immediate.



**Board of Education of Vance County Schools  
Summary Schedule of Prior Year's Audit Findings  
For the Fiscal Year Ended June 30, 2022**

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**Schedule 11**

***Finding 2021-001***

Status: See Finding 2022-001

***Finding 2021-002***

Status: Corrected

**Board of Education of Vance County Schools**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2022**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- through to Subrecipients</u>
<b>Federal Grants:</b>				
<u>U. S. Department of Agriculture</u>				
School Nutrition Program				
<u>Child Nutrition Cluster:</u>				
Non-Cash Assistance (Commodities)				
Passed-through the N.C. Department of Public Instruction				
National School Lunch Program	10.555	PRC 035	\$ 306,654	\$ -
Total Non-Cash Assistance			306,654	-
Cash Assistance				
Passed-through the N.C. Department of Public Instruction				
School Breakfast Program	10.553	PRC 035	897,980	-
National School Lunch Program	10.555	PRC 035	2,632,591	-
Summer Food Service Program for Children	10.559	PRC 050	114,481	-
Total Cash Assistance			3,645,052	-
Total Child Nutrition Cluster			3,951,706	-
Total U. S. Department of Agriculture			3,951,706	-
<u>U.S. Department of Education</u>				
Passed-through the N.C. Department of Public Instruction				
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	4,617,455	-
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105, 115	790,008	-
Total Title I Grants to Local Education Agencies (Title I)			5,407,463	-
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B) -				
Education of the Handicapped	84.027	PRC 060	484,702	-
Targeted Assistance	84.027	PRC 070	284,739	-
Special Needs Targeted Assistance	84.027	PRC 118	11,697	-
ARP Idea Grant 611 to States- ESSER III	84.027X	PRC 185	2,440	-
Special Education - Preschool Grants (IDEA Preschool) -				
Preschool Targeted Assistance	84.173	PRC 119	4,046	-
Preschool Handicapped	84.173	PRC 049	9,562	-
ARP Idea Preschool Grants - ESSER III	84.173X	PRC 186	92	-
Total Special Education Cluster			797,278	-
Migrant Education_State Grant Program	84.011	PRC 051	53,373	-
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	158,654	-
Title IV - 21st Century Community Learning Centers	84.287	PRC 110	343,243	-
State Personnel Development	84.323	PRC 082	1,726	-
Rural Education	84.358	PRC 109	147,876	-
English Language Acquisition Grant	84.365	PRC 104, 111	71,058	-
Supporting Effective Instruction State Grants	84.367	PRC 103	421,632	-
Student Support and Academic Enrichment Program	84.424	PRC 108	451,831	-
COVID-19 Education Stabilization Fund				
K12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	363,964	-
Digital Curricula - ESSER I	84.425D	PRC 165	4,587	-
Exceptional Children Grants - ESSER I	84.425D	PRC 167	40,234	-
Specialized Instructional Support for COVID-19 Response - GEER I	84.425C	PRC 169	31,258	-
Supplemental Instructional Services - GEER I	84.425C	PRC 170	104,847	-
K12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	3,542,405	-
School Nutritional COVID Support - ESSER II	84.425D	PRC 174	36,821	-
Summer Career Accelerator Program - ESSER II	84.425D	PRC 177	12,354	-
Competency-Based Assessment - ESSER II	84.425D	PRC 178	31,031	-
K-12 Emergency Relief Fund - ESSER III	84.425U	PRC 181	1,674,819	-
Homeless II - ESSER III	84.425W	PRC 184	431	-
Teacher Bonuses - ESSER III	84.425U	PRC 203	310,732	-
Total COVID-19 Education Stabilization Fund	84.425		6,153,483	-
Total U. S. Department of Education			14,007,617	-

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- through to Subrecipients</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
ROTC	NONE	PRC 301	56,687	-
<u>U.S. Department of Treasury</u>				
Cash Assistance				
Passed-through the N.C. Department of Public Instruction:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	PRC 141	1,162,474	-
<u>Federal Communications Commission</u>				
Direct Program:				
COVID-19 Emergency Connectivity Fund Program	32.009	PRC 430	425,675	-
<b>Total Federal Assistance</b>			<b>19,604,159</b>	<b>-</b>
<b>State Grants:</b>				
Cash Assistance				
<u>N.C. Department of Public Instruction</u>				
State Public School Fund			44,188,509	-
Driver Training - SPSF		PRC 012	125,793	-
School Technology Fund - SPSF		PRC 015	35,617	-
Career and Technical Education				
- State Months of Employment		PRC 013	1,072,493	-
- Program Support Funds		PRC 014	93,918	-
Total N.C. Department of Public Instruction			45,516,330	-
<u>N.C. Department of Health and Human Services</u>				
Division of Child Development:				
State School Nurse Initiative			96,131	-
NC Pre-Kindergarten Program			1,237,378	278,466
Total N.C. Department of Health and Human Services			1,333,509	278,466
Non-Cash Assistance				
<u>N.C. Department of Public Instruction</u>				
School Buses Appropriation		PRC 120	153,918	-
<b>Total State Assistance</b>			<b>47,003,757</b>	<b>278,466</b>
<b>Total Federal and State Assistance</b>			<b>\$ 66,607,916</b>	<b>\$ 278,466</b>

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

Note 2: Summary of Significant Account 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program

Note 4: Non-cash Assistance

Included in the amounts reported on the SEFSA, the Board received non-cash assistance in the form of food commodities. Non-cash items with a fair value of \$460,572 were received during the year ended June 30, 2022. These non-cash items received were included in the determination of federal and state awards expended for the year ended June 30, 2022.