



# Board of Education of Franklin County Schools

## Financial Statements

Year Ended June 30, 2021



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## Independent Auditors' Report

Board of Education  
Franklin County Schools  
Louisburg, NC

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, and Restricted Revenues funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedules of Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of Board Contributions on pages 47 through 52 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual fund statements and budgetary schedules and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
November 22, 2021

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

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This section of the Board of Education of Franklin County Schools (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2021. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- For the past four years, the Franklin County Board of Commissioners has fully funded the district's request. The Franklin County Board of Education appreciates the interest that the Franklin County Board of Commissioners has shown for the education of children in our county. A close working relationship between the two boards has the potential to yield great benefits for both the students and citizens of Franklin County. The commitment of our community to the success of the district has had a visible impact, as we have made significant progress over the past several years in key areas of our strategic plan "Blueprint for Success". The commitment of our community to the success of the district has had a visible impact, as we have made significant progress over the past several years in key areas of our strategic plan "Blueprint for Success." We have seen increases in overall student achievement, improvement in the district's graduation rate, and increased participation in coursework and certifications that prepare students for the world beyond the walls of our classrooms. This past school year, our district received a designation of "no low-performing schools." We are in the process of finalizing a new strategic plan, "Blueprint 2025," that was developed with stakeholder input from across Franklin County and will continue to build on our foundation of progress.
- For the 2020-2021 school year, through the current expense budget, funding was approved to support the continuation of the district's initiatives to improve salaries for our classified staff as well as retention efforts for various areas of certified instructional personnel. These priorities have resulted positively in a competitive market for qualified staff. Franklin County Schools classified employees (including teacher assistants, cafeteria workers, administrative support, maintenance, transportation, and other non-certified support staff) received substantive pay increases for the first time since the salary schedules were enacted in 2004. These employees serve a critical role in our success as a district. This initiative also included an update of the stipend schedule for coaches, athletic directors and band directors, and it positively impacted 429 of our employees. Through the "Success FMS" initiative, we have worked to recruit and retain core teachers through a differentiated pay model.
- Sustained capital outlay funding has allowed for the addressing of capital improvement needs as identified in our Capital Improvement Plan ("CIP"). This year, these projects have included carpet and blinds replacement and roofing repairs at a number of our sites, as well as enhancement of the visitor side at the Bunn High School stadium. Funding was provided for capital outlay improvement needs and to support the maintenance of existing grounds and structures.
- The construction of the new athletic complex at Louisburg High School was completed during the 2020-2021 school year. This project included: a new football field with an 8-lane competition track, sports lighting, home and visitor field buildings, grandstand bleachers and press box, and roadway and parking lot improvements. Construction of the new stadium was accomplished by exhausting remaining bond funds and the positive partnership between the Franklin County Board of Education and the Franklin County Board of Commissioners.
- The county has demonstrated a collective commitment to school safety, providing continued funding for School Resource Officers (SROs) for the 2020-21 school year. This funding, along with the support of grant funds and allocation of district at-risk funds, has afforded Franklin County Schools full-time SRO support for each of our 15 K-12 schools, and part-time support at our Early College High School.
- Average Daily Membership (ADM) is a direct contributor to all the major sources of funding for education including local current funding allocations from our Board of County Commissioners. With the construction to expand a new charter school in our district, Franklin County Schools continue to face competition from charter schools in bordering counties, not just within our own town. This impact has been noticeable for districts across the state and beyond. This poses a huge challenge for our student enrollment; however, the district has deployed aggressive marketing techniques to combat student transition to less traditional methods of public education. Charter schools continue to impact our funding. Although overall potential

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

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student numbers have grown in the county with increases in the population, FCS enrollment has stabilized while charter school enrollment has continued to rise. This means that as our payout to charter schools has increased, we still have the same needs for funding as a district.

### **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
- Supplemental section that presents budgetary statements for governmental and enterprise funds.

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position (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.

### **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.



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

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

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

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

### **Fund Financial Statements**

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

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

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 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 reconciliations, 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, Restricted Revenues Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

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

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

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

Net position or deficit is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4.4 million as of June 30, 2021. The largest positive component of the net deficit is the Board's net investment in capital assets of \$117.9 million. Restricted and unrestricted net position (deficit) amounted to \$3.1 million and (\$125.2) million, respectively. The Board's overall financial position improved in the current year, as the net deficit decreased by \$5.7 million. 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*

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

*Postemployment Benefits Other Than Pensions.* The net pension liability, net OPEB liability, and related components has a \$133.4 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, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 16,147,080	\$ 13,521,026	\$ 1,711,977	\$ 1,523,971	\$ 17,859,057	\$ 15,044,997
Capital assets	118,177,467	120,500,980	212,621	281,399	118,390,088	120,782,379
Total assets	134,324,547	134,022,006	1,924,598	1,805,370	136,249,145	135,827,376
Deferred outflows of resources	20,973,000	19,622,821	777,252	728,067	21,750,252	20,350,888
Current liabilities	4,425,096	4,384,872	127,049	157,463	4,552,145	4,542,335
Long-term liabilities	112,373,916	117,219,481	4,132,689	4,325,208	116,506,605	121,544,689
Total liabilities	116,799,012	121,604,353	4,259,738	4,482,671	121,058,750	126,087,024
Deferred inflows of resources	39,778,961	38,664,756	1,518,811	1,480,698	41,297,772	40,145,454
Invested in capital assets, net of related debt	117,618,583	119,764,544	212,621	281,399	117,831,204	120,045,943
Restricted net position	2,974,746	3,132,429	4,765	4,225	2,979,511	3,136,654
Unrestricted net deficit	(121,873,755)	(129,521,255)	(3,294,085)	(3,715,556)	(125,167,840)	(133,236,811)
Total net deficit	\$ (1,280,426)	\$ (6,624,282)	\$ (3,076,699)	\$ (3,429,932)	\$ (4,357,125)	\$ (10,054,214)

The net deficit of the Board's governmental activities decreased from \$6.6 million at June 30, 2020 to \$1.3 million at June 30, 2021, a decrease of \$5.3 million. The Board's net investment in capital assets decreased by \$2.1 million during the year due primarily to depreciation expense in excess of capital outlay. Restricted and unrestricted combined net deficit decreased by \$7.5 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.

The net deficit of business-type activities decreased \$353 thousand from \$3.4 million at June 30, 2020 to \$3.1 million at June 30, 2021. This decrease in the net deficit is attributable to a decrease in operating expenses as well as additional federal assistance to assist with costs related to COVID-19.

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

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, 2021 & 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 653,766	\$ 1,444,674	\$ 60,679	\$ 933,723	\$ 714,445	\$ 2,378,397
Operating grants and contributions	58,105,603	54,789,344	4,472,792	3,498,526	62,578,395	58,287,870
Capital grants and contributions	730,802	862,874	-	-	730,802	862,874
<b>General revenues:</b>						
Unrestricted state and federal appropriations	6,463,910	5,761,120	45,974	-	6,509,884	5,761,120
Unrestricted county appropriations	23,448,944	28,563,653	-	-	23,448,944	28,563,653
Other revenues	1,716,582	1,228,334	17,408	21,322	1,733,990	1,249,656
<b>Total revenues</b>	<b>91,119,607</b>	<b>92,649,999</b>	<b>4,596,853</b>	<b>4,453,571</b>	<b>95,716,460</b>	<b>97,103,570</b>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	60,551,799	61,557,064	-	-	60,551,799	61,557,064
System-wide support services	16,914,705	17,383,132	-	-	16,914,705	17,383,132
Ancillary services	65,626	470,532	-	-	65,626	470,532
Non-programmed charges	3,933,641	3,278,424	-	-	3,933,641	3,278,424
Unallocated depreciation expense	4,309,980	4,146,868	-	-	4,309,980	4,146,868
<b>Business-type activities:</b>						
School food service	-	-	4,116,372	4,373,950	4,116,372	4,373,950
Child care	-	-	127,248	140,297	127,248	140,297
<b>Total expenses</b>	<b>85,775,751</b>	<b>86,836,020</b>	<b>4,243,620</b>	<b>4,514,247</b>	<b>90,019,371</b>	<b>91,350,267</b>
Transfers in (out)	-	(322,920)	-	322,920	-	-
Increase (decrease) in net position	5,343,856	5,491,059	353,233	262,244	5,697,089	5,753,303
Net deficit, beginning	(6,624,282)	(12,115,341)	(3,429,932)	(3,692,176)	(10,054,214)	(15,807,517)
Net deficit, ending	<u>\$ (1,280,426)</u>	<u>\$ (6,624,282)</u>	<u>\$ (3,076,699)</u>	<u>\$ (3,429,932)</u>	<u>\$ (4,357,125)</u>	<u>\$ (10,054,214)</u>

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

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During the year ended June 30, 2021, governmental activities generated revenues of \$91.1 million compared with total expenses of \$85.8 million, resulting in the aforementioned decrease in net deficit for these activities of approximately \$5.3 million. The primary sources of revenue were funding from the State of North Carolina, the County of Franklin, and the United States government, which respectively comprised 62.3%, 26%, and 9.4% of revenues. The main driving force behind the decrease in revenues of (\$1.5) million is a decrease in county contributed capital of (\$6) million which was the result of construction projects completing in FY 2021 and an increase of \$3.3 million in operating grants and contributions. Instructional services expenses comprised 72.4% of total governmental activities expenses while system-wide support services made up 18.2% of those expenses for the year ended June 30, 2021. In comparison, in the previous year, instructional services and system-wide support services were 67.3% and 17.6%, respectively, of total expenses.

Business-type activities generated revenue and transfers of \$4.6 million and incurred expenses of \$4.2 million, resulting in a decrease in net deficit of \$353 thousand. When compared to the prior year, food sales decreased by \$728 thousand and child-care revenue decreased by \$145 thousand due to hybrid learning environments related to COVID-19. Expenditures decreased \$271 thousand which also primarily driven to the hybrid learning environments.

### ***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 \$13.6 million at June 30, 2021, a \$2.6 million increase when compared to the prior year. Total revenues decreased by (\$2.8) million, or (3%), during the year. Total expenditures decreased by (\$3.8) million when compared to the prior year with the decrease being primarily attributable to capital outlay expenditures. Specifically related to the General Fund, funding from Franklin County increased \$843 thousand to \$21.2 million when compared to the prior year. Expenditures during the period decreased by \$468 thousand over the prior year due to decreases in personnel costs. The Restricted Revenues Fund recognized increases in total revenues of \$425 thousand for the year ended June 30, 2021 compared to the year ended June 30, 2020. Driving the increase in revenues for the Restricted Revenues Fund were increased Medicaid reimbursements. The Board received (\$6) million less in County capital outlay support in the fiscal year ended June 30, 2021 when compared to June 30, 2020 due to the completion of several construction projects.

**Proprietary Funds:** The Board's business-type funds reported a combined net deficit of \$3.1 million at June 30, 2021, a \$353 thousand decrease in deficit when compared to the prior year. The School Food Service Fund incurred a net income of \$353 thousand during the year ended June 30, 2021 compared to a net income of \$262 thousand during the year ended June 30, 2020. In comparison to the prior year, operating and nonoperating revenues increased by \$1 million due to additional federal reimbursements for the summer food service program and commodities. Operating expenses decreased by \$271 thousand.

### ***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 increased by \$209 thousand as a result of expected increases in other appropriations from what was originally budgeted. Total budgeted expenditures increased \$209 thousand in the current year as a result of expected increases in non-programmed costs. For the year, the Board finished with expenditures in excess of revenues of \$2.4 million primarily due to system wide support service expenditures being \$1.4 million less than budgeted.

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

**Capital Assets**

Capital assets decreased by (\$2.4) million, or (2%), compared to the previous year. The decrease was primarily due to depreciation expense in excess of capital outlay. The following is a summary of the capital assets, net of depreciation, at year-end. Refer to Note 2-A-4 in the Notes to the Financial Statements for more detail.

**Table 3  
Summary of Capital Assets  
as of June 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 6,776,775	\$ 6,776,775	\$ -	\$ -	\$ 6,776,775	\$ 6,776,775
Construction in progress	52,901	6,345,028	-	-	52,901	6,345,028
Buildings and improvements	107,366,578	103,319,626	-	-	107,366,578	103,319,626
Equipment and furniture	726,364	760,070	212,621	281,399	938,985	1,041,469
Vehicles	3,254,849	3,299,481	-	-	3,254,849	3,299,481
<b>Total</b>	<b>\$ 118,177,467</b>	<b>\$ 120,500,980</b>	<b>\$ 212,621</b>	<b>\$ 281,399</b>	<b>\$ 118,390,088</b>	<b>\$ 120,782,379</b>

**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. During the year ended June 30, 2021, the Board issued installment purchase obligations for school buses. Refer to Note 2-B-7 in the Notes to the Financial Statements for more detail.

**Economic Factors**

This is a unique year for us, as we have recently been hit with a pandemic that has impacted our ability to educate our students in traditional ways. There is a great deal of uncertainty as to what the short-term and long-term impacts of COVID-19 will be on our schools and our larger community. This lack of clarity comes at a time when we are working towards shoring up our current fiscal year's financial commitments and planning strategically for the next fiscal year. This uncertainty, coupled with the impasse of the for the 2019-20 and 2020-21 school year(s), has made these tasks especially challenging.

The COVID-19 closure has illuminated the need for us to continue to address inconsistencies in internet access for families across our district. This impacts not just the teaching and learning process, but the overall health of our community. We are very interested in working to be part of the solution. We are going to continue to expand access to devices for students and will be using a portion of funding dedicated to COVID-19 response to support provision of devices at the K-3 grades. We are also looking at how to best utilize our school sites for internet access during school closure.

These challenges are coupled with the additional recurring challenges of:

- Payment of "pass-through funds" to charter schools;
- Increased benefits and operational costs (supplies and materials);
- Recruitment and retention of high quality staff in a competitive market;
- Stringent class-size requirements at the K-3 level; and
- Lack of funding flexibility in a variety of areas (AIG, LEP, textbooks, although increased flexibility is likely under State of Emergency)

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

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Looking Ahead

We have appreciated the support of the Franklin County Board of Commissioners, and we recognize that the successes that we have experienced have been made possible by a collective commitment of the Franklin County community and its leadership to forward progress for Franklin County Schools. We also recognize that we need to work together in a positive way to continue to address the challenges that we face as a district and community.

***Requests for Information***

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

Quinnley Coley, Chief Finance Officer  
Board of Education of Franklin County Schools  
53 West River Road  
Louisburg, North Carolina 27549

Board of Education of Franklin County Schools  
Statement of Net Position (Deficit)  
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,856,291	\$ 1,192,838	\$ 15,049,129
Due from other governments	2,079,883	136,115	2,215,998
Receivables	2,807	268	3,075
Net OPEB asset	129,821	4,765	134,586
Inventories	78,278	377,991	456,269
Capital assets:			
Land, improvements, and construction in progress	6,829,676	-	6,829,676
Other capital assets, net of depreciation	111,347,791	212,621	111,560,412
Total capital assets	<u>118,177,467</u>	<u>212,621</u>	<u>118,390,088</u>
Total assets	<u>134,324,547</u>	<u>1,924,598</u>	<u>136,249,145</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>20,973,000</u>	<u>777,252</u>	<u>21,750,252</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	622,042	25,556	647,598
Accrued salaries and wages payable	1,761,660	-	1,761,660
Unearned revenues	-	49,463	49,463
Long-term liabilities:			
Due within one year	2,041,394	52,030	2,093,424
Due in more than one year	<u>112,373,916</u>	<u>4,132,689</u>	<u>116,506,605</u>
Total liabilities	<u>116,799,012</u>	<u>4,259,738</u>	<u>121,058,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>39,778,961</u>	<u>1,518,811</u>	<u>41,297,772</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	117,618,583	212,621	117,831,204
Restricted for:			
Stabilization by State Statute	340,318	-	340,318
School Capital Outlay	1,743,610	-	1,743,610
Individual Schools	760,997	-	760,997
DIPNC OPEB plan	129,821	4,765	134,586
Unrestricted	<u>(121,873,755)</u>	<u>(3,294,085)</u>	<u>(125,167,840)</u>
Total net deficit	<u>\$ (1,280,426)</u>	<u>\$ (3,076,699)</u>	<u>\$ (4,357,125)</u>

Board of Education of Franklin County Schools  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

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	\$ 36,338,242	\$ -	\$ 32,432,450	\$ -	\$ (3,905,792)	\$ -	\$ (3,905,792)
Special populations	7,368,701	-	7,194,972	-	(173,729)	-	(173,729)
Alternative programs	4,286,524	-	3,786,655	-	(499,869)	-	(499,869)
School leadership	5,081,806	-	3,424,404	-	(1,657,402)	-	(1,657,402)
Co-curricular	1,320,764	-	44,280	-	(1,276,484)	-	(1,276,484)
School-based support	6,155,762	596,731	4,455,450	-	(1,103,581)	-	(1,103,581)
System-wide support services:							
Support and development	558,709	-	283,335	-	(275,374)	-	(275,374)
Special population support and development	518,832	-	491,566	-	(27,266)	-	(27,266)
Alternative programs and services support and development	226,931	-	84,866	-	(142,065)	-	(142,065)
Technology support	854,495	-	138,454	-	(716,041)	-	(716,041)
Operational support	11,528,177	57,035	5,024,727	730,802	(5,715,613)	-	(5,715,613)
Financial and human resources	2,036,540	-	270,615	-	(1,765,925)	-	(1,765,925)
Accountability	106,905	-	3,923	-	(102,982)	-	(102,982)
System-wide pupil support	125,033	-	57,143	-	(67,890)	-	(67,890)
Policy, leadership and public relations	959,083	-	175,406	-	(783,677)	-	(783,677)
Ancillary services	65,626	-	61,588	-	(4,038)	-	(4,038)
Non-programmed charges	3,933,641	-	175,769	-	(3,757,872)	-	(3,757,872)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	4,309,980	-	-	-	(4,309,980)	-	(4,309,980)
Total governmental activities	85,775,751	653,766	58,105,603	730,802	(26,285,580)	-	(26,285,580)
Business-type activities:							
School food service	4,116,372	11,933	4,472,792	-	-	368,353	368,353
Child care	127,248	48,746	-	-	-	(78,502)	(78,502)
Total business-type activities	4,243,620	60,679	4,472,792	-	-	289,851	289,851
Total primary government	\$ 90,019,371	\$ 714,445	\$ 62,578,395	\$ 730,802	(26,285,580)	289,851	(25,995,729)
General revenues:							
Unrestricted county appropriations - operating					21,192,936	-	21,192,936
Unrestricted county appropriations - capital					2,256,008	-	2,256,008
Unrestricted State and Federal appropriations - operating					5,201,904	-	5,201,904
Investment earnings, unrestricted					7,866	628	8,494
State OPEB contribution - non-capital					1,262,006	45,974	1,307,980
Miscellaneous, unrestricted					1,708,716	16,780	1,725,496
Total general revenues excluding transfers					31,629,436	63,382	31,692,818
Change in net position (deficit)					5,343,856	353,233	5,697,089
Net deficit, beginning					(6,624,282)	(3,429,932)	(10,054,214)
Net deficit, ending					\$ (1,280,426)	\$ (3,076,699)	\$ (4,357,125)

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



**Board of Education of Franklin County Schools  
Balance Sheet  
Governmental Funds  
June 30, 2021**

**Exhibit 3**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Restricted Revenues	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 7,130,860	\$ -	\$ -	\$ 1,743,622	\$ 760,997	\$ 4,220,812	\$ 13,856,291
Due from other governments	337,511	1,652,786	89,586	-	-	-	2,079,883
Receivables	1,388	-	-	-	-	1,419	2,807
Inventory	78,278	-	-	-	-	-	78,278
<b>Total assets</b>	<b>\$ 7,548,037</b>	<b>\$ 1,652,786</b>	<b>\$ 89,586</b>	<b>\$ 1,743,622</b>	<b>\$ 760,997</b>	<b>\$ 4,222,231</b>	<b>\$ 16,017,259</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 621,484	\$ -	\$ -	\$ 12	\$ -	\$ 546	\$ 622,042
Accrued salaries and wages payable	13,360	1,652,786	89,586	-	-	5,928	1,761,660
<b>Total liabilities</b>	<b>634,844</b>	<b>1,652,786</b>	<b>89,586</b>	<b>12</b>	<b>-</b>	<b>6,474</b>	<b>2,383,702</b>
Fund balances:							
Nonspendable:							
Inventory	78,278	-	-	-	-	-	78,278
Restricted:							
Stabilization by State Statute	338,899	-	-	-	-	1,419	340,318
School Capital Outlay	-	-	-	1,743,610	-	-	1,743,610
Individual Schools	-	-	-	-	760,997	-	760,997
Assigned:							
Other special programs	-	-	-	-	-	4,214,338	4,214,338
Unassigned	6,496,016	-	-	-	-	-	6,496,016
<b>Total fund balances</b>	<b>6,913,193</b>	<b>-</b>	<b>-</b>	<b>1,743,610</b>	<b>760,997</b>	<b>4,215,757</b>	<b>13,633,557</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,548,037</b>	<b>\$ 1,652,786</b>	<b>\$ 89,586</b>	<b>\$ 1,743,622</b>	<b>\$ 760,997</b>	<b>\$ 4,222,231</b>	

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

Net OPEB asset	129,821
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	118,177,467
Deferred outflows of resources related to pensions	13,823,578
Deferred outflows of resources related to OPEB	7,149,422
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.	(4,539,475)
Net pension liability	(36,271,677)
Net OPEB liability	(73,604,158)
Deferred inflows of resources related to pensions	(957,524)
Deferred inflows of resources related to OPEB	(38,821,437)
<b>Net deficit of governmental activities</b>	<b>\$ (1,280,426)</b>

**Board of Education of Franklin County Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 4**

	<b>Major Funds</b>						<b>Total Governmental Funds</b>
	<b>General</b>	<b>State Public School</b>	<b>Federal Grants Fund</b>	<b>Capital Outlay</b>	<b>Individual Schools</b>	<b>Restricted Revenues</b>	
<b>Revenues:</b>							
<b>Intergovernmental:</b>							
State of North Carolina	\$ -	\$ 54,952,943	\$ -	\$ 730,802	\$ -	\$ 388,000	\$ 56,071,745
<b>Franklin County:</b>							
Local current expense	21,192,936	-	-	-	-	-	21,192,936
Other	-	-	-	2,256,008	-	-	2,256,008
U.S. Government	-	1,375,196	6,979,368	-	-	67,792	8,422,356
Other	247,902	-	-	121	596,731	1,245,571	2,090,325
<b>Total revenues</b>	<b>21,440,838</b>	<b>56,328,139</b>	<b>6,979,368</b>	<b>2,986,931</b>	<b>596,731</b>	<b>1,701,363</b>	<b>90,033,370</b>
<b>Expenditures:</b>							
<b>Current:</b>							
<b>Instructional services:</b>							
Regular instructional	3,046,478	33,808,495	1,207,537	-	-	235,415	38,297,925
Special populations	420,833	6,016,158	1,178,920	-	-	141,457	7,757,368
Alternative programs	554,070	1,035,323	2,751,332	-	-	133,931	4,474,656
School leadership	774,234	4,567,822	46,533	-	-	-	5,388,589
Co-curricular	600,445	-	44,280	-	699,767	-	1,344,492
School-based support	473,665	5,399,731	356,782	-	-	215,145	6,445,323
<b>System-wide support services:</b>							
Support and development	296,881	194,677	88,658	-	-	-	580,216
Special population support and development	58,451	300,209	191,357	-	-	-	550,017
Alternative programs and services support and development	155,425	-	84,866	-	-	-	240,291
Technology support	620,700	249,782	15,874	-	-	-	886,356
Operational support	5,398,981	4,191,662	833,065	-	-	-	10,423,708
Financial and human resources	1,828,171	266,220	4,395	-	-	-	2,098,786
Accountability	109,508	3,923	-	-	-	-	113,431
System-wide pupil support	71,601	57,143	-	-	-	-	128,744
Policy, leadership and public relations	675,122	175,406	-	-	-	142,099	992,627
Ancillary services	8,141	61,588	-	-	-	-	69,729
Non-programmed charges	3,933,641	-	175,769	-	-	-	4,109,410
<b>Debt service:</b>							
Principal	-	-	-	730,802	-	-	730,802
<b>Capital outlay:</b>							
Land, buildings, and site improvement	-	-	-	2,692,097	-	-	2,692,097
Furnishings and equipment	-	-	-	28,552	-	-	28,552
Vehicles and other	-	-	-	584,275	-	-	584,275
<b>Total expenditures</b>	<b>19,026,347</b>	<b>56,328,139</b>	<b>6,979,368</b>	<b>4,035,726</b>	<b>699,767</b>	<b>868,047</b>	<b>87,937,394</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,414,491</b>	<b>-</b>	<b>-</b>	<b>(1,048,795)</b>	<b>(103,036)</b>	<b>833,316</b>	<b>2,095,976</b>
<b>Other financing sources (uses):</b>							
Transfers from (to) other funds	(91,776)	-	-	(60,000)	151,776	-	-
Installment obligations issued	-	-	-	553,250	-	-	553,250
<b>Total other financing sources (uses)</b>	<b>(91,776)</b>	<b>-</b>	<b>-</b>	<b>493,250</b>	<b>151,776</b>	<b>-</b>	<b>553,250</b>
<b>Net change in fund balance</b>	<b>2,322,715</b>	<b>-</b>	<b>-</b>	<b>(555,545)</b>	<b>48,740</b>	<b>833,316</b>	<b>2,649,226</b>
Fund balances, beginning of year	4,610,978	-	-	2,299,155	712,257	3,382,441	11,004,831
Decrease in reserve for inventory	(20,500)	-	-	-	-	-	(20,500)
<b>Fund balances, end of year</b>	<b>\$ 6,913,193</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,743,610</b>	<b>\$ 760,997</b>	<b>\$ 4,215,757</b>	<b>\$ 13,633,557</b>

**Board of Education of Franklin 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, 2021**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 2,649,226
Adjustment due to the use of consumption method of recording inventory in the government-wide statements.	(20,500)
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 exceeds capital outlay in the current period.	(2,323,513)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	6,614,220
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	3,029,653
State OPEB contribution	1,262,006
Net OPEB benefit	3,696,485
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.	177,552
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(9,740,894)
Compensated absences	(379)
	<hr/>
Total changes in net position (deficit) of governmental activities	<u><u>\$ 5,343,856</u></u>

Board of Education of Franklin County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

	<b>General 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	\$ -	\$ -	\$ -	\$ -
Franklin County	21,129,369	21,192,936	21,192,936	-
U.S. Government	-	-	-	-
Other	80,000	225,000	247,902	22,902
Total revenues	<u>21,209,369</u>	<u>21,417,936</u>	<u>21,440,838</u>	<u>22,902</u>
Expenditures:				
Current:				
Instructional services	7,081,078	6,736,251	5,869,725	866,526
System-wide support services	10,932,794	10,616,014	9,214,840	1,401,174
Ancillary services	5,497	11,899	8,141	3,758
Non-programmed charges	3,190,000	3,961,996	3,933,641	28,355
Total expenditures	<u>21,209,369</u>	<u>21,326,160</u>	<u>19,026,347</u>	<u>2,299,813</u>
Revenues over (under) expenditures	-	91,776	2,414,491	2,322,715
Other financing sources:				
Transfers (to) from other funds	-	(91,776)	(91,776)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,322,715	<u>\$ 2,322,715</u>
Fund balances, beginning of year			4,610,978	
Decrease in reserve for inventory			<u>(20,500)</u>	
Fund balances, end of year			<u>\$ 6,913,193</u>	

Board of Education of Franklin County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 56,513,336	\$ 56,148,217	\$ 54,952,943	\$ (1,195,274)
Franklin County	-	-	-	-
U.S. Government	-	1,379,235	1,375,196	(4,039)
Other	-	-	-	-
Total revenues	<u>56,513,336</u>	<u>57,527,452</u>	<u>56,328,139</u>	<u>(1,199,313)</u>
Expenditures:				
Current:				
Instructional services	52,452,119	51,497,304	50,827,529	669,775
System-wide support services	4,000,497	5,968,183	5,439,022	529,161
Ancillary services	60,720	61,965	61,588	377
Non-programmed charges	-	-	-	-
Total expenditures	<u>56,513,336</u>	<u>57,527,452</u>	<u>56,328,139</u>	<u>1,199,313</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Decrease in reserve for inventory			-	
Fund balances, end of year			<u>\$ -</u>	

Board of Education of Franklin County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

	<b>Restricted Revenues 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	\$ 733,401	\$ 295,333	\$ 388,000	\$ 92,667
Franklin County	-	-	-	-
U.S. Government	-	89,228	67,792	(21,436)
Other	141,761	754,665	1,245,571	490,906
Total revenues	<u>875,162</u>	<u>1,139,226</u>	<u>1,701,363</u>	<u>562,137</u>
Expenditures:				
Current:				
Instructional services	853,162	901,487	725,948	175,539
System-wide support services	22,000	292,000	142,099	149,901
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>875,162</u>	<u>1,193,487</u>	<u>868,047</u>	<u>325,440</u>
Revenues over (under) expenditures	-	(54,261)	833,316	887,577
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	54,261	-	(54,261)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	833,316	<u>\$ 833,316</u>
Fund balances, beginning of year			3,382,441	
Decrease in reserve for inventory			<u>-</u>	
Fund balances, end of year			<u>\$ 4,215,757</u>	

Board of Education of Franklin County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

	<b>Federal Grants 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	\$ -	\$ -	\$ -	\$ -
Franklin County	-	-	-	-
U.S. Government	9,632,489	39,332,404	6,979,368	(32,353,036)
Other	-	-	-	-
Total revenues	<u>9,632,489</u>	<u>39,332,404</u>	<u>6,979,368</u>	<u>(32,353,036)</u>
Expenditures:				
Current:				
Instructional services	7,161,113	22,450,597	5,585,384	16,865,213
System-wide support services	1,661,130	11,545,804	1,218,215	10,327,589
Ancillary services	-	-	-	-
Non-programmed charges	810,246	5,336,003	175,769	5,160,234
Total expenditures	<u>9,632,489</u>	<u>39,332,404</u>	<u>6,979,368</u>	<u>32,353,036</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Decrease in reserve for inventory			-	
Fund balances, end of year			<u>\$ -</u>	

Board of Education of Franklin County Schools  
Statement of Net Position (Deficit)  
Proprietary Funds  
June 30, 2021

Exhibit 7

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Major Fund School Food Service</b>	<b>Non-major Fund Child Care</b>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,145,767	\$ 47,071	\$ 1,192,838
Receivables	-	268	268
Due from other governments	136,115	-	136,115
OPEB asset	4,356	409	4,765
Inventories	377,991	-	377,991
Total current assets	<u>1,664,229</u>	<u>47,748</u>	<u>1,711,977</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	212,621	-	212,621
Total assets	<u>1,876,850</u>	<u>47,748</u>	<u>1,924,598</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>711,047</u>	<u>66,205</u>	<u>777,252</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	25,556	-	25,556
Unearned revenue	49,463	-	49,463
Compensated absences	52,030	-	52,030
Total current liabilities	<u>127,049</u>	<u>-</u>	<u>127,049</u>
Noncurrent liabilities:			
Net pension liability	1,229,484	108,887	1,338,371
Net OPEB liability	2,484,376	267,678	2,752,054
Compensated absences	42,264	-	42,264
Total noncurrent liabilities	<u>3,756,124</u>	<u>376,565</u>	<u>4,132,689</u>
Total liabilities	<u>3,883,173</u>	<u>376,565</u>	<u>4,259,738</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,381,488</u>	<u>137,323</u>	<u>1,518,811</u>
<b>NET POSITION (DEFICIT)</b>			
Investment in capital assets	212,621	-	212,621
Restricted - DIPNC OPEB Plan	4,356	409	4,765
Unrestricted	<u>(2,893,741)</u>	<u>(400,344)</u>	<u>(3,294,085)</u>
Total net deficit	<u>\$ (2,676,764)</u>	<u>\$ (399,935)</u>	<u>\$ (3,076,699)</u>



Board of Education of Franklin County Schools  
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 8

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 11,933	\$ -	\$ 11,933
Child care fees	-	48,746	48,746
Total operating revenues	<u>11,933</u>	<u>48,746</u>	<u>60,679</u>
Operating expenses:			
Food cost:			
Purchase of food	817,690	-	817,690
Food processing supplies	136,460	-	136,460
Donated commodities	555,861	-	555,861
Salaries and benefits	2,309,478	121,247	2,430,725
Materials and supplies	80,025	4,519	84,544
Repairs and maintenance	63,422	-	63,422
Depreciation	85,369	-	85,369
Non-capitalized equipment	37,873	-	37,873
Other	30,194	1,482	31,676
Total operating expenses	<u>4,116,372</u>	<u>127,248</u>	<u>4,243,620</u>
Operating income (loss)	<u>(4,104,439)</u>	<u>(78,502)</u>	<u>(4,182,941)</u>
Nonoperating revenues (expenses):			
Federal reimbursements	3,916,931	-	3,916,931
Federal commodities	555,861	-	555,861
State OPEB contribution	44,091	1,883	45,974
Interest earned	628	-	628
Other	16,780	-	16,780
Total nonoperating revenues	<u>4,534,291</u>	<u>1,883</u>	<u>4,536,174</u>
Income (loss) before transfers	429,852	(76,619)	353,233
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Change in net deficit	429,852	(76,619)	353,233
Total net deficit, beginning	<u>(3,106,616)</u>	<u>(323,316)</u>	<u>(3,429,932)</u>
Total net deficit, ending	<u>\$ (2,676,764)</u>	<u>\$ (399,935)</u>	<u>\$ (3,076,699)</u>

Board of Education of Franklin County Schools  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 9

	Enterprise Funds		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 25,294	\$ 49,167	\$ 74,461
Cash paid for goods and services	(1,394,913)	(6,001)	(1,400,914)
Cash paid to employees for services	(2,449,644)	(127,374)	(2,577,018)
Net cash used by operating activities	(3,819,263)	(84,208)	(3,903,471)
Cash flows from noncapital financing activities:			
Federal and state reimbursements	4,044,115	-	4,044,115
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(16,591)	-	(16,591)
Cash flows from investing activities:			
Interest received on investments	628	-	628
Net increase (decrease) in cash and cash equivalents	208,889	(84,208)	124,681
Cash and cash equivalents, beginning of year	936,878	131,279	1,068,157
Cash and cash equivalents, end of year	\$ 1,145,767	\$ 47,071	\$ 1,192,838
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (4,104,439)	\$ (78,502)	\$ (4,182,941)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Transfers in from the State Public Schools Fund	-	-	-
State OPEB contribution	44,091	1,883	45,974
Depreciation	85,369	-	85,369
Donated commodities	555,861	-	555,861
Other	16,780	-	16,780
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Decrease in accounts receivable	-	421	421
Increase in inventories	(190,390)	-	(190,390)
Increase in net OPEB asset	(518)	(22)	(540)
Increase deferred outflows of resources	(47,171)	(2,014)	(49,185)
Decrease in accounts payable and accrued liabilities	(38,859)	-	(38,859)
Decrease in unearned revenue	(3,419)	-	(3,419)
Decrease in compensated absences payable	(12,693)	-	(12,693)
Increase in net pension liability	178,742	7,634	186,376
Decrease in net OPEB liability	(339,826)	(14,512)	(354,338)
Increase deferred inflows of resources	37,209	904	38,113
Total adjustments	241,085	(7,589)	233,496
Net cash used by operating activities	\$ (3,819,263)	\$ (84,208)	\$ (3,903,471)

NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$555,861 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 and Child Care Funds recorded \$44,091 and \$1,883, respectively, as a nonoperating revenue on Exhibit 8 as a result of this transfer.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### 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 upon 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**Board of Education of Franklin County Schools**  
**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) and it is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Franklin County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds, 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.

*Restricted Revenues Fund.* The Restricted Revenues Fund is used to account for activities designated for restricted purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local and state government grants and private donations received from individual and corporate donors, along with grant monies received directly from the federal 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 that 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 Franklin County Schools**  
**Notes to Financial Statements**

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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' and Restricted Revenue Fund, 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 function level for all annually budgeted funds. The Superintendent is authorized by the governing board to transfer appropriations within a fund up to \$1,000. Such transfers must be reported to the governing board at its next regular meeting. Any revisions that alter the total expenditures of any fund or exceed \$1,000 must be approved by the governing board prior to any expenditure being made. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) Deposits and Investments

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

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

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

The Board's investments are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

(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.

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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(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 consist of expendable materials and supplies that are recorded as expenditures when purchased. The General 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 July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental or business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

	<u>Years</u>
Buildings and improvements	50
Equipment and furniture	10
Vehicles	6
Computer equipment	3

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.

(5) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and 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 subsequent to the measurement date. 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 several items that meet this criterion - pension and OPEB related deferrals.

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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(6) 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.

(7) Compensated Absences

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

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

(8) 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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

(9) 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:

*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.

Other special programs – portion of fund balance that includes carry over funding for the applicable state and federal programs accounted for in the Restricted Revenues Fund activities as well as a portion of the

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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fund balance that will be used by Restricted Revenues 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 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 of Education.

**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 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 \$(14,913,983) 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)	\$ 203,104,919
Less accumulated depreciation	<u>(84,927,452)</u>
Net capital assets	118,177,467
Net OPEB asset	129,821
Pension related deferred outflows of resources	13,823,578
OPEB related deferred outflows of resources	7,149,422
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(558,884)
Compensated absences	(3,980,591)
Net pension liability	(36,271,677)
Net OPEB liability	(73,604,158)
Deferred inflows of resources related to pensions	(957,524)
Deferred inflows of resources related to OPEB	<u>(38,821,437)</u>
Total adjustment	<u>\$ (14,913,983)</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 of*



**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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*governmental activities* as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$2,694,630 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	\$ 2,564,654
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	(4,888,167)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities	(553,250)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affects only the Statement of Net Position (Deficit) in the government-wide statements	730,802
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	6,614,220
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	3,029,653
Net OPEB Benefit	3,696,485
State OPEB Contribution	1,262,006
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(9,740,894)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(379)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>(20,500)</u>
Total adjustment	<u>\$ 2,694,630</u>

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

For purposes of measuring the net pension and OPEB liabilities, 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. 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 does not have a policy regarding custodial credit risk for deposits.

At June 30, 2021, the Board had deposits with financial institutions with a carrying amount of \$14,889,461 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$14,860,795 and \$2,031,793, respectively. Of these balances, \$750,824 was covered by federal depository insurance and \$16,141,764 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board has \$33 in petty cash.

(2) Investments

At June 30, 2021, the Board of Education had \$159,635 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Board has no policy for managing interest rate risk or credit risk.

(3) Receivables

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

	<b>Due from other governments</b>	<b>Other</b>	<b>Total</b>
Governmental activities:			
General Fund	\$ 337,511	\$ 1,388	\$ 338,899
Other governmental activities	<u>1,742,372</u>	<u>1,419</u>	<u>1,743,791</u>
Total	<u>\$ 2,079,883</u>	<u>\$ 2,807</u>	<u>\$ 2,082,690</u>
Business-type activities:			
School food service	\$ 136,115	\$ -	\$ 136,115
Child care	<u>-</u>	<u>268</u>	<u>268</u>
Total	<u>\$ 136,115</u>	<u>\$ 268</u>	<u>\$ 136,383</u>

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Due from other governments consists of the following:

Governmental activities:			
State Public School Fund	\$ 1,652,786	Operating funds from DPI	
General Fund	337,511	Tax reimbursements	
Federal Grants Fund	<u>89,586</u>	Federal grant funds	
Total governmental activities	<u>\$ 2,079,883</u>		
Business-type activities:			
School Food Service	<u>\$ 136,115</u>	Federal reimbursements	

(4) Capital Assets

Capital asset activity for the year ended June 30, 2021 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	\$ 6,776,775	\$ -	\$ -	\$ -	\$ 6,776,775
Construction in progress	6,345,028	1,182,812	-	(7,474,939)	52,901
Total capital assets not being depreciated	<u>13,121,803</u>	<u>1,182,812</u>	<u>-</u>	<u>(7,474,939)</u>	<u>6,829,676</u>
Capital assets being depreciated:					
Buildings and improvements	167,377,058	765,636	(33,473)	7,474,939	175,584,160
Equipment and furniture	8,862,313	44,571	(996,199)	-	7,910,685
Vehicles	12,208,763	571,635	-	-	12,780,398
Total capital assets being depreciated	<u>188,448,134</u>	<u>1,381,842</u>	<u>(1,029,672)</u>	<u>7,474,939</u>	<u>196,275,243</u>
Less accumulated depreciation for:					
Buildings and improvements	64,057,432	4,193,623	(33,473)	-	68,217,582
Equipment and furniture	8,102,243	78,277	(996,199)	-	7,184,321
Vehicles	8,909,282	616,267	-	-	9,525,549
Total accumulated depreciation	<u>81,068,957</u>	<u>4,888,167</u>	<u>(1,029,672)</u>	<u>-</u>	<u>84,927,452</u>
Total capital assets being depreciated, net	<u>107,379,177</u>				<u>111,347,791</u>
Governmental activity capital assets, net	<u>\$ 120,500,980</u>				<u>\$ 118,177,467</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 4,309,980
Operational support services	<u>578,187</u>
	<u>\$ 4,888,167</u>

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	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balances</b>
Business-type activities:					
Capital assets being depreciated:					
Furniture and equipment	\$ 2,907,476	\$ 16,591	\$ (310,376)	\$ -	\$ 2,613,691
Vehicles	75,226	-	-	-	75,226
Total capital assets being depreciated	2,982,702	16,591	(310,376)	-	2,688,917
Less accumulated depreciation:					
Furniture and equipment	2,626,077	85,369	(310,376)	-	2,401,070
Vehicles	75,226	-	-	-	75,226
Total accumulated depreciation	2,701,303	85,369	(310,376)	-	2,476,296
Business-type activities capital assets, net	<u>\$ 281,399</u>				<u>\$ 212,621</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 Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO

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if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$6,855,172 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Board reported a liability of \$37,610,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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. The Board's proportion was .3113% and .3116% at June 30, 2021 and June 30, 2020, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$10,093,274. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,072,516	\$ -
Changes of assumptions	1,274,499	-
Net difference between projected and actual earnings on pension plan investments	4,159,286	-
Changes in proportions and differences between Board contributions and proportionate share of contributions	-	991,265
Board contributions subsequent to the measurement date	<u>6,855,172</u>	<u>-</u>
Total	<u>\$ 14,361,473</u>	<u>\$ 991,265</u>

The Board reported \$6,855,172 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, 2022.

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

<b>Year ended June 30:</b>	
2022	\$ 2,027,023
2023	1,670,346
2024	1,578,580
2025	<u>1,239,087</u>
	<u>\$ 6,515,036</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The assumptions used for the December 31, 2019 actuarial valuation are based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016, 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.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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	<u>6.0%</u>	4.0%
Totals	<u>100.0%</u>	

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The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.0%. The discount rate used is consistent with the prior measurement date. 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 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Board’s proportionate share of the net pension liability	\$ 67,689,254	\$ 37,610,048	\$12,379,820

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

**(b) Other Postemployment Healthcare Benefits**

*Plan description.* The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the state, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

The financial statements and other required disclosures for the plan are presented in the state of North Carolina’s 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

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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.

*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. Contributions to the RHBF plan from the board were \$3,098,277 for the year ended June 30, 2021.

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

At June 30, 2021, Board reported a liability of \$76,356,212 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.2753% and 0.2731%, respectively.

\$3,098,277 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022.



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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>	
2022	\$ (12,611,678)
2023	(12,603,293)
2024	(6,321,657)
2025	(2,203,971)
2026	<u>(2,392,654)</u>
	<u>\$ (36,133,253)</u>

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

Inflation	3.0%
Salary increases based on service	Teachers: 7.55% grading down to 3.5% General Employees: 5.5% grading down to 3.5%
Investment rate of return	7.0%,
Healthcare cost trend rates:	
Medical	6.5% grading down to 5.0% by 2024 for non-MA and MA coverage
Prescription drug	9.5% grading down to 5.0% by 2028
Administrative costs	3.0%
Post-Retirement Mortality Rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.21% at June 30, 2020 compared to 3.5% at June 30, 2019. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the 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 (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 90,553,636	\$ 76,356,212	\$ 64,917,821

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*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</b> (Medical - 4.0-5.5%, Pharmacy - 4.0-8.5%, Medicare Advantage - 4.0-5.5%, <u>Administrative - 2.0%</u> )	<b>Healthcare Trend Rates</b> (Medical - 5.0-6.5%, Pharmacy - 5.0-9.5%, Medicare Advantage - 5.0-6.5%, <u>Administrative - 3.0%</u> )	<b>1% Increase</b> (Medical - 6.0-7.5%, Pharmacy - 6.0-10.5%, Medicare Advantage - 6.0-7.5%, <u>Administrative - 4.00%</u> )
Net OPEB liability	\$ 61,556,913	\$ 76,356,212	\$ 96,137,467

*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.

**(c) Other Postemployment Disability Benefits**

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

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

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

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

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

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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, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$41,743 for the year ended June 30, 2021.

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

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

At June 30, 2021, Board reported an asset of \$134,586 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.2736% and 0.2764%, respectively.

\$41,743 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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<u>Year ended June 30:</u>	
2022	\$ 27,602
2023	18,448
2024	9,141
2025	15,064
2026	1,208
Thereafter	<u>4,042</u>
	<u>\$ 75,505</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including inflation

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB asset, as well as what the Board's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.75 percent) or 1 percentage point higher (4.75 percent) than the current discount rate:

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 116,233	\$ 134,586	\$ 152,403

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

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

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

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

**Board of Education of Franklin County Schools  
Notes to Financial Statements**

<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:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB (benefit) expense	\$ (3,933,058)	\$ 101,914	\$ (3,831,144)
OPEB liability (asset)	(76,356,212)	134,586	(76,221,626)
Proportionate share of the net OPEB liability (asset)	0.275%	0.274%	
Deferred outflows of resources			
Differences between expected and actual experience	69,173	97,496	166,669
Changes of assumptions	3,348,656	10,464	3,359,120
Net difference between projected and actual earnings on pension plan investments	160,853	-	160,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	560,085	2,032	562,117
Employer contributions subsequent to the measurement date	3,098,277	41,743	3,140,020
Total	<u>\$ 7,237,044</u>	<u>\$ 151,735</u>	<u>\$ 7,388,779</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 2,987,149	\$ -	\$ 2,987,149
Changes of assumptions	30,986,556	10,598	30,997,154
Net difference between projected and actual earnings on pension plan investments	-	22,800	22,800
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,298,315	1,089	6,299,404
Employer contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 40,272,020</u>	<u>\$ 34,487</u>	<u>\$ 40,306,507</u>

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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(2) Payables

Payables as of June 30, 2021 are as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General fund	\$ 621,484	\$ 13,360	\$ 634,844
Other governmental	<u>558</u>	<u>1,748,300</u>	<u>1,748,858</u>
Total governmental activities	<u>\$ 622,042</u>	<u>\$ 1,761,660</u>	<u>\$ 2,383,702</u>
Business-type activities:			
School food service	<u>\$ 25,556</u>	<u>\$ -</u>	<u>\$ 25,556</u>

(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)	\$ 2,239,185	\$ 2,987,149
Changes of assumptions (Pension & OPEB)	4,633,619	30,997,154
Net difference between projected and actual earnings on plan investments (Pension & OPEB)	4,320,139	22,800
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	562,117	7,290,669
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>9,995,192</u>	<u>-</u>
Totals	<u>\$ 21,750,252</u>	<u>\$ 41,297,772</u>

(4) Unearned Revenues

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

Prepayments for meals (School Food Service Fund)	<u>\$ 49,463</u>
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(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The 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 (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

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insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an “all risk” perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction. The Board carries additional flood insurance coverage of \$5 million per location and \$15 million per occurrence purchased through NC Public School Insurance Fund.

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

In accordance with G.S. 115C-442, the Board’s employees who have custody of the Board’s monies at any given time of the Board’s funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

(6) Contingent Liabilities

At June 30, 2021, 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 these legal matters will not have a material adverse effect on the Board’s financial position.

(7) Long-Term Obligations

**(a) Installment Purchase**

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, 2020, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contract requires only principal payments at the beginning of each contract year.

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

<u>Year Ending</u> <u>June 30</u>	
2022	\$ 420,574
2023	<u>138,310</u>
	<u>\$ 558,884</u>

**Board of Education of Franklin County Schools**  
**Notes to Financial Statements**

**(b) Long-Term Obligation Activity**

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

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement					
installment purchases	\$ 736,436	553,250	730,802	\$ 558,884	420,574
Net pension liability	31,155,590	5,116,087	-	36,271,677	-
Net OPEB liability	83,330,940	-	9,726,782	73,604,158	-
Compensated absences	3,980,212	2,734,468	2,734,089	3,980,591	1,620,820
Total	<u>\$ 119,203,178</u>	<u>\$ 8,403,805</u>	<u>\$ 13,191,673</u>	<u>\$ 114,415,310</u>	<u>2,041,394</u>
Business-type activities:					
Net pension liability	1,151,995	186,376	-	1,338,371	-
Net OPEB liability	3,106,392	-	354,338	2,752,054	-
Compensated absences	106,987	103,391	116,084	94,294	52,030
Total	<u>\$ 4,365,374</u>	<u>\$ 289,767</u>	<u>\$ 470,422</u>	<u>\$ 4,184,719</u>	<u>52,030</u>

Compensated absences for governmental activities are typically liquidated by the general and other governmental funds.

**(8) Interfund Balances and Activity**

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

From the General Fund to the Individual Schools Fund for athletic event reimbursements	<u>\$ 91,776</u>
From the Capital Outlay Fund to the Individual Schools Fund for capital outlay expenditures	<u>\$ 60,000</u>

**C. Fund Balance**

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: revenues restricted as to use, and secondly general unrestricted revenues.

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	\$ 6,913,193
Less:	
Inventories	78,278
Stabilization by State Statute	<u>338,899</u>
Unassigned Fund Balance	<u>\$ 6,496,016</u>



**Board of Education of Franklin County Schools  
Notes to Financial Statements**

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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>	<i>Restricted Revenues</i>
	\$-0-	\$-0-	\$-0-

**3. Summary Disclosure of Significant Contingencies**

***Federal and State Assisted Programs***

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

***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus (“COVID-19”) to be a pandemic. The COVID-19 pandemic continuing to have a widespread, rapidly evolving, and unpredictable impacts on global society, economies, and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. The COVID-19 pandemic has impacted and may continue to impact our Board, including employees, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

**Board of Education of Franklin 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 Eight Fiscal Years\***

**Schedule 1**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Board's proportion of the net pension liability	0.3113%	0.3116%	0.3144%	0.3235%	0.3392%	0.3303%	0.3243%	0.3126%
Board's proportionate share of the net pension liability	\$ 37,610,048	\$ 32,307,585	\$ 31,301,944	\$ 25,666,330	\$ 31,178,742	\$ 12,171,100	\$ 3,802,278	\$ 18,978,005
Board's covered payroll	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784	\$ 44,822,779	\$ 42,653,418	\$ 42,162,910
Board's proportionate share of the net pension liability as a percentage of its covered payroll	79.36%	70.93%	71.12%	58.25%	68.02%	27.15%	8.91%	45.01%
Plan fiduciary net position as a percentage of the total pension liability	92.01%	92.02%	91.89%	89.51%	87.32%	94.64%	98.24%	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 Franklin County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Teachers' and State Employees' Retirement System  
Last Eight Fiscal Years\*

Schedule 2

	<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	\$ 6,855,172	\$ 6,100,994	\$ 5,535,748	\$ 4,698,361	\$ 4,621,740	\$ 4,116,742	\$ 4,114,149	\$ 3,652,004
Contributions in relation to the contractually required contribution	<u>6,855,172</u>	<u>6,100,994</u>	<u>5,535,748</u>	<u>4,698,361</u>	<u>4,621,740</u>	<u>4,116,742</u>	<u>4,114,149</u>	<u>3,652,004</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784	\$ 44,822,779	\$ 42,653,418
Contributions as a percentage of covered payroll	14.63%	12.87%	12.15%	10.67%	10.49%	8.98%	9.18%	8.56%

\* Ten years of data not yet available

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

**Schedule 3**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.2753%	0.2731%	0.2806%	0.2974%	0.2971%
Board's proportionate share of the net OPEB liability	\$ 76,356,212	\$ 86,437,332	\$ 79,938,148	\$ 97,501,426	\$ 129,225,268
Board's covered payroll	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	161.12%	189.76%	181.61%	221.27%	281.93%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	3.52%	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 Franklin County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Retiree Health Benefit Fund  
Last Five Fiscal Years\*

Schedule 4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,098,277	\$ 3,043,440	\$ 2,824,176	\$ 2,636,835	\$ 2,527,287
Contributions in relation to the contractually required contribution	<u>3,098,277</u>	<u>3,043,440</u>	<u>2,824,176</u>	<u>2,636,835</u>	<u>2,527,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	6.61%	6.42%	6.20%	5.99%	5.74%

\* Ten years of data not yet available

Board of Education of Franklin 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 Four Fiscal Years\*

Schedule 5

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.2736%	0.2764%	0.2794%	0.2874%	0.3043%
Board's proportionate share of the net OPEB asset	\$ 134,586	\$ 119,245	\$ 84,860	\$ 175,653	\$ 188,952
Board's covered payroll	\$47,389,753	\$45,551,535	\$44,015,398	\$44,063,774	\$45,835,784
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.28%	0.26%	0.19%	0.40%	0.41%
Plan fiduciary net position as a percentage of the net OPEB asset	116.47%	116.47%	116.37%	116.23%	116.06%

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

Schedule 6

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 41,743	\$ 47,039	\$ 63,060	\$ 61,018	\$ 165,051
Contributions in relation to the contractually required contribution	<u>41,743</u>	<u>47,039</u>	<u>63,060</u>	<u>61,018</u>	<u>165,051</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.37%

\* Ten years of data not yet available

Board of Education of Franklin County Schools  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 Capital Outlay Fund  
 For the Fiscal Year Ended June 30, 2021

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 777,462	\$ 730,802	\$ (46,660)
Franklin County:			
General county revenues	1,000,000	1,073,196	73,196
Other:			
Interest earned on investments	-	121	121
	<u>-</u>	<u>121</u>	<u>121</u>
Total revenues	<u>1,777,462</u>	<u>1,804,119</u>	<u>26,657</u>
Expenditures:			
Capital outlay:			
Real property and buildings		1,509,285	
Furnishings and equipment		28,552	
Buses and motor vehicles		584,275	
Total capital outlay	<u>2,112,714</u>	<u>2,122,112</u>	<u>(9,398)</u>
Debt service:			
Principal	<u>777,462</u>	<u>730,802</u>	<u>46,660</u>
Total expenditures	<u>2,890,176</u>	<u>2,852,914</u>	<u>37,262</u>
Revenues under expenditures	<u>(1,112,714)</u>	<u>(1,048,795)</u>	<u>63,919</u>
Other financing sources (uses):			
Transfers to other funds	(60,000)	(60,000)	-
Installment purchase obligations issued	186,630	553,250	366,620
Total other financing sources (uses)	<u>126,630</u>	<u>493,250</u>	<u>366,620</u>
Fund balance appropriated	<u>986,084</u>	<u>-</u>	<u>(986,084)</u>
Net change in fund balance	<u>\$ -</u>	<u>(555,545)</u>	<u>\$ (555,545)</u>
Fund balance:			
Beginning of year		<u>2,299,155</u>	
End of year		\$ 1,743,610	
Amounts reported on the Statement of Revenue, Expenditures and Changes in Fund Balance are different from the Budget and Actual Statement due to capital outlay activity incurred by Franklin County on behalf of the Board:			
Capital outlay contributed to the Board		1,182,812	
County expenditures - financed through local sources		<u>(1,182,812)</u>	
Fund balance		<u>\$ 1,743,610</u>	



Board of Education of Franklin County Schools  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Individual Schools  
 For the Fiscal Year Ended June 30, 2021

Schedule 8

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers from other funds</u>	<u>Net change in fund balance</u>	<u>Fund balances July 1, 2020</u>	<u>Fund balances June 30, 2021</u>
Bunn Elementary	\$ 13,088	\$ 28,671	\$ 11,358	\$ (4,225)	\$ 29,210	\$ 24,985
Bunn Middle	32,179	36,868	12,391	7,702	20,330	28,032
Bunn High	106,249	122,478	35,367	19,138	131,736	150,874
Franklinton Elementary	14,183	15,024	-	(841)	12,900	12,059
Franklinton Middle	19,030	28,092	12,995	3,933	13,919	17,852
Franklinton High	165,047	171,270	44,015	37,792	149,427	187,219
Louisburg Elementary	14,318	18,477	-	(4,159)	28,462	24,303
Louisburg High	109,560	100,018	11,000	20,542	104,802	125,344
Terrell Lane Middle	20,753	35,396	10,675	(3,968)	32,753	28,785
Cedar Creek Middle	32,806	38,655	12,575	6,726	48,867	55,593
Edward Best Elementary	12,102	14,442	-	(2,340)	41,583	39,243
Early College High School	10,904	14,148	1,400	(1,844)	13,917	12,073
Laurel Mill Elementary	9,758	14,784	-	(5,026)	13,301	8,275
Youngsville Elementary	15,557	22,069	-	(6,512)	21,896	15,384
Long Mill Elementary	11,013	14,097	-	(3,084)	23,266	20,182
Royal Elementary	10,184	25,278	-	(15,094)	25,888	10,794
	<u>\$ 596,731</u>	<u>\$ 699,767</u>	<u>\$ 151,776</u>	<u>\$ 48,740</u>	<u>\$ 712,257</u>	<u>\$ 760,997</u>

Board of Education of Franklin County Schools  
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
 School Food Service Fund  
 For the Fiscal Year Ended June 30, 2021

Schedule 9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - food sales	\$ 19,889	\$ 11,933	\$ (7,956)
Operating expenditures:			
Business support services:			
Purchase of food		1,008,080	
Donated commodities		555,861	
Food processing supplies		136,460	
Salaries and benefits		2,493,735	
Materials and supplies		80,025	
Repairs and maintenance		63,422	
Non-capitalized equipment		37,873	
Other		30,194	
Total operating expenditures	<u>4,404,585</u>	<u>4,405,650</u>	<u>(1,065)</u>
Operating loss	<u>(4,384,696)</u>	<u>(4,393,717)</u>	<u>(9,021)</u>
Nonoperating revenues:			
Federal reimbursements	4,377,446	3,916,931	(460,515)
Federal commodities	-	555,861	555,861
Interest earned	250	628	378
Other	7,000	16,780	9,780
Total nonoperating revenues	<u>4,384,696</u>	<u>4,490,200</u>	<u>105,504</u>
Excess of expenditures over revenues before other financing sources	-	96,483	96,483
Other financing sources:			
Transfers from other funds	-	-	-
Excess of revenues over expenditures	<u>\$ -</u>	96,483	<u>\$ 96,483</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(85,369)	
State OPEB contribution		44,091	
Increase in inventories		190,390	
Increase in net OPEB asset		518	
Increase in deferred outflows of resources		47,171	
Decrease in compensated absences payable		12,693	
Increase in net pension liability		(178,742)	
Decrease in net OPEB liability		339,826	
Increase in deferred inflows of resources		(37,209)	
Change in net deficit (full accrual)		<u>\$ 429,852</u>	

Board of Education of Franklin County Schools  
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
 Child Care Fund  
 For the Fiscal Year Ended June 30, 2021

Schedule 10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - child care fees	\$ 48,630	\$ 48,746	\$ 116
Operating expenditures:			
Regular community service			
Salaries and benefits		129,257	
Materials and supplies		4,519	
Other		1,482	
Total operating expenditures	<u>150,515</u>	<u>135,258</u>	<u>15,257</u>
Revenues over (under) expenditures before other financing sources	(101,885)	(86,512)	15,373
Other financing sources:			
Transfers from other funds	<u>101,885</u>	<u>-</u>	<u>(101,885)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>(86,512)</u>	<u>\$ (86,512)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
State OPEB contribution		1,883	
Increase in net OPEB asset		22	
Increase in deferred outflows of resources		2,014	
Increase in net pension liability		(7,634)	
Decrease in net OPEB liability		14,512	
Increase in deferred inflows of resources		<u>(904)</u>	
Change in net deficit (full accrual)		<u>\$ (76,619)</u>	



# Independent Auditors' 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*

Board of Education  
Franklin County Schools  
Louisburg, NC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Franklin County Schools, North Carolina ("Board") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 22, 2021.

## ***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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in



the accompanying schedule of findings and questioned costs as item 2021-001, we did identify a deficiency in internal control that we consider to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Board's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Response to Findings***

The Board's response to the finding identified in our audit are 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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
November 22, 2021



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

Board of Education  
Franklin County Schools  
Louisburg, NC

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

We have audited the Board of Education of Franklin County Schools, North Carolina, ("Board") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2021. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## ***Auditors' Responsibility***

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

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



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

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, 2021.

***Report on Internal Control Over Compliance***

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

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

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

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

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
November 22, 2021



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

Board of Education  
Franklin County Schools  
Louisburg, NC

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

We have audited the Board of Education of Franklin County Schools, North Carolina ("Board") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major state programs for the year ended June 30, 2021. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

## ***Auditors' Responsibility***

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

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





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

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

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

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

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

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

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
November 22, 2021

**1. Summary of Auditors' Results**

***Financial Statements***

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

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses  yes  none reported

Noncompliance material to financial statements noted  yes  no

***Federal Awards***

Internal control over major federal programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses  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>
84.010	Title I Grants
21.019	COVID-19 Coronavirus Relief Fund
84.425	COVID-19 Education Stabilization Fund

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

Auditee qualified as low-risk auditee?  yes  no

**State Awards**

Internal control over major state programs:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes      x   none reported

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

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

Identification of major state programs:

**Program Name**

N. C. Department of Public Instruction:  
State Public School Fund

Career and Technical Education – State Months of Employment

**2. Financial Statement Findings**

***Finding 2021-001***

***Reconciliation and Proper Recording of Certain Balance Sheet Accounts***

**SIGNIFICANT DEFICIENCY**

*Criteria:* Balance sheet accounts should be reconciled to underlying accounting records and subledgers on a periodic basis.

*Condition:* Account reconciliations and proper procedures for certain balance sheet accounts were not being performed accurately resulting in an initial misstatement in the accounts at June 30, 2021.

*Effect:* Several adjustments, some identified by Board staff and others identified as the result of the audit, were required to adjust accounts to actual at June 30, 2021.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2020-002.

*Cause:* The Board did not have an appropriate closing process on a monthly or annual basis.

*Recommendation:* Employees responsible for account reconciliations should receive training how to perform the procedure appropriately. The Balance Sheet should also be examined on a periodic basis to ensure that accounts agree to their respective underlying records. The underlying records should also be investigated to ensure they are accurate.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 16 for the Corrective Action Plan.

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

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



Franklin County Schools  
Central Office  
53 West River Road  
Louisburg, NC 27549

**Board of Education of Franklin County Schools  
Summary Schedule of Prior Audit Findings**

**Schedule 12**

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***Finding 2020-001***

Status: Corrected

***Finding 2020-002***

Status: See Finding 2021-001

***Finding 2020-003***

Status: Corrected

***Finding 2021-001***

SIGNIFICANT DEFICIENCY

*Name of contact person:* Quinnley Coley, Chief of Finance

*Corrective Action:* The Board agrees with this finding. Additional training and ongoing review of the fund account balances will be provided to avoid future recurrences. This has been discussed and addressed with current staff.

*Proposed Completion Date:* June 30, 2022

Board of Education of Franklin County Schools  
 Schedule of Expenditures of Federal and State Awards  
 For the Fiscal Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3) Child Nutrition Cluster: Non-Cash Assistance (Commodities) Passed-through the N.C. Department of Agriculture National School Lunch Program	10.555	PRC 035	\$ 555,861
Cash Assistance Passed-through the N.C. Department of Public Instruction Summer Food Service Program for Children	10.559	PRC 050	3,916,931
Total Cash Assistance			3,916,931
Total Child Nutrition Cluster:			4,472,792
Total School Nutrition Program (Note 3)			4,472,792
Total U.S. Department of Agriculture			4,472,792
<u>U.S. Department of Education</u>			
Cash Assistance Passed-through the N.C. Department of Public Instruction Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) Total Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	2,522,016
			2,522,016
Special Education Cluster: Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	1,149,121
Early Intervening Services	84.027	PRC 070	156,289
Special Needs Target Assistance	84.027	PRC 118	3,771
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	45,635
Preschool Targeted Assistance	84.173	PRC 119	2,049
Total Special Education Cluster:			1,356,865
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	160,473
State Personnel Development	84.323	PRC 082	40
English Language Acquisition Grant	84.365	PRC 104/111	58,836
Supporting Effective Instruction State Grants	84.367	PRC 103	432,312
Education for Homeless Children and Youth	84.029	PRC 026	49,321
Student Support and Academic Enrichment Program	84.424	PRC 108	247,403
COVID-19 Education Stabilization Fund K12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	1,654,638
Specialized Instructional Support for COVID-19 Response - GEER I	84.425C	PRC 169	13,505
K12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	483,959
Total COVID-19 Education Stabilization Fund	84.425		2,152,102
Total U.S. Department of Education			6,979,368
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	NONE	PRC 031	91,027
<u>U.S. Department of Treasury</u>			
Cash Assistance Passed-through the Office of State Budget and Management: NC Pandemic Recovery Office Passed-through the N.C. Department of Public Instruction: COVID-19 Coronavirus Relief Fund			
Summer Learning Program		PRC 121	330,511
School Health Support Personnel		PRC 122	9,185
Remote Instructional		PRC 123	13,771
Student Computers and Devices		PRC 124	186,584
Personnel Computers and Devices		PRC 126	26,107
Connectivity Student Mobile Internet Access		PRC 128	62,643
Services for Exceptional Children		PRC 132	97,994
Low Wealth Counties Supplemental Funding		PRC 134	479,054
Cybersecurity		PRC 135	20,260
Personal Protective Equipment		PRC 137	149,086
Total COVID-19 Coronavirus Relief Fund	21.019		1,375,195
<b>Total Federal Assistance</b>			<b>12,918,382</b>

Board of Education of Franklin County Schools  
 Schedule of Expenditures of Federal and State Awards  
 For the Fiscal Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>State Grants:</b>			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 51,639,690
Driver Training - SPSF		PRC 012	145,885
School Technology Fund - SPSF		PRC 015	30,413
Career and Technical Education			
- State Months of Employment		PRC 013	2,805,619
- Program Support Funds		PRC 014	241,319
Textbooks and Digital Resources		PRC 131	90,017
Total N.C. Department of Public Instruction			<u>54,952,943</u>
<u>N.C. Department of Health and Human Services</u>			
Division of Public Health:			
State School Nurse Initiative			214,545
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	<u>730,802</u>
<b>Total State Assistance</b>			<b><u>55,898,290</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$ 68,816,672</u></b>

**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 Franklin County Schools (the "Board") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of 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: Noncash Assistance

Included in the amounts reported on the SEFSA, the Board received non-cash assistance in the form of food commodities and school buses. Non-cash items with a fair value of \$1,286,663 were received during the year ended June 30, 2021. These non-cash items received were included in the determination of federal and State awards expended for the year ended June 30, 2021.