

Board of Education of Franklin County Schools

Financial Statements

Year Ended June 30, 2022

Table of Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4

Exhibit

Basic Financial Statements:

Government-Wide Financial Statements	
1	Statement of Net Position (Deficit)..... 12
2	Statement of Activities..... 13
Fund Financial Statements	
3	Balance Sheet - Governmental Funds..... 14
3	Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)..... 14
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... 15
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... 16
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds..... 17
7	Statement of Net Position (Deficit) - Proprietary Fund..... 21
8	Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit) - Proprietary Funds..... 22
9	Statement of Cash Flows - Proprietary Funds..... 23
	Notes to the Financial Statements..... 24

Schedule

Required Supplementary Information:

1	Schedule of the Board’s Proportionate Share of the Net Pension Liability - Teachers’ and State Employees’ Retirement System..... 47
2	Schedule of Board Contributions - Teachers’ and State Employees’ Retirement System..... 48
3	Schedule of the Board’s Proportionate Share of the Net OPEB Liability - Retiree Health Benefit Fund..... 49
4	Schedule of Board Contributions - Retiree Health Benefit Fund..... 50
5	Schedule of the Board’s Proportionate Share of the Net OPEB Asset - Disability Income Plan of North Carolina..... 51
6	Schedule of Board Contributions - Disability Income Plan of North Carolina..... 52

Schedule

Supplementary Information - Combining and Individual Fund Statements and Schedules:

7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	53
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Individual Schools	54
9	Schedule of Revenues, and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund.....	55
10	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Child Care Fund	56

Compliance Section:

	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
	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	59
	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	62

Schedule

11	Schedule of Findings and Questioned Costs	65
12	Summary Schedule of Prior Audit Findings	67
13	Schedule of Expenditures of Federal and State Awards	68

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Board adopted Governmental Auditing Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 and the Teachers' and State Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Board Contributions, on pages 47 through 48, respectively, and the Retiree Health Benefit Fund's Schedules of Proportionate Share of the Net OPEB Liability and Board Contributions, on pages 49 through 50, respectively, and the Disability Income Plan of North Carolina's Schedules of the Proportionate Share of the Net OPEB Asset and Board Contributions, on pages 51 through 53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FORVIS

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

FORVIS,LLP

**Winston-Salem, NC
November 16, 2022**

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

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, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Franklin County Schools 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.
- In spite of COVID-19, we have managed to continue to move forward in a positive direction. We realized quickly that our 1:1 device initiative at the middle and high school levels needed to be rapidly expanded to include our PreK-5 students. We purchased additional devices to ensure that each student in our district would have access to a chromebook or tablet. We also recognized that the impact of internet connectivity challenges on many of our families impeded their ability to effectively access instruction online. In response, we were able to purchase and support over 900 hot spots for student and staff use through a combination of CARES Act funding and assistance from community partners such as United Way and Novozymes. To support ongoing equipment needs, including replenishing, upgrading, and repairing existing equipment, we allocated additional funds for this purpose.
- For the 2021-2022 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. The county's support of implementation of our classified salary study is also a success story for us. The implementation and maintenance of the new classified salary tables has provided 430 of our employees with a more competitive salary schedule that is not stagnant, with step increases of 1.5% per year. Our ability to recruit and retain classified employees, many of whom live in Franklin County, is beneficial to not just our students, but our larger community. These priorities have resulted positively in a competitive market for good, qualified staff.
- Through the collaborative efforts of the Board of Education and district leadership, projects consistent with the Capital Improvement Plan (CIP) are analyzed each year for identification of funding needs. In addition, this year we submitted our five-year capital needs report to NCDPI. This report identified over \$70 million in facilities needs over the course of the next ten years. These include big-ticket items such as HVAC, roofing, paving and carpeting, as well as a variety of miscellaneous projects needed to support a healthy and safe work environment conducive to working and learning. In addition, the district is conducting a feasibility study for Franklinton Elementary.
- We have identified \$1,500,000 in capital outlay needs for the 2021-22 school year. These include \$1,000,000 in recurring needs, and a \$500,000 allocation towards tackling new projects such as flooring, pavement repair, and roofing. We will be utilizing ESSER II funds in the amount of \$400,000 to support HVAC needs for the upcoming year.
- We were excited to have completed construction of the Louisburg High School athletic complex this year. This stadium offers a significant upgrade to the existing facility and will serve as a source of pride for the Louisburg High School community and the county at large. 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.
- With the assistance of the Franklin County Board of Commissioners, we have also been able to relocate the Franklin County Early College High School from the mobile unit where it was housed for the past ten years to a larger, more permanent brick-and-mortar facility on the Vance-Granville Community College campus. We look forward to continuing to expand this successful program, and the new location lays the foundation for this.
- 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 for the 2022-2023 school year, Franklin County

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

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 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. For the 2021-22 school year, we projected that "pass-through" funding levels for charter from our local budget increased by \$439,353 for a total "pass-through" of \$4.1 Million of local funds going directly to charter schools.

Overview of the Financial Statements

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

- Independent Auditor's Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental information and supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and budgetary statements for the governmental and proprietary funds.

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

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

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

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

the total of the liabilities and deferred inflows of resources - is one way to measure the unit's financial health or position.

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

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

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

Franklin County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 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.

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

Financial Analysis of the Board as a Whole

Net position or deficit is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8.5 million as of June 30, 2022. The largest positive component of the net deficit is the Board's net investment in capital assets of \$116.2 million. Restricted and unrestricted net position (deficit) amounted to \$2.5 million and (\$110.2) million, respectively. The Board's overall financial position improved in in the current year, as the net deficit decreased by \$12.8 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 Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components have a \$119.2 million negative effect on the Board's overall net position.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 15,178,643	\$ 16,147,080	\$ 2,399,782	\$ 1,711,977	\$ 17,578,425	\$ 17,859,057
Capital assets	116,189,811	118,177,467	193,856	212,621	116,383,667	118,390,088
Total assets	<u>131,368,454</u>	<u>134,324,547</u>	<u>2,593,638</u>	<u>1,924,598</u>	<u>133,962,092</u>	<u>136,249,145</u>
Deferred outflows of resources	23,800,450	20,973,000	879,969	777,252	24,680,419	21,750,252
Current liabilities	2,666,435	4,425,096	180,805	127,049	2,847,240	4,552,145
Long-term liabilities	94,362,346	112,373,916	3,450,546	4,132,689	97,812,892	116,506,605
Total liabilities	<u>97,028,781</u>	<u>116,799,012</u>	<u>3,631,351</u>	<u>4,259,738</u>	<u>100,660,132</u>	<u>121,058,750</u>
Deferred inflows of resources	47,686,878	39,778,961	1,803,617	1,518,811	49,490,495	41,297,772
Invested in capital assets, net of related debt	115,958,185	117,618,583	193,856	212,621	116,152,041	117,831,204
Restricted net position	2,498,693	2,974,746	1,563	4,765	2,500,256	2,979,511
Unrestricted net deficit	<u>(108,003,633)</u>	<u>(121,873,755)</u>	<u>(2,156,780)</u>	<u>(3,294,085)</u>	<u>(110,160,413)</u>	<u>(125,167,840)</u>
Total net deficit	<u>\$ 10,453,245</u>	<u>\$ (1,280,426)</u>	<u>\$ (1,961,361)</u>	<u>\$ (3,076,699)</u>	<u>\$ 8,491,884</u>	<u>\$ (4,357,125)</u>

The net deficit of the Board's governmental activities decreased from \$(1.3) million at June 30, 2021 to a net position of \$10.5 million at June 30, 2022, a decrease of \$11.8 million. The Board's net investment in capital assets decreased by \$1.7 million during the year due primarily to depreciation expense in excess of capital outlay. Restricted and unrestricted combined net deficit decreased by \$13.4 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.

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

The net deficit of business-type activities decreased \$1.2 million from \$3.1 million at June 30, 2021 to \$2 million at June 30, 2022. This decrease in the net deficit is attributable to an increase in federal assistance to assist with the continued costs related to COVID-19.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,281,587	\$ 653,766	\$ 623,371	\$ 60,679	\$ 1,904,958	\$ 714,445
Operating grants and contributions	72,350,359	58,105,603	5,229,140	4,472,792	77,579,499	62,578,395
Capital grants and contributions	513,888	730,802	-	-	513,888	730,802
General revenues:					-	-
Unrestricted state and federal appropriations	3,814,511	6,463,910	17,071	45,974	3,831,582	6,509,884
Unrestricted county appropriations	22,821,872	23,448,944	-	-	22,821,872	23,448,944
Other revenues	1,963,193	1,716,582	11,791	17,408	1,974,984	1,733,990
Total revenues	102,745,410	91,119,607	5,881,373	4,596,853	108,626,783	95,716,460
Expenses:						
Governmental activities:						
Instructional services	64,075,572	60,551,799	-	-	64,075,572	60,551,799
System-wide support services	18,057,988	16,914,705	-	-	18,057,988	16,914,705
Ancillary services	542,430	65,626	-	-	542,430	65,626
Non-programmed charges	4,125,624	3,933,641	-	-	4,125,624	3,933,641
Unallocated depreciation expense	4,210,125	4,309,980	-	-	4,210,125	4,309,980
Business-type activities:						
School food service	-	-	4,542,321	4,116,372	4,542,321	4,116,372
Child care	-	-	223,714	127,248	223,714	127,248
Total expenses	91,011,739	85,775,751	4,766,035	4,243,620	95,777,774	90,019,371
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	11,733,671	5,343,856	1,115,338	353,233	12,849,009	5,697,089
Net deficit, beginning	(1,280,426)	(6,624,282)	(3,076,699)	(3,429,932)	(4,357,125)	(10,054,214)
Net deficit, ending	\$ 10,453,245	\$ (1,280,426)	\$ (1,961,361)	\$ (3,076,699)	\$ 8,491,884	\$ (4,357,125)

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

During the year ended June 30, 2022, governmental activities generated revenues of \$102.8 million compared with total expenses of \$91 million, resulting in the aforementioned decrease in net deficit for these activities of approximately \$11.8 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 57.9%, 22.3%, and 16.8% of revenues. The main driving force behind the increase in revenues of 11.6 million is an increase in operating grants and contributions of \$14.2 million. Instructional services expenses comprised 73.1% of total governmental activities expenses while system-wide support services made up 19.6% of those expenses for the year ended June 30, 2022. In comparison, in the previous year, instructional services and system-wide support services were 72.4% and 18.2%, respectively, of total expenses.

Business-type activities generated revenue of \$5.9 million and incurred expenses of \$4.8 million, resulting in a decrease in net deficit of \$1.1 million. When compared to the prior year, charges for services increased by \$563 thousand. Expenditures increased \$522 thousand which also primarily driven to increase in salaries, benefits, and food costs.

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 \$14.2 million at June 30, 2022, a \$613 thousand increase when compared to the prior year. Total revenues increased by 12.7 million, or 14.1%, during the year. Total expenditures increased by \$14.4 million when compared to the prior year with the increase being primarily attributable to increased state and federal funding. Specifically related to the General Fund, funding from Franklin County stayed relatively consistent at \$21.2 million when compared to the prior year. Expenditures during the period increased by \$2.9 million over the prior year due to increases in personnel costs. The Restricted Revenues Fund recognized increases in total revenues of \$336 thousand for the year ended June 30, 2022 compared to the year ended June 30, 2021. The Board received \$600 thousand less in County capital outlay support in the fiscal year ended June 30, 2022, when compared to June 30, 2021, due to the completion of several construction projects.

Proprietary Funds: The Board's business-type funds reported a combined net deficit of \$2 million at June 30, 2022, a \$1.1 million decrease in deficit when compared to the prior year. The School Food Service Fund incurred a net income of \$1 million during the year ended June 30, 2022 compared to a net income of \$429 thousand during the year ended June 30, 2021. In comparison to the prior year, operating and nonoperating revenues increased by \$900 thousand due to additional federal reimbursements. Operating expenses increased by \$400 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 decreased by \$600 thousand as a result of expected decreases in County appropriations from what was originally budgeted. Total budgeted expenditures remained consistent with what was originally budgeted. For the year, the Board finished with expenditures in excess of revenues of \$278 thousand.

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

Capital Assets

Capital assets decreased by \$2.0 million, or 1.7%, 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, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 6,776,775	\$ 6,776,775	\$ -	\$ -	\$ 6,776,775	\$ 6,776,775
Construction in progress	24,716	52,901	-	-	24,716	52,901
Buildings and improvements	105,161,197	107,366,578	-	-	105,161,197	107,366,578
Equipment and furniture	1,084,913	726,364	193,856	212,621	1,278,769	938,985
Vehicles	3,142,210	3,254,849	-	-	3,142,210	3,254,849
Total	\$ 116,189,811	\$ 118,177,467	\$ 193,856	\$ 212,621	\$ 116,383,667	\$ 118,390,088

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, 2022, 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

From world-renowned trail blazers like Novozymes North America, to mom-and-pop restaurants and retailers, companies large and small find Franklin County an ideal location to locate, startup and grow. Franklin County businesses benefit from their location within the innovation-rich Research Triangle Region of North Carolina, home to The Research Triangle Park and three research universities that created it – Duke University, N.C. State and the University of North Carolina at Chapel Hill.

The region attracts more than \$2 billion in federal research grants that fuel discoveries, particularly in life sciences and technology. That translates into new products, services and processes that help our existing businesses innovate and compete and new companies form and grow. (“Franklin County Economic Development Commission”)

The following factors have positively affected the economic outlook for Franklin County:

- Franklin County’s location is in close proximity to Wake County and continues to provide convenient commutes for working residents and potential businesses. The final phase of the widening of 401 is slated to happen in the next couple of years. This is an advantageous project for the entire county, since it will provide an easier commute to and from the Triangle/Capital City area. Improvements to this main route will improve the current travel conditions and accessibility to resources that are offered in Franklin County.
- The local housing market continues to grow as evidenced by the construction of new homes and expansion of communities within and bordering the Franklin County district.
- The county grew by more than 17.9% during the 2010-2021 period based on census driven data. For comparison, the US population grew 7.3% and North Carolina’s population grew 10.2% during that same time period. Franklin County’s population increased 10 out of the 11 years between year 2020 and year 2021 growing an average of 1.5% per year.

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

Looking Ahead

Although the challenges still persist within the areas of charter school funding, inflationary operational cost including salary and benefits for staff, gaps in funding for statutory K-3 class size requirements among other factors, we continue to focus on the immediate goals of providing a superior educational experience for our students. The past couple of years and the ongoing response to the COVID-19 pandemic has been unprecedented for our district and community. The partnership with and support from our Franklin County Board of Commissioners has been greatly appreciated. Several priority areas were identified for the 2021-22 school year:

- Address student learnings gaps created by COVID-19 Pandemic
- Continue funding of EC Supplemental Pay
- Sustain classified salary pay tables
- Continue Pre-K expansion
- Address short-term and long-term facilities needs

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

Basic Financial Statements

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

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,009,992	\$ 1,854,606	\$ 16,864,598
Due from other governments	-	153,449	153,449
Receivables	15,033	-	15,033
Net OPEB asset	41,689	1,563	43,252
Inventories	111,929	390,164	502,093
Capital assets:			
Land, improvements, and construction in progress	6,801,491	-	6,801,491
Other capital assets, net of depreciation	109,388,320	193,856	109,582,176
Total capital assets	116,189,811	193,856	116,383,667
 Total assets	 131,368,454	 2,593,638	 133,962,092
 DEFERRED OUTFLOWS OF RESOURCES	 23,800,450	 879,969	 24,680,419
LIABILITIES			
Accounts payable and accrued expenses	872,438	17,307	889,745
Accrued salaries and wages payable	18,133	-	18,133
Unearned revenues	-	111,692	111,692
Long-term liabilities:			
Due within one year	1,775,864	51,806	1,827,670
Due in more than one year	94,362,346	3,450,546	97,812,892
 Total liabilities	 97,028,781	 3,631,351	 100,660,132
 DEFERRED INFLOWS OF RESOURCES	 47,686,878	 1,803,617	 49,490,495
NET POSITION (DEFICIT)			
Net investment in capital assets	115,958,185	193,856	116,152,041
Restricted for:			
Stabilization by State Statute	15,033	-	15,033
School Capital Outlay	1,695,315	-	1,695,315
Individual Schools	746,656	-	746,656
DIPNC OPEB plan	41,689	1,563	43,252
Unrestricted	(108,003,633)	(2,156,780)	(110,160,413)
 Total net position (deficit)	 \$ 10,453,245	 \$ (1,961,361)	 \$ 8,491,884

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

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 37,535,611	\$ -	\$ 38,614,563	\$ -	\$ 1,078,952	\$ -	\$ 1,078,952
Special populations	7,495,195	-	7,937,491	-	442,296	-	442,296
Alternative programs	5,461,851	-	5,486,440	-	24,589	-	24,589
School leadership	5,107,309	-	4,142,610	-	(964,699)	-	(964,699)
Co-curricular	1,980,073	-	94,297	-	(1,885,776)	-	(1,885,776)
School-based support	6,495,533	1,211,486	6,394,313	-	1,110,266	-	1,110,266
System-wide support services:							
Support and development	559,966	-	313,347	-	(246,619)	-	(246,619)
Special population support and development	484,736	-	517,528	-	32,792	-	32,792
Alternative programs and services support and development	205,441	-	102,870	-	(102,571)	-	(102,571)
Technology support	1,104,703	-	394,707	-	(709,996)	-	(709,996)
Operational support	12,391,478	70,101	6,661,150	513,888	(5,146,339)	-	(5,146,339)
Financial and human resources	2,140,707	-	358,029	-	(1,782,678)	-	(1,782,678)
Accountability	119,224	-	19,339	-	(99,885)	-	(99,885)
System-wide pupil support	127,190	-	68,691	-	(58,499)	-	(58,499)
Policy, leadership and public relations	924,543	-	228,862	-	(695,681)	-	(695,681)
Ancillary services	542,430	-	554,942	-	12,512	-	12,512
Non-programmed charges	4,125,624	-	461,180	-	(3,664,444)	-	(3,664,444)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	4,210,125	-	-	-	(4,210,125)	-	(4,210,125)
Total governmental activities	91,011,739	1,281,587	72,350,359	513,888	(16,865,905)	-	(16,865,905)
Business-type activities:							
School food service	4,542,321	326,145	5,229,140	-	-	1,012,964	1,012,964
Child care	223,714	297,226	-	-	-	73,512	73,512
Total business-type activities	4,766,035	623,371	5,229,140	-	-	1,086,476	1,086,476
Total primary government	\$ 95,777,774	\$ 1,904,958	\$ 77,579,499	\$ 513,888	(16,865,905)	1,086,476	(15,779,429)
General revenues:							
Unrestricted county appropriations - operating					21,221,872	-	21,221,872
Unrestricted county appropriations - capital					1,600,000	-	1,600,000
Unrestricted State and Federal appropriations - operating					3,344,586	-	3,344,586
Investment earnings, unrestricted					3,042	5,677	8,719
State OPEB contribution - non-capital					469,925	17,071	486,996
Miscellaneous, unrestricted					1,960,151	6,114	1,966,265
Total general revenues					28,599,576	28,862	28,628,438
Change in net position (deficit)					11,733,671	1,115,338	12,849,009
Net deficit, beginning					(1,280,426)	(3,076,699)	(4,357,125)
Net position (deficit), ending					\$ 10,453,245	\$ (1,961,361)	\$ 8,491,884

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

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Restricted Revenues	
ASSETS							
Cash and cash equivalents	\$ 7,247,663	\$ -	\$ -	\$ 1,879,717	\$ 746,656	\$ 5,135,956	\$ 15,009,992
Receivables	15,033	-	-	-	-	-	15,033
Inventory	111,929	-	-	-	-	-	111,929
Total assets	<u>\$ 7,374,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,717</u>	<u>\$ 746,656</u>	<u>\$ 5,135,956</u>	<u>\$ 15,136,954</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 687,982	\$ -	\$ -	\$ 184,402	\$ -	\$ 54	\$ 872,438
Accrued salaries and wages payable	18,133	-	-	-	-	-	18,133
Total liabilities	<u>706,115</u>	<u>-</u>	<u>-</u>	<u>184,402</u>	<u>-</u>	<u>54</u>	<u>890,571</u>
Fund balances:							
Nonspendable:							
Inventory	111,929	-	-	-	-	-	111,929
Restricted:							
Stabilization by State Statute	15,033	-	-	-	-	-	15,033
School Capital Outlay	-	-	-	1,695,315	-	-	1,695,315
Individual Schools	-	-	-	-	746,656	-	746,656
Assigned:							
Other special programs	-	-	-	-	-	5,135,902	5,135,902
Unassigned	6,541,548	-	-	-	-	-	6,541,548
Total fund balances	<u>6,668,510</u>	<u>-</u>	<u>-</u>	<u>1,695,315</u>	<u>746,656</u>	<u>5,135,902</u>	<u>14,246,383</u>
Total liabilities and fund balances	<u>\$ 7,374,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,717</u>	<u>\$ 746,656</u>	<u>\$ 5,135,956</u>	

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

Net OPEB asset	41,689
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	116,189,811
Deferred outflows of resources related to pensions	13,466,007
Deferred outflows of resources related to OPEB	10,334,443
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.	(5,074,017)
Net pension liability	(13,449,556)
Net OPEB liability	(77,614,637)
Deferred inflows of resources related to pensions	(18,463,348)
Deferred inflows of resources related to OPEB	(29,223,530)
Net position of governmental activities	<u>\$ 10,453,245</u>

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, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	Restricted Revenues	
Revenues:							
Intergovernmental:							
State of North Carolina	\$ -	\$ 58,502,905	\$ -	\$ 513,888	\$ -	\$ 458,685	\$ 59,475,478
Franklin County:							
Local current expense	21,221,872	-	-	-	-	-	21,221,872
Other	-	-	-	1,600,000	-	-	1,600,000
U.S. Government	-	1,601,169	15,590,871	-	-	68,149	17,260,189
Other	442,012	-	-	14,805	1,211,486	1,510,823	3,179,126
Total revenues	21,663,884	60,104,074	15,590,871	2,128,693	1,211,486	2,037,657	102,736,665
Expenditures:							
Current:							
Instructional services:							
Regular instructional	3,166,062	35,831,390	4,825,836	-	-	272,055	44,095,343
Special populations	456,762	6,476,144	1,463,810	-	-	437,520	8,834,236
Alternative programs	553,490	881,172	4,605,268	-	-	134,310	6,174,240
School leadership	1,073,327	4,757,342	290,477	-	-	-	6,121,146
Co-curricular	681,566	-	94,297	-	1,288,499	-	2,064,362
School-based support	632,891	5,671,745	996,190	-	-	231,853	7,532,679
System-wide support services:							
Support and development	317,977	215,895	97,452	-	-	-	631,324
Special population support and development	59,137	298,736	218,792	-	-	-	576,665
Alternative programs and services support and development	142,071	3,496	99,374	-	-	-	244,941
Technology support	692,379	315,245	200,126	-	-	-	1,207,750
Operational support	7,079,669	4,909,337	1,751,813	-	-	5,411	13,746,230
Financial and human resources	1,993,919	297,687	60,307	-	-	-	2,351,913
Accountability	122,391	1,076	18,263	-	-	-	141,730
System-wide pupil support	70,273	66,000	2,691	-	-	-	138,964
Policy, leadership and public relations	765,704	192,558	36,304	-	-	36,363	1,030,929
Ancillary services	8,976	186,251	368,691	-	-	-	563,918
Non-programmed charges	4,125,624	-	461,180	-	-	-	4,586,804
Debt service:							
Principal	-	-	-	513,888	-	-	513,888
Capital outlay:							
Land, buildings, and site improvement	-	-	-	1,281,536	-	-	1,281,536
Furnishings and equipment	-	-	-	217,234	-	-	217,234
Vehicles and other	-	-	-	288,288	-	-	288,288
Total expenditures	21,942,218	60,104,074	15,590,871	2,300,946	1,288,499	1,117,512	102,344,120
Excess (deficiency) of revenues over expenditures	(278,334)	-	-	(172,253)	(77,013)	920,145	392,545
Other financing sources (uses):							
Transfers from (to) other funds	-	-	-	(62,672)	62,672	-	-
Installment obligations issued	-	-	-	186,630	-	-	186,630
Total other financing sources (uses)	-	-	-	123,958	62,672	-	186,630
Net change in fund balance	(278,334)	-	-	(48,295)	(14,341)	920,145	579,175
Fund balances, beginning of year	6,913,193	-	-	1,743,610	760,997	4,215,757	13,633,557
Decrease in reserve for inventory	33,651	-	-	-	-	-	33,651
Fund balances, end of year	\$ 6,668,510	\$ -	\$ -	\$ 1,695,315	\$ 746,656	\$ 5,135,902	\$ 14,246,383

**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, 2022**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 579,175
Adjustment due to the use of consumption method of recording inventory in the government-wide statements.	33,651
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.	(1,931,169)
Loss on disposal of capital assets	(56,487)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	7,690,765
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	2,945,341
State OPEB contribution	469,925
Net OPEB benefit	5,269,051
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.	327,258
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	(2,732,039)
Compensated absences	<u>(861,800)</u>
Total changes in net position (deficit) of governmental activities	<u>\$ 11,733,671</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, 2022

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Franklin County	22,454,300	21,221,872	21,221,872	-
U.S. Government	-	-	-	-
Other	45,800	674,028	442,012	(232,016)
Total revenues	<u>22,500,100</u>	<u>21,895,900</u>	<u>21,663,884</u>	<u>(232,016)</u>
Expenditures:				
Current:				
Instructional services	11,204,751	6,679,193	6,564,098	115,095
System-wide support services	6,912,949	11,585,382	11,243,520	341,862
Ancillary services	8,285	8,976	8,976	-
Non-programmed charges	4,374,115	4,226,549	4,125,624	100,925
Total expenditures	<u>22,500,100</u>	<u>22,500,100</u>	<u>21,942,218</u>	<u>557,882</u>
Revenues over (under) expenditures	-	(604,200)	(278,334)	325,866
Other financing sources:				
Transfers (to) from other funds	-	-	-	-
Fund balance appropriated	-	604,200	-	(604,200)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(278,334)	<u>\$ (278,334)</u>
Fund balances, beginning of year			6,913,193	
Increase in reserve for inventory			<u>33,651</u>	
Fund balances, end of year			<u>\$ 6,668,510</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, 2022

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 56,382,998	\$ 60,717,940	\$ 58,502,905	\$ (2,215,035)
Franklin County	-	-	-	-
U.S. Government	-	-	1,601,169	1,601,169
Other	-	-	-	-
Total revenues	56,382,998	60,717,940	60,104,074	(613,866)
Expenditures:				
Current:				
Instructional services	50,173,614	54,211,803	53,617,793	594,010
System-wide support services	6,108,140	6,319,886	6,300,030	19,856
Ancillary services	101,244	186,251	186,251	-
Non-programmed charges	-	-	-	-
Total expenditures	56,382,998	60,717,940	60,104,074	613,866
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			-	
Increase 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, 2022

	Restricted Revenues Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 782,118	\$ 388,969	\$ 458,685	\$ 69,716
Franklin County	-	-	-	-
U.S. Government	-	68,149	68,149	-
Other	<u>377,637</u>	<u>734,318</u>	<u>1,510,823</u>	<u>776,505</u>
Total revenues	<u>1,159,755</u>	<u>1,191,436</u>	<u>2,037,657</u>	<u>846,221</u>
Expenditures:				
Current:				
Instructional services	1,009,755	1,138,293	1,075,738	62,555
System-wide support services	150,000	278,183	41,774	236,409
Ancillary services	-	-	-	-
Non-programmed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,159,755</u>	<u>1,416,476</u>	<u>1,117,512</u>	<u>298,964</u>
Revenues over (under) expenditures	-	(225,040)	920,145	1,145,185
Other financing sources (uses):				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>225,040</u>	<u>-</u>	<u>(225,040)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	920,145	<u>\$ 920,145</u>
Fund balances, beginning of year			4,215,757	
Increase in reserve for inventory			<u>-</u>	
Fund balances, end of year			<u>\$ 5,135,902</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, 2022

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Franklin County	-	-	-	-
U.S. Government	38,433,156	39,446,044	15,590,871	(23,855,173)
Other	-	-	-	-
Total revenues	38,433,156	39,446,044	15,590,871	(23,855,173)
Expenditures:				
Current:				
Instructional services	22,507,158	27,315,186	12,275,878	15,039,308
System-wide support services	11,202,682	8,199,165	2,485,122	5,714,043
Ancillary services	215,897	970,640	368,691	601,949
Non-programmed charges	4,507,419	2,961,053	461,180	2,499,873
Total expenditures	38,433,156	39,446,044	15,590,871	23,855,173
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Increase in reserve for inventory			-	
Fund balances, end of year			\$ -	

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

Exhibit 7

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,771,558	\$ 83,048	\$ 1,854,606
Due from other governments	153,449	-	153,449
OPEB asset	1,403	160	1,563
Inventories	390,164	-	390,164
Total current assets	<u>2,316,574</u>	<u>83,208</u>	<u>2,399,782</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	193,856	-	193,856
Total assets	<u>2,510,430</u>	<u>83,208</u>	<u>2,593,638</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>805,783</u>	<u>74,186</u>	<u>879,969</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	17,166	141	17,307
Unearned revenue	111,692	-	111,692
Compensated absences	51,806	-	51,806
Total current liabilities	<u>180,664</u>	<u>141</u>	<u>180,805</u>
Noncurrent liabilities:			
Net pension liability	464,809	44,469	509,278
Net OPEB liability	2,618,750	278,998	2,897,748
Compensated absences	43,520	-	43,520
Total noncurrent liabilities	<u>3,127,079</u>	<u>323,467</u>	<u>3,450,546</u>
Total liabilities	<u>3,307,743</u>	<u>323,608</u>	<u>3,631,351</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,644,734</u>	<u>158,883</u>	<u>1,803,617</u>
NET POSITION (DEFICIT)			
Investment in capital assets	193,856	-	193,856
Restricted - DIPNC OPEB Plan	1,403	160	1,563
Unrestricted	<u>(1,831,523)</u>	<u>(325,257)</u>	<u>(2,156,780)</u>
Total net deficit	<u>\$ (1,636,264)</u>	<u>\$ (325,097)</u>	<u>\$ (1,961,361)</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, 2022

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Operating revenues:			
Food sales	\$ 326,145	\$ -	\$ 326,145
Child care fees	-	297,226	297,226
Total operating revenues	<u>326,145</u>	<u>297,226</u>	<u>623,371</u>
Operating expenses:			
Food cost:			
Purchase of food	1,407,296	-	1,407,296
Food processing supplies	322,465	-	322,465
Donated commodities	403,471	-	403,471
Salaries and benefits	2,175,185	197,182	2,372,367
Materials and supplies	13,725	24,852	38,577
Repairs and maintenance	77,066	-	77,066
Depreciation	69,989	-	69,989
Non-capitalized equipment	21,707	-	21,707
Other	51,417	1,680	53,097
Total operating expenses	<u>4,542,321</u>	<u>223,714</u>	<u>4,766,035</u>
Operating income (loss)	<u>(4,216,176)</u>	<u>73,512</u>	<u>(4,142,664)</u>
Nonoperating revenues (expenses):			
Federal reimbursements	4,825,669	-	4,825,669
Federal commodities	403,471	-	403,471
State OPEB contribution	15,745	1,326	17,071
Interest earned	5,677	-	5,677
Other	6,114	-	6,114
Total nonoperating revenues	<u>5,256,676</u>	<u>1,326</u>	<u>5,258,002</u>
Income before transfers	1,040,500	74,838	1,115,338
Transfers from other funds	-	-	-
Change in net deficit	1,040,500	74,838	1,115,338
Total net deficit, beginning	<u>(2,676,764)</u>	<u>(399,935)</u>	<u>(3,076,699)</u>
Total net deficit, ending	<u>\$ (1,636,264)</u>	<u>\$ (325,097)</u>	<u>\$ (1,961,361)</u>

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

Exhibit 9

	Enterprise Funds		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 388,374	\$ 297,494	\$ 685,868
Cash paid for goods and services	(1,914,239)	(26,391)	(1,940,630)
Cash paid to employees for services	(2,617,247)	(235,126)	(2,852,373)
Other cash received	6,114	-	6,114
Net cash provided (used) by operating activities	<u>(4,136,998)</u>	<u>35,977</u>	<u>(4,101,021)</u>
Cash flows from noncapital financing activities:			
Federal and state reimbursements	<u>4,808,335</u>	<u>-</u>	<u>4,808,335</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(51,224)</u>	<u>-</u>	<u>(51,224)</u>
Cash flows from investing activities:			
Interest received on investments	<u>5,677</u>	<u>-</u>	<u>5,677</u>
Net increase in cash and cash equivalents	625,790	35,977	661,767
Cash and cash equivalents, beginning of year	<u>1,145,768</u>	<u>47,071</u>	<u>1,192,839</u>
Cash and cash equivalents, end of year	<u>\$ 1,771,558</u>	<u>\$ 83,048</u>	<u>\$ 1,854,606</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	<u>\$ (4,216,176)</u>	<u>\$ 73,512</u>	<u>\$ (4,142,664)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Transfers in from the State Public Schools Fund	-	-	-
State OPEB contribution	15,745	1,326	17,071
Depreciation	69,989	-	69,989
Donated commodities	403,471	-	403,471
Other	6,114	-	6,114
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Decrease in accounts receivable	-	268	268
Increase in inventories	(12,173)	-	(12,173)
Decrease in net OPEB asset	2,953	249	3,202
Increase deferred outflows of resources	(94,736)	(7,981)	(102,717)
Increase(decrease) in accounts payable and accrued liabilities	(8,390)	141	(8,249)
Increase in unearned revenue	62,229	-	62,229
Increase in compensated absences payable	1,031	-	1,031
Decrease in net pension liability	(764,675)	(64,418)	(829,093)
Increase in net OPEB liability	134,374	11,320	145,694
Increase deferred inflows of resources	<u>263,246</u>	<u>21,560</u>	<u>284,806</u>
Total adjustments	<u>63,433</u>	<u>(38,861)</u>	<u>24,572</u>
Net cash provided (used) by operating activities	<u>\$ (4,136,998)</u>	<u>\$ 35,977</u>	<u>\$ (4,101,021)</u>

NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$403,471 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 \$15,745 and \$1,326, 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. The Board does not have any component units for which it is financially accountable, and as such, there are no component units included in the accompanying financial statements.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position (Deficit) and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities 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

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.

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

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.

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

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) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .15 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

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

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices— included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

Board of Education of Franklin County Schools
Notes to Financial Statements

(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.

(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 appropriate 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	5 to 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

Board of Education of Franklin County Schools
Notes to Financial Statements

not be recognized as revenue until then. The Board has several items that meet this criterion – pension and OPEB related deferrals.

(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, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made, based on prior years’ records, of the current portion of compensated absences.

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

(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.

Board of Education of Franklin County Schools
Notes to Financial Statements

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 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 \$(3,793,138) 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)	\$ 205,618,300
Less accumulated depreciation	<u>(89,428,489)</u>
Net capital assets	116,189,811
Net OPEB asset	41,689
Pension related deferred outflows of resources	13,466,007
OPEB related deferred outflows of resources	10,334,443
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	(231,626)
Compensated absences	(4,842,391)
Net pension liability	(13,449,556)
Net OPEB liability	(77,614,637)
Deferred inflows of resources related to pensions	(18,463,348)
Deferred inflows of resources related to OPEB	<u>(29,223,530)</u>
Total adjustment	<u>\$ (3,793,138)</u>

Board of Education of Franklin County Schools
Notes to Financial Statements

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities.

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$11,154,496 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	\$ 2,920,601
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	(4,851,770)
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	(186,630)
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	513,888
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	7,690,765
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	2,945,341
Net OPEB Benefit	5,269,051
State OPEB Contribution	469,925
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(2,732,039)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(861,800)
Loss on disposal of capital assets	(56,487)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>33,651</u>
Total adjustment	<u>\$ 11,154,496</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

Board of Education of Franklin County Schools
Notes to Financial Statements

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, 2022, the Board had deposits with financial institutions with a carrying amount of \$16,704,677 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$17,474,701 and \$1,268,011, respectively. Of these balances, \$750,248 was covered by federal depository insurance and \$17,992,464 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board has \$30 in petty cash.

(2) Investments

At June 30, 2022, the Board of Education had \$159,891 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, 2022 were as follows:

	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ -	\$ 15,033	\$ 15,033
Business-type activities:			
School food service	\$ 153,449	\$ -	\$ 153,449

Board of Education of Franklin County Schools
Notes to Financial Statements

Due from other governments consists of the following:

Business-type activities:
 School Food Service \$ 153,449 Federal reimbursements

(4) Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 6,776,775	\$ -	\$ -	\$ -	\$ 6,776,775
Construction in progress	52,901	474,771	-	(502,956)	24,716
Total capital assets not being depreciated	<u>6,829,676</u>	<u>474,771</u>	<u>-</u>	<u>(502,956)</u>	<u>6,801,491</u>
Capital assets being depreciated:					
Buildings and improvements	175,584,160	1,381,850	(338,601)	502,956	177,130,365
Equipment and furniture	7,910,685	500,869	(68,619)	-	8,342,935
Vehicles	12,780,398	563,111	-	-	13,343,509
Total capital assets being depreciated	<u>196,275,243</u>	<u>2,445,830</u>	<u>(407,220)</u>	<u>502,956</u>	<u>198,816,809</u>
Less accumulated depreciation for:					
Buildings and improvements	68,217,582	4,033,700	(282,114)	-	71,969,168
Equipment and furniture	7,184,321	142,320	(68,619)	-	7,258,022
Vehicles	9,525,549	675,750	-	-	10,201,299
Total accumulated depreciation	<u>84,927,452</u>	<u>4,851,770</u>	<u>(350,733)</u>	<u>-</u>	<u>89,428,489</u>
Total capital assets being depreciated, net	<u>111,347,791</u>				<u>109,388,320</u>
Governmental activity capital assets, net	<u>\$ 118,177,467</u>				<u>\$ 116,189,811</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 4,210,125
Operational support services	<u>641,645</u>
	<u>\$ 4,851,770</u>

Board of Education of Franklin County Schools
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-type activities:					
Capital assets being depreciated:					
Furniture and equipment	\$ 2,613,691	\$ 51,224	\$ -	\$ -	\$ 2,664,915
Vehicles	75,226	-	-	-	75,226
Total capital assets being depreciated	<u>2,688,917</u>	<u>51,224</u>	<u>-</u>	<u>-</u>	<u>2,740,141</u>
Less accumulated depreciation:					
Furniture and equipment	2,401,070	69,989	-	-	2,471,059
Vehicles	75,226	-	-	-	75,226
Total accumulated depreciation	<u>2,476,296</u>	<u>69,989</u>	<u>-</u>	<u>-</u>	<u>2,546,285</u>
Business-type activities capital assets, net	<u>\$ 212,621</u>				<u>\$ 193,856</u>

B. Liabilities

(1) Pension Plan and Other Postemployment Obligations

(a) Teachers' and State Employees' Retirement System

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

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

Board of Education of Franklin County Schools
Notes to Financial Statements

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board’s contractually required contribution rate was 16.94% of covered payroll from July 1, 2021 to December 31, 2021, and 17.97% of covered payroll from January 1, 2022 to June 30, 2022. These actuarially determined contribution rates were determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$7,970,159 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$13,958,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net pension liability was based on a projection of the Board’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. The Board’s proportion was .2981% and .3113% at June 30, 2022 and June 30, 2021, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$2,828,814. At June 30, 2022, 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	\$ 784,644	\$ 317,020
Changes of assumptions	5,236,109	-
Net difference between projected and actual earnings on pension plan investments	-	17,295,169
Changes in proportions and differences between Board contributions and proportionate share of contributions	-	1,518,384
Board contributions subsequent to the measurement date	<u>7,970,159</u>	<u>-</u>
Total	<u>\$ 13,990,912</u>	<u>\$ 19,130,573</u>

The Board reported \$7,970,159 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023.

Board of Education of Franklin County Schools
Notes to Financial Statements

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

<u>Year ended</u> <u>June 30:</u>	
2023	\$ (2,443,624)
2024	(2,520,017)
2025	(2,841,819)
2026	<u>(5,304,360)</u>
	<u>\$ (13,109,820)</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.5 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, 2020 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021, Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

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

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

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

	<u>1% Decrease (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Board’s proportionate share of the net pension liability	\$ 46,823,187	\$ 13,958,834	\$(13,359,682)

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 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.

Board of Education of Franklin County Schools
Notes to Financial Statements

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. The Board's contractually required contribution rate was 6.68 percent of covered payroll from July 1, 2021 to December 31, 2022 and 5.90 percent of covered payroll from January 1, 2021 to June 30, 2022. Board contributions to the plan were \$3,008,999 for the year ended June 30, 2022. During the year ended June 30, 2022, the North Carolina State Health Plan ("SHP") contributed \$187 million to the Retiree Health Benefit Fund. In accordance with GASB, the Board recognized revenue of \$486,996 as a result of this non-employer contribution.

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

At June 30, 2022, Board reported a liability of \$80,512,385 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and 2021, the Board's proportion was 0.2604% and 0.2753%, respectively.

\$3,008,999 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023.

Board of Education of Franklin County Schools
Notes to Financial Statements

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

<u>Year ended June 30:</u>	
2023	\$ 12,102,408
2024	6,157,668
2025	2,193,040
2026	2,338,963
2027	<u>42,588</u>
	<u>\$ 22,834,667</u>

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

Inflation	2.5%
Salary increases based on service	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%,
Healthcare cost trend rates:	
Medical	5.0% to 6.0%
Prescription drug	5.0% to 9.5%
Administrative costs	3.0%
Post-Retirement Mortality Rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

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

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

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Net OPEB liability	\$ 95,768,312	\$ 80,512,385	\$ 68,156,801

Board of Education of Franklin County Schools
Notes to Financial Statements

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

	1% Decrease Medical - 5.5%, Pharmacy – 6.25%, Administrative - 2.0%	Healthcare Trend Rates Medical - 6.5%, Pharmacy – 7.25%, Administrative - 3.0%	1% Increase Medical - 7.5%, Pharmacy - 8.25% Administrative – 4.00%
Net OPEB liability	\$ 65,201,454	\$ 80,512,385	\$ 100,823,746

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 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

Board of Education of Franklin County Schools
Notes to Financial Statements

benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System or the University Employees' Optional Retirement Program.

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$43,341 for the year ended June 30, 2022.

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

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

At June 30, 2022, Board reported an asset of \$43,252 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and 2021, the Board's proportion was 0.2648% and 0.2736%, respectively.

\$43,341 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Board of Education of Franklin County Schools
Notes to Financial Statements

<u>Year ended June 30:</u>	
2023	\$ 29,867
2024	20,859
2025	26,591
2026	13,168
2027	5,547
Thereafter	<u>15,880</u>
	<u>\$ 111,912</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	3.00 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 (2.00 percent) or 1 percentage point higher (4.00 percent) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$ 27,308	\$ 43,252	\$ 58,000

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

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

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

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

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	\$ (5,557,138)	\$ 96,671	\$ (5,460,467)
OPEB liability (asset)	(80,512,385)	43,252	(80,469,133)
Proportionate share of the net OPEB liability (asset)	0.275%	0.274%	
Deferred outflows of resources			
Differences between expected and actual experience	475,333	110,277	585,610
Changes of assumptions	6,585,220	7,594	6,592,814
Net difference between projected and actual earnings on pension plan investments	-	4,221	4,221
Changes in proportion and differences between employer contributions and proportionate share of contributions	448,068	6,454	454,522
Employer contributions subsequent to the measurement date	3,008,999	43,341	3,052,340
Total	<u>\$ 10,517,620</u>	<u>\$ 171,887</u>	<u>\$ 10,689,507</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,498,710	\$ -	\$ 1,498,710
Changes of assumptions	19,566,260	15,702	19,581,962
Net difference between projected and actual earnings on pension plan investments	41,185	-	41,185
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,237,133	932	9,238,065
Employer contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 30,343,288</u>	<u>\$ 16,634</u>	<u>\$ 30,359,922</u>

Board of Education of Franklin County Schools
Notes to Financial Statements

(2) Payables

Payables as of June 30, 2022 are as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General fund	\$ 687,982	\$ 18,133	\$ 706,115
Other governmental	<u>184,456</u>	<u>-</u>	<u>184,456</u>
Total governmental activities	<u>\$ 872,438</u>	<u>\$ 18,133</u>	<u>\$ 890,571</u>
Business-type activities:			
School food service	<u>\$ 17,166</u>	<u>\$ -</u>	<u>\$ 17,166</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)	\$ 1,370,254	\$ 1,815,730
Changes of assumptions (Pension & OPEB)	11,828,923	19,581,962
Net difference between projected and actual earnings on plan investments (Pension & OPEB)	4,221	17,336,354
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	454,522	10,756,449
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>11,022,499</u>	<u>-</u>
Totals	<u>\$ 24,680,419</u>	<u>\$ 49,490,495</u>

(4) Unearned Revenues

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

School Food Service Fund	
Prepayments for meals	\$ 36,372
Grant not yet earned	<u>75,320</u>
	<u>\$ 111,692</u>

(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The 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).

Board of Education of Franklin County Schools
Notes to Financial Statements

Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction. The Board 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, 2022, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorneys, the ultimate effect of 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, 2022, June 30, 2021 and June 30, 2020, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contracts require only principal payments at the beginning of each contract year.

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

<u>Year Ending</u> <u>June 30</u>	
2023	\$ 184,970
2024	<u>46,656</u>
	<u>\$ 231,626</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, 2022:

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement					
installment purchases	\$ 558,884	186,630	513,888	\$ 231,626	184,970
Net pension liability	36,271,677	-	22,822,121	13,449,556	-
Net OPEB liability	73,604,158	4,010,479	-	77,614,637	-
Compensated absences	3,980,591	3,231,087	2,369,287	4,842,391	1,590,894
Total	<u>\$ 114,415,310</u>	<u>\$ 7,428,196</u>	<u>\$ 25,705,296</u>	<u>\$ 96,138,210</u>	<u>1,775,864</u>
Business-type activities:					
Net pension liability	1,338,371	-	829,093	509,278	-
Net OPEB liability	2,752,054	145,694	-	2,897,748	-
Compensated absences	94,294	114,509	113,477	95,326	51,806
Total	<u>\$ 4,184,719</u>	<u>\$ 260,203</u>	<u>\$ 942,570</u>	<u>\$ 3,502,352</u>	<u>51,806</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, 2022 consist of the following:

From the Capital Outlay Fund to the Individual Schools Fund for capital outlay expenditures	<u>\$ 62,672</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	\$ 6,668,510
Inventories	111,929
Stabilization by State Statute	<u>15,033</u>
Unassigned Fund Balance	<u>\$ 6,541,548</u>

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

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.

4. Change in Accounting Principle

Effective July 1, 2021, the Board implemented accounting and financial reporting requirements of GASB 87. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As of July 1, 2021, and for the year ended June 30, 2022, the Board has determined that it has not entered into any contracts that meet the reporting requirements of GASB 87.

Required Supplementary Information

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

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

**Board of Education of 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 Nine Fiscal Years***

Schedule 1

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	0.2981%	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	\$ 13,958,834	\$ 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	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784	\$ 48,822,779	\$ 42,653,418	\$ 42,162,910
Board's proportionate share of the net pension liability as a percentage of its covered payroll	29.79%	79.36%	70.93%	71.12%	58.25%	68.02%	24.93%	8.91%	45.01%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	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 Nine Fiscal Years***

Schedule 2

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,970,159	\$ 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>7,970,159</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 51,244,421	\$ 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	15.55%	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 Six Fiscal Years*

Schedule 3

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.2604%	0.2753%	0.2731%	0.2806%	0.2974%	0.2971%
Board's proportionate share of the net OPEB liability	\$ 80,512,385	\$ 76,356,212	\$ 86,437,332	\$ 79,938,148	\$ 97,501,426	\$ 129,225,268
Board's covered payroll	\$ 46,850,242	\$ 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	171.85%	161.12%	189.76%	181.61%	221.27%	281.93%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	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 Six Fiscal Years***

Schedule 4

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,008,999	\$ 3,098,277	\$ 3,043,440	\$ 2,824,176	\$ 2,636,835	\$ 2,527,287
Contributions in relation to the contractually required contribution	<u>3,008,999</u>	<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>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Board's covered payroll	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	5.87%	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 Six Fiscal Years***

Schedule 5

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.2648%	0.2736%	0.2764%	0.2794%	0.2874%	0.3043%
Board's proportionate share of the net OPEB asset	\$ 43,252	\$ 134,586	\$ 119,245	\$ 84,860	\$ 175,653	\$ 188,952
Board's covered payroll	\$ 46,850,242	\$ 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	0.09%	0.28%	0.26%	0.19%	0.40%	0.41%
Plan fiduciary net position as a percentage of the net OPEB asset	105.18%	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 Six Fiscal Years***

Schedule 6

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 43,341	\$ 41,743	\$ 47,039	\$ 63,060	\$ 61,018	\$ 165,051
Contributions in relation to the contractually required contribution	<u>43,341</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	0.08%	0.09%	0.10%	0.14%	0.14%	0.37%

* Ten years of data not yet available

Individual Fund Statements and Schedules

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, 2022

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 515,642	\$ 513,888	\$ (1,754)
Franklin County:			
General county revenues	1,500,000	1,600,000	100,000
Other:			
Interest earned on investments	-	217	217
Miscellaneous revenue	-	14,588	14,588
	<u>-</u>	<u>14,805</u>	<u>14,805</u>
Total revenues	<u>2,015,642</u>	<u>2,128,693</u>	<u>113,051</u>
Expenditures:			
Capital outlay:			
Real property and buildings		1,281,536	
Furnishings and equipment		217,234	
Buses and motor vehicles		288,288	
Total capital outlay	<u>2,211,734</u>	<u>1,787,058</u>	<u>424,676</u>
Debt service:			
Principal	<u>562,300</u>	<u>513,888</u>	<u>48,412</u>
Total expenditures	<u>2,774,034</u>	<u>2,300,946</u>	<u>473,088</u>
Revenues under expenditures	<u>(758,392)</u>	<u>(172,253)</u>	<u>586,139</u>
Other financing sources (uses):			
Transfers to other funds	(153,035)	(62,672)	90,363
Installment purchase obligations issued	380,274	186,630	(193,644)
Total other financing sources (uses)	<u>227,239</u>	<u>123,958</u>	<u>(103,281)</u>
Fund balance appropriated	<u>531,153</u>	<u>-</u>	<u>(531,153)</u>
Net change in fund balance	<u>\$ -</u>	<u>(48,295)</u>	<u>\$ (48,295)</u>
Fund balance:			
Beginning of year		<u>1,743,610</u>	
End of year		<u>\$ 1,695,315</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, 2022

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, 2021</u>	<u>Fund balances June 30, 2022</u>
Bunn Elementary	\$ 23,489	\$ 31,833	3,917	\$ (4,427)	\$ 24,985	\$ 20,558
Bunn Middle	66,126	78,421	3,917	(8,378)	28,032	19,654
Bunn High	250,988	236,848	3,917	18,057	150,874	168,931
Franklinton Elementary	22,115	28,063	3,917	(2,031)	12,059	10,028
Franklinton Middle	43,997	52,645	3,917	(4,731)	17,852	13,121
Franklinton High	313,883	337,907	3,917	(20,107)	187,219	167,112
Louisburg Elementary	19,991	25,189	3,917	(1,281)	24,303	23,022
Louisburg High	194,352	188,196	3,917	10,073	125,344	135,417
Terrell Lane Middle	37,238	41,396	3,917	(241)	28,785	28,544
Cedar Creek Middle	62,615	74,215	3,917	(7,683)	55,593	47,910
Edward Best Elementary	57,853	56,203	3,917	5,567	39,243	44,810
Early College High School	19,225	20,974	3,917	2,168	12,073	14,241
Laurel Mill Elementary	21,673	24,030	3,917	1,560	8,275	9,835
Youngsville Elementary	22,796	26,764	3,917	(51)	15,384	15,333
Long Mill Elementary	35,979	40,668	3,917	(772)	20,182	19,410
Royal Elementary	19,166	25,147	3,917	(2,064)	10,794	8,730
	<u>\$ 1,211,486</u>	<u>\$ 1,288,499</u>	<u>\$ 62,672</u>	<u>\$ (14,341)</u>	<u>\$ 760,997</u>	<u>\$ 746,656</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, 2022

Schedule 9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - food sales	\$ 329,200	\$ 326,145	\$ (3,055)
Operating expenditures:			
Business support services:			
Purchase of food		1,419,469	
Donated commodities		403,471	
Food processing supplies		322,465	
Salaries and benefits		2,632,992	
Materials and supplies		13,725	
Repairs and maintenance		77,066	
Non-capitalized equipment		21,707	
Other		51,417	
Total operating expenditures	<u>5,228,300</u>	<u>4,942,312</u>	<u>285,988</u>
Operating loss	<u>(4,899,100)</u>	<u>(4,616,167)</u>	<u>282,933</u>
Nonoperating revenues:			
Federal reimbursements	4,580,851	4,825,669	244,818
Federal commodities	315,399	403,471	88,072
Interest earned	850	5,677	4,827
Other	2,000	6,114	4,114
Total nonoperating revenues	<u>4,899,100</u>	<u>5,240,931</u>	<u>341,831</u>
Excess of expenditures over revenues before other financing sources	-	624,764	624,764
Other financing sources:			
Transfers from other funds	-	-	-
Excess of revenues over expenditures	<u>\$ -</u>	624,764	<u>\$ 624,764</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(69,989)	
State OPEB contribution		15,745	
Increase in inventories		12,173	
Decrease in net OPEB asset		(2,953)	
Increase in deferred outflows of resources		94,736	
Increase in compensated absences payable		(1,031)	
Decrease in net pension liability		764,675	
Increase in net OPEB liability		(134,374)	
Increase in deferred inflows of resources		(263,246)	
Change in net deficit (full accrual)		<u>\$ 1,040,500</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, 2022

Schedule 10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - child care fees	\$ 296,913	\$ 297,226	\$ 313
Operating expenditures:			
Regular community service			
Salaries and benefits		236,452	
Materials and supplies		24,852	
Other		1,680	
Total operating expenditures	<u>296,913</u>	<u>262,984</u>	<u>33,929</u>
Revenues over (under) expenditures before other financing sources	-	34,242	34,242
Other financing sources:			
Transfers from other funds	-	-	-
Excess of revenues over expenditures	<u>\$ -</u>	<u>34,242</u>	<u>\$ 34,242</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
State OPEB contribution		1,326	
Decrease in net OPEB asset		(249)	
Increase in deferred outflows of resources		7,981	
Decrease in net pension liability		64,418	
Increase in net OPEB liability		(11,320)	
Increase in deferred inflows of resources		<u>(21,560)</u>	
Change in net deficit (full accrual)		<u>\$ 74,838</u>	

Compliance Section

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, NC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Franklin County Schools ("Board") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 16, 2022, which contained an emphasis of matter paragraph regarding the change in accounting principle.

Report on Internal Control over Financial Reporting

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

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

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

FORVIS

Report on 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*.

Purpose of this Report

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

FORVIS, LLP

**Winston-Salem, NC
November 16, 2022**

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

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, NC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

FORVIS

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

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

FORVIS,LLP

**Winston-Salem, NC
November 16, 2022**

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

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, NC

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

FORVIS

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

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

FORVIS,LLP

**Winston-Salem, NC
November 16, 2022**

1. Summary of Auditor’s 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>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund
84.027 and 84.173	Special Education Cluster
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

2. Financial Statement Findings

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

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

Finding 2021-001

Status: Corrected

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture			
National School Lunch Program	10.555	PRC 035	\$ 403,471
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
School Breakfast Program	10.553	PRC 035	933,330
National School Lunch Program	10.555	PRC 035	3,792,727
Summer Food Service Program for Children	10.559	PRC 050	99,612
Total Cash Assistance			<u>4,825,669</u>
Total Child Nutrition Cluster:			<u>5,229,140</u>
Total School Nutrition Program (Note 3)			<u>5,229,140</u>
Total U.S. Department of Agriculture			<u>5,229,140</u>
<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)	84.010	PRC 050	2,699,345
Total Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)			<u>2,699,345</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	918,896
Early Intervening Services	84.027	PRC 070	88,428
Special Needs Target Assistance	84.027	PRC 118	14,704
ESSER III - ARP IDEA 611 Grants to States	84.027X	PRC 185	123,631
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	47,023
Preschool Targeted Assistance	84.173	PRC 119	1,588
ESSER III - ARP IDEA Preschool Grants	84.173X	PRC 186	1,136
Total Special Education Cluster:			<u>1,195,406</u>
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	154,206
State Personnel Development	84.323	PRC 082	2,293
English Language Acquisition Grant	84.365	PRC 104/111	93,822
Supporting Effective Instruction State Grants	84.367	PRC 103	295,745
Education for Homeless Children and Youth	84.029	PRC 026	27,711
Student Support and Academic Enrichment Program	84.424	PRC 108	169,291
COVID-19 Education Stabilization Fund			
ESSER I - K12 Emergency Relief Fund	84.425D	PRC 163	655,276
ESSER I - Digital Curricula	84.425D	PRC 165	58,299
ESSER I - Learning Management System	84.425D	PRC 166	20,196
GEER I - Specialized Instructional Support for COVID-19 Response	84.425C	PRC 169	208,290
GEER I - Supplemental Instructional Services	84.425C	PRC 170	124,327
ESSER II - K12 Emergency Relief Fund	84.425D	PRC 171	3,321,847
ESSER II - Supplemental Contracted Instructional Support Funding	84.425D	PRC 173	44,393
ESSER II - School Nutritional COVID Support	84.425D	PRC 174	44,859
ESSER II - Learning Loss Funding	84.425D	PRC 176	212,492
ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	108,480
ESSER II - Competency-Based Assessment	84.425D	PRC 178	44,898
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	5,488,628
ESSER III - Homeless I	84.425W	PRC 183	11,684
ESSER III - Homeless II	84.425W	PRC 184	1,904
ARP - ESSER III - Teacher Bonuses	84.425U	PRC 203	607,479
Total COVID-19 Education Stabilization Fund	84.425		<u>10,953,052</u>
Total U.S. Department of Education			<u>15,590,871</u>

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants (continued):			
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	NONE	PRC 031	94,217
<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			
Services for Exceptional Children	21.019	PRC 132	988
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	PRC 141	1,600,181
<u> Total U.S. Department of Treasury</u>			1,601,169
Total Federal Assistance			22,515,397
State Grants:			
Cash Assistance			
<u> N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 54,726,432
Driver Training - SPSF		PRC 012	143,566
School Technology Fund - SPSF		PRC 015	111,903
Career and Technical Education			
- State Months of Employment		PRC 013	2,809,783
- Program Support Funds		PRC 014	461,646
State Capital Infrastructure Fund		PRC 440	117,662
Textbooks and Digital Resources		PRC 131	249,575
Total N.C. Department of Public Instruction			58,620,567
<u> N.C. Department of Health and Human Services</u>			
Division of Public Health:			
State School Nurse Initiative			226,015
Non-Cash Assistance			
<u> N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	513,888
Total State Assistance			59,360,470
Total Federal and State Assistance			\$ 81,875,867

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, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of 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 \$917,359 were received during the year ended June 30, 2022. These non-cash items received were included in the determination of federal and State awards expended for the year ended June 30, 2022.