



Board of Education of Franklin County Schools

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2023



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Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, North Carolina

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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School, 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.

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 within one year after the date that the financial statements are available to be issued.

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 48 through 49, respectively, and the Retiree Health Benefit Fund's Schedules of Proportionate Share of the Net OPEB Liability and Board Contributions, on pages 50 through 51, respectively, and the Disability Income Plan of North Carolina's Schedules of the Proportionate Share of the Net OPEB Asset (Liability) and Board Contributions, on pages 52 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 October 31, 2023, 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

**High Point, North Carolina
October 31, 2023**

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, 2023. 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. Both the goals of Franklin County Schools and the County of Franklin reflect an alignment of priorities as they relate to educational attainment. Our vision of “Building a stronger community one life-long learner at a time” requires a close working relationship between the two boards and has the potential to yield great benefits for both the students and citizens of Franklin County.
- As indicated in the County Manager’s budget message, Franklin County is the fourth fastest growing county in North Carolina. The county’s economy has continued to perform positively despite a number of challenges resulting from the pandemic. However, our district leaders continue to address several challenges that are further elevated by things such as population growth, competitive wages and benefits as well as inflationary costs to maintain current operations and a growing list of capitalized projects to maintain buildings and grounds. In spite of impacts resulting from the pandemic, declining financial support and a new charter school opening within our district, Franklin County Schools has managed to continue to move forward in a positive direction. Methodical planning, collaboration with all stakeholders and retention of dedicated staff holds the key to success. Prior to the onset of the pandemic, Franklin County Schools identified priorities that quickly resulted in the ability to mobilize staff and resources for remote learning in a manner that kept our schools and facilities safe, clean, orderly and open for business.
- The county’s support of implementation of our classified salary study is also a success story for us all. Through the local 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. 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. In an effort to further promote employee retention in FCS, the Board of Education approved a multi-year longevity bonus for all permanent employees utilizing ESSER (Pandemic Relief Funds). The local longevity based bonus which was first introduced in 2021-22 has not only resulted positively in a competitive market for good, qualified staff, but has also rewarded and retained our hardworking staff since it only applies to those that have remained committed to employment with Franklin County Schools. The stability that this has offered has been invaluable during a time of uncertainty and highly competitive wages. For our teachers, this means that the local supplement and existing retention bonus, coupled with the longevity bonus, offers a competitive supplement of around 16% per teacher. For our classified employees, the additional bonus provides a potentially significant annual financial benefit in addition to an hourly rate of pay. This incentive allows us to retain employees in difficult-to-fill positions such as bus drivers, instructional assistants, child nutrition workers, maintenance and clerical staff. It is imperative that this longevity bonus be maintained beyond 2023-24 in order for Franklin County Schools to remain competitive with neighboring districts. This will require funding support from the Franklin County Board of Commissioners.
- 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, we have 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. To further support the conversation about funding our future facilities needs, the Board of Education has been working diligently alongside leadership for completion of a Long Range Facilities evaluation and plan. Based on current growth and financial cost projections, the major needs and projects identified within this study may cost upwards of \$100,000,000.

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

- We identified \$1,500,000 in capital outlay needs for the 2022-23 school year. This funding range has been adequate during the pre-pandemic era to address recurring needs and some funding to tackle new projects such as flooring, pavement repair, and roofing. However, just as the County and other businesses have been impacted by inflation and increased post pandemic costs of doing business, the \$1,500,000 will not be a sufficient level of funding to support maintaining our buildings and grounds. We have utilized in excess of \$5,000,000 of ESSER funds to push forward with outfitting HVAC needs to improve air quality for our students and staff. This would normally be a funding requirement for the County to support, but we were able to get a head start on some major projects to allow funding for other district priorities.
- 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 new opening of a new charter school in our district for the 2022-2023 school year, Franklin County Schools continue to face competition from charter schools in bordering counties, not just within our own town. This impact has been noticeable for districts across the state even causing some districts to close permanently or combine schools when the impact was too severe. This poses a huge challenge for our student enrollment; however our district has aggressively worked to recapture learning loss resulting from the pandemic and deployed 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 2022-23 school year, we actually processed over \$5,300,000 in "pass-through" funds for charters directly from our local budget with a projection of \$6,200,000 in local funds going directly to charter schools for the 2023-24 school year.

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

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

significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-Wide Statements

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

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

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

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

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

fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of reconciliations, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, Restricted Revenues Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

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

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

Financial Analysis of the Board as a Whole

Net position or deficit is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.2 million as of June 30, 2023. The largest positive component of the net position (deficit) is the Board's net investment in capital assets of \$114.9 million. Restricted and unrestricted net position (deficit) amounted to \$2.3 million and (\$98.1) million, respectively. The Board's overall financial position improved in in the current year, as the net position increased by \$10.7 million. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components have a \$105 million negative effect on the Board's overall net position.

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

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

**Table 1
Condensed Statement of Net Position (Deficit)
as of June 30, 2023 and 2022**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 12,616,994	\$ 15,178,643	\$ 2,601,991	\$ 2,399,782	\$ 15,218,985	\$ 17,578,425
Capital assets	114,930,305	116,189,811	141,103	193,856	115,071,408	116,383,667
Total assets	127,547,299	131,368,454	2,743,094	2,593,638	130,290,393	133,962,092
Deferred outflows of resources	38,959,528	23,800,450	1,432,231	879,969	40,391,759	24,680,419
Current liabilities	2,866,861	2,666,435	100,786	180,805	2,967,647	2,847,240
Long-term liabilities	107,852,662	94,362,346	3,963,611	3,450,546	111,816,273	97,812,892
Total liabilities	110,719,523	97,028,781	4,064,397	3,631,351	114,783,920	100,660,132
Deferred inflows of resources	35,375,757	47,686,878	1,355,110	1,803,617	36,730,867	49,490,495
Invested in capital assets, net of related debt	114,786,828	115,958,185	141,103	193,856	114,927,931	116,152,041
Restricted net position	2,291,953	2,498,693	-	1,563	2,291,953	2,500,256
Unrestricted net deficit	(96,667,234)	(108,003,633)	(1,385,285)	(2,156,780)	(98,052,519)	(110,160,413)
Total net position (deficit)	<u>\$ 20,411,547</u>	<u>\$ 10,453,245</u>	<u>\$ (1,244,182)</u>	<u>\$ (1,961,361)</u>	<u>\$ 19,167,365</u>	<u>\$ 8,491,884</u>

The net position of the Board’s governmental activities increased from \$10.5 million at June 30, 2022 to a net position of \$20.4 million at June 30, 2023, an increase of \$10 million. The Board’s net investment in capital assets decreased by \$1.2 million during the year due primarily to depreciation expense in excess of capital outlay. Restricted and unrestricted combined net deficit decreased by \$11.1 million as a result of the changes in the proportionate share of the Teachers’ and State Employees’ Retirement System plan net pension liability, as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources.

The net deficit of business-type activities decreased \$717 thousand from \$2 million at June 30, 2022 to \$1.2 million at June 30, 2023. This decrease in the net deficit is attributable to an increase in food sales of \$492 thousand and a decrease in food processing supply expenditures of \$158 thousand.

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

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2023 & 2022**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,640,189	\$ 1,281,587	\$ 1,128,483	\$ 623,371	\$ 2,768,672	\$ 1,904,958
Operating grants and contributions	77,672,380	72,350,359	4,369,284	5,229,140	82,041,664	77,579,499
Capital grants and contributions	281,793	513,888	-	-	281,793	513,888
General revenues:						
Unrestricted state and federal appropriations	463,293	3,814,511	16,878	17,071	480,171	3,831,582
Unrestricted county appropriations	23,410,978	22,821,872	-	-	23,410,978	22,821,872
Other revenues	2,351,253	1,963,193	4,926	11,791	2,356,179	1,974,984
Total revenues	105,819,886	102,745,410	5,519,571	5,881,373	111,339,457	108,626,783
Expenses:						
Governmental activities:						
Instructional services	66,425,071	64,075,572	-	-	66,425,071	64,075,572
System-wide support services	18,884,372	18,057,988	-	-	18,884,372	18,057,988
Ancillary services	269,698	542,430	-	-	269,698	542,430
Non-programmed charges	5,860,620	4,125,624	-	-	5,860,620	4,125,624
Unallocated depreciation expense	4,421,823	4,210,125	-	-	4,421,823	4,210,125
Business-type activities:						
School food service	-	-	4,578,291	4,542,321	4,578,291	4,542,321
Child care	-	-	224,101	223,714	224,101	223,714
Total expenses	95,861,584	91,011,739	4,802,392	4,766,035	100,663,976	95,777,774
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	9,958,302	11,733,671	717,179	1,115,338	10,675,481	12,849,009
Net deficit, beginning	10,453,245	(1,280,426)	(1,961,361)	(3,076,699)	8,491,884	(4,357,125)
Net position (deficit), ending	\$ 20,411,547	\$ 10,453,245	\$ (1,244,182)	\$ (1,961,361)	\$ 19,167,365	\$ 8,491,884

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

During the year ended June 30, 2023, governmental activities generated revenues of \$105.8 million compared with total expenses of \$95.9 million, resulting in the aforementioned increase in net position for these activities of approximately \$10 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 59.1%, 20.8%, and 15.4% of revenues. The main driving force behind the increase in revenues of \$3.1 million is an increase in operating grants and contributions of \$5.3 million. Instructional services expenses comprised 72% of total governmental activities expenses while system-wide support services made up 20.5% of those expenses for the year ended June 30, 2023. In comparison, in the previous year, instructional services and system-wide support services were 73.1% and 19.6%, respectively, of total expenses.

Business-type activities generated revenue of \$5.5 million and incurred expenses of \$4.8 million, resulting in a decrease in net deficit of \$717 thousand. When compared to the prior year, charges for services increased by \$505 thousand. Expenditures increased \$36 thousand, which also primarily driven by an increase in 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 \$11.8 million at June 30, 2023, a \$2.4 million decrease when compared to the prior year. Total revenues increased by \$2.6 million, or 2.6%, during the year. Total expenditures increased by \$5.6 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 \$21.9 million when compared to the prior year. Expenditures during the period increased by \$3.1 million over the prior year due to increases in personnel costs and increases in non-programmed charges. The Restricted Revenues Fund recognized decreases in total revenues of \$531 thousand for the year ended June 30, 2023 compared to the year ended June 30, 2022. The Board received \$100 thousand less in County capital outlay support in the fiscal year ended June 30, 2023, when compared to June 30, 2022, due to the completion of several construction projects.

Proprietary Funds: The Board's business-type funds reported a combined net deficit of \$1.2 million at June 30, 2023, a \$717 thousand decrease in deficit when compared to the prior year. The School Food Service Fund incurred a net income of \$630 thousand during the year ended June 30, 2023 compared to a net income of \$1 million during the year ended June 30, 2022. In comparison to the prior year, operating and nonoperating revenues decreased by \$375 thousand due to fewer federal reimbursement offset by higher food sales. Operating expenses increased by \$36 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 \$3.1 million 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 \$2.3 million.

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

Capital Assets

Capital assets decreased by \$1.3 million, or 1.1%, 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, 2023 and 2022**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 6,776,775	\$ 6,776,775	\$ -	\$ -	\$ 6,776,775	\$ 6,776,775
Construction in progress	24,716	24,716	-	-	24,716	24,716
Buildings and improvements	104,436,797	105,161,197	-	-	104,436,797	105,161,197
Equipment and furniture	965,269	1,084,913	141,103	193,856	1,106,372	1,278,769
Vehicles	2,726,748	3,142,210	-	-	2,726,748	3,142,210
Total	\$114,930,305	\$116,189,811	\$ 141,103	\$ 193,856	\$115,071,408	\$116,383,667

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, 2023, 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:

- Our population has continued to grow, and the latest Census updates indicate a growth rate of 7.8%. 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.
- Franklin County’s location is in close proximity to Wake County and continues to provide convenient commutes for working residents and potential businesses. The widening of Hwy 401 is within its final stages of the plan. 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

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

- Uncertainty surrounding consumer spending trends will continue to be a concern. However, current trends show favorable outcomes for the two major categories of revenues (property taxes and sales tax) within our growing district.

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 2022-23 school year:

- Preparing FCS Students for College, Career and Life Beyond the Classroom
- Achieving Student Success in Academic Areas
- Creating a Safe, Orderly and Caring Environment for Students by Addressing Short and Long-Term Facilities Needs
- Recruiting, Supporting and Retaining High Quality Staff

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, 2023

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 12,486,293	\$ 2,093,886	\$ 14,580,179
Due from other governments	-	155,199	155,199
Receivables	13,455	-	13,455
Inventories	117,246	352,906	470,152
Capital assets:			
Land, improvements, and construction in progress	6,801,491	-	6,801,491
Other capital assets, net of depreciation	108,128,814	141,103	108,269,917
Total assets	<u>127,547,299</u>	<u>2,743,094</u>	<u>130,290,393</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>38,959,528</u>	<u>1,432,231</u>	<u>40,391,759</u>
LIABILITIES			
Accounts payable and accrued expenses	786,922	1,238	788,160
Accrued salaries and wages payable	3,920	-	3,920
Unearned revenues	-	44,941	44,941
Long-term liabilities:			
Due within one year	2,076,019	54,607	2,130,626
Due in more than one year	107,852,662	3,963,611	111,816,273
Total liabilities	<u>110,719,523</u>	<u>4,064,397</u>	<u>114,783,920</u>
DEFERRED INFLOWS OF RESOURCES	<u>35,375,757</u>	<u>1,355,110</u>	<u>36,730,867</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	114,786,828	141,103	114,927,931
Restricted for:			
Stabilization by State Statute	13,455	-	13,455
School Capital Outlay	1,657,645	-	1,657,645
Individual Schools	620,853	-	620,853
Unrestricted	<u>(96,667,234)</u>	<u>(1,385,285)</u>	<u>(98,052,519)</u>
Total net position (deficit)	<u>\$ 20,411,547</u>	<u>\$ (1,244,182)</u>	<u>\$ 19,167,365</u>

**Board of Education of Franklin County Schools
Statement of Activities
For the Fiscal Year Ended June 30, 2023**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 39,216,264	\$ -	\$ 42,517,126	\$ -	\$ 3,300,862	\$ -	\$ 3,300,862
Special populations	7,492,421	-	7,893,324	-	400,903	-	400,903
Alternative programs	5,153,978	-	5,378,169	-	224,191	-	224,191
School leadership	5,409,186	-	4,282,925	-	(1,126,261)	-	(1,126,261)
Co-curricular	2,326,415	-	-	-	(2,326,415)	-	(2,326,415)
School-based support	6,826,807	1,534,774	6,882,248	-	1,590,215	-	1,590,215
System-wide support services:							
Support and development	572,177	-	282,819	-	(289,358)	-	(289,358)
Special population support and development	475,050	-	505,184	-	30,134	-	30,134
Alternative programs and services support and development	192,721	-	119,017	-	(73,704)	-	(73,704)
Technology support	976,808	-	151,568	-	(825,240)	-	(825,240)
Operational support	12,891,479	105,415	8,186,150	281,793	(4,318,121)	-	(4,318,121)
Financial and human resources	2,436,770	-	394,460	-	(2,042,310)	-	(2,042,310)
Accountability	110,578	-	2,153	-	(108,425)	-	(108,425)
System-wide pupil support	165,003	-	71,425	-	(93,578)	-	(93,578)
Policy, leadership and public relations	1,063,786	-	209,463	-	(854,323)	-	(854,323)
Ancillary services	269,698	-	283,999	-	14,301	-	14,301
Non-programmed charges	5,860,620	-	512,350	-	(5,348,270)	-	(5,348,270)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	4,421,823	-	-	-	(4,421,823)	-	(4,421,823)
Total governmental activities	<u>95,861,584</u>	<u>1,640,189</u>	<u>77,672,380</u>	<u>281,793</u>	<u>(16,267,222)</u>	<u>-</u>	<u>(16,267,222)</u>
Business-type activities:							
School food service	4,578,291	818,203	4,369,284	-	-	609,196	609,196
Child care	224,101	310,280	-	-	-	86,179	86,179
Total business-type activities	<u>4,802,392</u>	<u>1,128,483</u>	<u>4,369,284</u>	<u>-</u>	<u>-</u>	<u>695,375</u>	<u>695,375</u>
Total primary government	<u>\$ 100,663,976</u>	<u>\$ 2,768,672</u>	<u>\$ 82,041,664</u>	<u>\$ 281,793</u>	<u>(16,267,222)</u>	<u>695,375</u>	<u>(15,571,847)</u>
General revenues:							
Unrestricted county appropriations - operating					21,910,978	-	21,910,978
Unrestricted county appropriations - capital					1,500,000	-	1,500,000
Investment earnings, unrestricted					11,423	805	12,228
State OPEB contribution - non-capital					463,293	16,878	480,171
Miscellaneous, unrestricted					2,339,830	4,121	2,343,951
Total general revenues					<u>26,225,524</u>	<u>21,804</u>	<u>26,247,328</u>
Change in net position (deficit)					9,958,302	717,179	10,675,481
Net position (deficit), beginning					10,453,245	(1,961,361)	8,491,884
Net position (deficit), ending					<u>\$ 20,411,547</u>	<u>\$ (1,244,182)</u>	<u>\$ 19,167,365</u>

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

Board of Education of Franklin County Schools
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit 3

	Major Funds					Total Governmental Funds	
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools		Restricted Revenues
ASSETS							
Cash and cash equivalents	\$ 5,015,362	\$ -	\$ -	\$ 1,668,508	\$ 620,853	\$ 5,181,570	\$ 12,486,293
Receivables	13,455	-	-	-	-	-	13,455
Inventory	117,246	-	-	-	-	-	117,246
Total assets	\$ 5,146,063	\$ -	\$ -	\$ 1,668,508	\$ 620,853	\$ 5,181,570	\$ 12,616,994
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 763,883	\$ -	\$ -	\$ 10,863	\$ -	\$ 12,176	\$ 786,922
Accrued salaries and wages payable	3,920	-	-	-	-	-	3,920
Total liabilities	767,803	-	-	10,863	-	12,176	790,842
Fund balances:							
Nonspendable:							
Inventory	117,246	-	-	-	-	-	117,246
Restricted:							
Stabilization by State Statute	13,455	-	-	-	-	-	13,455
School Capital Outlay	-	-	-	1,657,645	-	-	1,657,645
Individual Schools	-	-	-	-	620,853	-	620,853
Assigned:							
Other special programs	-	-	-	-	-	5,169,394	5,169,394
Unassigned	4,247,559	-	-	-	-	-	4,247,559
Total fund balances	4,378,260	-	-	1,657,645	620,853	5,169,394	11,826,152
Total liabilities and fund balances	\$ 5,146,063	\$ -	\$ -	\$ 1,668,508	\$ 620,853	\$ 5,181,570	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	114,930,305
Deferred outflows of resources related to pensions	27,335,567
Deferred outflows of resources related to OPEB	11,623,961
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.	(5,048,795)
Net pension liability	(43,921,051)
Net OPEB liability	(60,958,835)
Deferred inflows of resources related to pensions	(1,381,368)
Deferred inflows of resources related to OPEB	(33,994,389)
Net position of governmental activities	\$ 20,411,547

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, 2023

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	\$ -	\$ 61,518,130	\$ -	\$ 281,793	\$ -	\$ 420,482	\$ 62,220,405
Franklin County:							
Local current expense	21,910,978	-	-	-	-	-	21,910,978
Other	-	-	-	1,500,000	-	-	1,500,000
U.S. Government	-	-	16,154,250	-	-	80,304	16,234,554
Other	943,150	-	-	6,872	1,534,774	1,005,860	3,490,656
Total revenues	22,854,128	61,518,130	16,154,250	1,788,665	1,534,774	1,506,646	105,356,593
Expenditures:							
Current:							
Instructional services:							
Regular instructional	3,265,703	37,731,696	4,785,430	-	-	307,793	46,090,622
Special populations	471,467	6,252,750	1,640,574	-	-	437,973	8,802,764
Alternative programs	410,378	1,135,076	4,243,093	-	-	233,014	6,021,561
School leadership	2,212,818	4,072,526	210,399	-	-	-	6,495,743
Co-curricular	695,632	-	-	-	1,720,577	-	2,416,209
School-based support	739,135	5,818,273	1,063,975	-	-	256,026	7,877,409
System-wide support services:							
Support and development	362,342	172,841	109,978	-	-	-	645,161
Special population support and development	61,049	290,317	214,867	-	-	-	566,233
Alternative programs and services support and development	113,897	-	119,017	-	-	-	232,914
Technology support	952,854	50,175	101,393	-	-	-	1,104,422
Operational support	7,076,651	5,370,411	2,815,739	-	-	123,104	15,385,905
Financial and human resources	2,280,346	319,915	74,545	-	-	-	2,674,806
Accountability	132,033	-	2,153	-	-	-	134,186
System-wide pupil support	106,088	70,887	538	-	-	-	177,513
Policy, leadership and public relations	860,148	194,391	15,072	-	-	115,244	1,184,855
Ancillary services	884	38,872	245,127	-	-	-	284,883
Non-programmed charges	5,348,270	-	512,350	-	-	-	5,860,620
Debt service:							
Principal	-	-	-	281,792	-	-	281,792
Capital outlay:							
Land, buildings, and site improvement	-	-	-	1,233,124	-	-	1,233,124
Furnishings and equipment	-	-	-	252,706	-	-	252,706
Vehicles and other	-	-	-	252,356	-	-	252,356
Total expenditures	25,089,695	61,518,130	16,154,250	2,019,978	1,720,577	1,473,154	107,975,784
Excess (deficiency) of revenues over expenditures	(2,235,567)	-	-	(231,313)	(185,803)	33,492	(2,619,191)
Other financing sources (uses):							
Transfers from (to) other funds	(60,000)	-	-	-	60,000	-	-
Installment obligations issued	-	-	-	193,643	-	-	193,643
Total other financing sources (uses)	(60,000)	-	-	193,643	60,000	-	193,643
Net change in fund balance	(2,295,567)	-	-	(37,670)	(125,803)	33,492	(2,425,548)
Fund balances, beginning of year	6,668,510	-	-	1,695,315	746,656	5,135,902	14,246,383
Decrease in reserve for inventory	5,317	-	-	-	-	-	5,317
Fund balances, end of year	\$ 4,378,260	\$ -	\$ -	\$ 1,657,645	\$ 620,853	\$ 5,169,394	\$ 11,826,152

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

**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, 2023**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (2,425,548)
Adjustment due to the use of consumption method of recording inventory in the government-wide statements.	5,317
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.	(1,229,950)
Loss on disposal of capital assets	(29,556)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	8,820,571
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	3,547,512
State OPEB contribution	463,293
Net OPEB benefit	9,121,967
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.	88,149
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	(8,340,526)
Compensated absences	(62,927)
	<hr/>
Total changes in net position (deficit) of governmental activities	<u><u>\$ 9,958,302</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, 2023

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Franklin County	25,977,914	21,910,978	21,910,978	-
U.S. Government	-	-	-	-
Other	55,566	978,772	943,150	(35,622)
Total revenues	26,033,480	22,889,750	22,854,128	(35,622)
Expenditures:				
Current:				
Instructional services	7,692,372	7,924,846	7,795,133	129,713
System-wide support services	12,767,285	12,175,955	11,945,408	230,547
Ancillary services	1,000	1,000	884	116
Non-programmed charges	5,572,823	5,412,325	5,348,270	64,055
Total expenditures	26,033,480	25,514,126	25,089,695	424,431
Revenues over (under) expenditures	-	(2,624,376)	(2,235,567)	388,809
Other financing sources:				
Transfers (to) from other funds	-	(60,000)	(60,000)	-
Fund balance appropriated	-	2,684,376	-	(2,684,376)
Net change in fund balance	\$ -	\$ -	(2,295,567)	\$ (2,295,567)
Fund balances, beginning of year			6,668,510	
Increase in reserve for inventory			5,317	
Fund balances, end of year			\$ 4,378,260	

**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, 2023**

	<u>State Public School Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 60,179,348	\$ 62,842,046	\$ 61,518,130	\$ (1,323,916)
Franklin County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>60,179,348</u>	<u>62,842,046</u>	<u>61,518,130</u>	<u>(1,323,916)</u>
Expenditures:				
Current:				
Instructional services	54,803,481	56,303,527	55,010,321	1,293,206
System-wide support services	5,328,424	6,499,122	6,468,937	30,185
Ancillary services	47,443	39,397	38,872	525
Non-programmed charges	-	-	-	-
Total expenditures	<u>60,179,348</u>	<u>62,842,046</u>	<u>61,518,130</u>	<u>1,323,916</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
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, 2023

	<u>Restricted Revenues Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 926,742	\$ 542,762	\$ 420,482	\$ (122,280)
Franklin County	-	-	-	-
U.S. Government	-	50,291	80,304	30,013
Other	400,337	439,595	1,005,860	566,265
Total revenues	<u>1,327,079</u>	<u>1,032,648</u>	<u>1,506,646</u>	<u>473,998</u>
Expenditures:				
Current:				
Instructional services	1,042,917	1,269,471	1,234,806	34,665
System-wide support services	284,162	265,339	238,348	26,991
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>1,327,079</u>	<u>1,534,810</u>	<u>1,473,154</u>	<u>61,656</u>
Revenues over (under) expenditures	-	(502,162)	33,492	535,654
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	502,162	-	(502,162)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	33,492	<u>\$ 33,492</u>
Fund balances, beginning of year			5,135,902	
Increase in reserve for inventory			-	
Fund balances, end of year			<u>\$ 5,169,394</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, 2023

	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	27,105,812	29,523,221	16,154,250	(13,368,971)
Other	-	-	-	-
Total revenues	<u>27,105,812</u>	<u>29,523,221</u>	<u>16,154,250</u>	<u>(13,368,971)</u>
Expenditures:				
Current:				
Instructional services	17,491,077	20,890,630	11,943,471	8,947,159
System-wide support services	7,011,450	7,045,249	3,453,302	3,591,947
Ancillary services	497,605	484,403	245,127	239,276
Non-programmed charges	<u>2,105,680</u>	<u>1,102,939</u>	<u>512,350</u>	<u>590,589</u>
Total expenditures	<u>27,105,812</u>	<u>29,523,221</u>	<u>16,154,250</u>	<u>13,368,971</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Increase in reserve for inventory			-	
Fund balances, end of year			<u>\$ -</u>	

Board of Education of Franklin County Schools
Statement of Net Position (Deficit)
Proprietary Funds
June 30, 2023

Exhibit 7

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,964,421	\$ 129,465	\$ 2,093,886
Due from other governments	155,199	-	155,199
Inventories	352,906	-	352,906
Total current assets	<u>2,472,526</u>	<u>129,465</u>	<u>2,601,991</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	141,103	-	141,103
Total assets	<u>2,613,629</u>	<u>129,465</u>	<u>2,743,094</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,312,368</u>	<u>119,863</u>	<u>1,432,231</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,238	-	1,238
Unearned revenue	44,941	-	44,941
Compensated absences	54,607	-	54,607
Total current liabilities	<u>100,786</u>	<u>-</u>	<u>100,786</u>
Noncurrent liabilities:			
Net pension liability	1,483,104	136,284	1,619,388
Net OPEB liability	2,062,138	228,777	2,290,915
Compensated absences	53,308	-	53,308
Total noncurrent liabilities	<u>3,598,550</u>	<u>365,061</u>	<u>3,963,611</u>
Total liabilities	<u>3,699,336</u>	<u>365,061</u>	<u>4,064,397</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,233,321</u>	<u>121,789</u>	<u>1,355,110</u>
NET POSITION (DEFICIT)			
Investment in capital assets	141,103	-	141,103
Unrestricted	<u>(1,147,763)</u>	<u>(237,522)</u>	<u>(1,385,285)</u>
Total net deficit	<u>\$ (1,006,660)</u>	<u>\$ (237,522)</u>	<u>\$ (1,244,182)</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, 2023

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-Major	Total
	School Food Service	Fund Child Care	
Operating revenues:			
Food sales	\$ 818,203	\$ -	\$ 818,203
Child care fees	-	310,280	310,280
Total operating revenues	<u>818,203</u>	<u>310,280</u>	<u>1,128,483</u>
Operating expenses:			
Food cost:			
Purchase of food	1,469,100	-	1,469,100
Food processing supplies	163,832	-	163,832
Donated commodities	413,935	-	413,935
Salaries and benefits	2,332,322	220,960	2,553,282
Materials and supplies	18,619	1,675	20,294
Repairs and maintenance	80,684	-	80,684
Depreciation	58,726	-	58,726
Non-capitalized equipment	7,365	-	7,365
Other	33,708	1,466	35,174
Total operating expenses	<u>4,578,291</u>	<u>224,101</u>	<u>4,802,392</u>
Operating income (loss)	<u>(3,760,088)</u>	<u>86,179</u>	<u>(3,673,909)</u>
Nonoperating revenues (expenses):			
Federal reimbursements	3,949,413	-	3,949,413
Federal commodities	413,935	-	413,935
State reimbursement	5,936	-	5,936
State OPEB contribution	15,482	1,396	16,878
Interest earned	805	-	805
Other	4,121	-	4,121
Total nonoperating revenues	<u>4,389,692</u>	<u>1,396</u>	<u>4,391,088</u>
Change in net deficit	629,604	87,575	717,179
Total net deficit, beginning	<u>(1,636,264)</u>	<u>(325,097)</u>	<u>(1,961,361)</u>
Total net deficit, ending	<u>\$ (1,006,660)</u>	<u>\$ (237,522)</u>	<u>\$ (1,244,182)</u>

**Board of Education of Franklin County Schools
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023**

Exhibit 9

	Enterprise Funds		Total
	Major Fund	Non-Major	
	School Food Service	Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 751,452	\$ 310,280	\$ 1,061,732
Cash paid for goods and services	(1,751,978)	(3,282)	(1,755,260)
Cash paid to employees for services	(2,759,163)	(260,581)	(3,019,744)
Other cash received	4,121	-	4,121
Net cash provided (used) by operating activities	<u>(3,755,568)</u>	<u>46,417</u>	<u>(3,709,151)</u>
Cash flows from noncapital financing activities:			
Federal and state reimbursements	<u>3,953,599</u>	<u>-</u>	<u>3,953,599</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(5,973)</u>	<u>-</u>	<u>(5,973)</u>
Cash flows from investing activities:			
Interest received on investments	<u>805</u>	<u>-</u>	<u>805</u>
Net increase in cash and cash equivalents	192,863	46,417	239,280
Cash and cash equivalents, beginning of year	<u>1,771,558</u>	<u>83,048</u>	<u>1,854,606</u>
Cash and cash equivalents, end of year	<u>\$ 1,964,421</u>	<u>\$ 129,465</u>	<u>\$ 2,093,886</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	<u>\$ (3,760,088)</u>	<u>\$ 86,179</u>	<u>\$ (3,673,909)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
State OPEB contribution	15,482	1,396	16,878
Depreciation	58,726	-	58,726
Donated commodities	413,935	-	413,935
Other	4,121	-	4,121
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Change in inventories	37,258	-	37,258
Change in net OPEB asset	1,403	160	1,563
Change deferred outflows of resources	(506,585)	(45,677)	(552,262)
Change in accounts payable and accrued liabilities	(15,928)	(141)	(16,069)
Change in unearned revenue	(66,751)	-	(66,751)
Change in compensated absences payable	12,589	-	12,589
Change in net pension liability	1,018,295	91,815	1,110,110
Change in net OPEB liability	(556,612)	(50,221)	(606,833)
Change deferred inflows of resources	<u>(411,413)</u>	<u>(37,094)</u>	<u>(448,507)</u>
Total adjustments	<u>(10,962)</u>	<u>(41,158)</u>	<u>(52,120)</u>
Net cash provided (used) by operating activities	<u>\$ (3,755,568)</u>	<u>\$ 46,417</u>	<u>\$ (3,709,151)</u>

NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$413,935 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 \$15,482 and \$1,396, 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.

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.

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

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

The North Carolina Capital Management Trust (NCCMT) is an SEC-registered money market mutual fund (the Government Portfolio) allowable by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries, government agencies, and collateralized repurchase agreements, is a 2a-7 money market mutual fund and maintains a AAAM rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value.

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.

Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Board of Education of Franklin County Schools
Notes to Financial Statements

(2) Inventories

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

(3) 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:

Buildings and improvements	50 years
Equipment and furniture	5 to 10 years
Vehicles	6 years
Computer equipment	3 years

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.

(4) Deferred Outflows and Inflows of Resources

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

(5) 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.

Board of Education of Franklin County Schools
Notes to Financial Statements

(6) Compensated Absences

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

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

(7) Net Position (Deficit)

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

(8) Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

Board of Education of Franklin County Schools
Notes to Financial Statements

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, then by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

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 \$8,585,395 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)	\$ 207,190,552
Less accumulated depreciation	<u>(92,260,247)</u>
Net capital assets	<u>114,930,305</u>
Pension-related deferred outflows of resources	27,335,567
OPEB-related deferred outflows of resources	<u>11,623,961</u>
	<u>38,959,528</u>
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:	
Direct borrowing installment purchases	(143,477)
Compensated absences	(4,905,318)
Net pension liability	(43,921,051)
Net OPEB liability	(60,958,835)
Deferred inflows of resources related to pensions	(1,381,368)
Deferred inflows of resources related to OPEB	<u>(33,994,389)</u>
	<u>(145,304,438)</u>
Total adjustment	<u>\$ 8,585,395</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 \$12,383,850 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,825,647
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.	(5,055,597)
New debt and leases issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities	(193,643)
Principal payments on leases and installment purchases are recorded as a use of funds on the fund statements but affect only the statement of net position (deficit) in the government-wide statements	281,792
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	8,820,571
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	3,547,512
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	5,317
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	(8,340,526)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
State OPEB contribution	463,293
Net OPEB benefit	9,121,967
Loss on disposal of assets	(29,556)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(62,927)
Total adjustment	<u>\$ 12,383,850</u>

G. Defined Benefit Pension Plans and OPEB Plans

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

2. Detail Notes on All Funds

A. Assets

(1) Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board does not have a policy regarding custodial credit risk for deposits.

At June 30, 2023, the Board had deposits with financial institutions with a carrying amount of \$14,414,256 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$14,845,762 and \$1,394,452, respectively. Of these balances, \$750,808 was covered by federal depository insurance and \$15,489,406 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, 2023, the Board of Education had \$165,893 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.

Board of Education of Franklin County Schools
Notes to Financial Statements

(3) Receivables

Receivables at the government-wide level at June 30, 2023 were as follows:

	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ -	\$ 13,455	\$ 13,455
Business-type activities:			
School food service	\$ 155,199	\$ -	\$ 155,199

Due from other governments consists of the following:

Business-type activities:		
School Food Service	<u>\$ 155,199</u>	Federal reimbursements

(4) Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 6,776,775	\$ -	\$ -	\$ -	\$ 6,776,775
Construction in progress	24,716	-	-	-	24,716
Total capital assets not being depreciated	<u>6,801,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,801,491</u>
Capital assets being depreciated:					
Buildings and improvements	177,130,365	3,466,585	-	-	180,596,950
Equipment and furniture	8,342,935	95,983	1,775,762	-	6,663,156
Vehicles	13,343,509	263,079	477,633	-	13,128,955
Total capital assets being depreciated	<u>198,816,809</u>	<u>3,825,647</u>	<u>2,253,395</u>	<u>-</u>	<u>200,389,061</u>
Less accumulated depreciation for:					
Buildings and improvements	71,969,168	4,190,985	-	-	76,160,153
Equipment and furniture	7,258,022	186,071	1,746,206	-	5,697,887
Vehicles	10,201,299	678,541	477,633	-	10,402,207
Total accumulated depreciation	<u>89,428,489</u>	<u>5,055,597</u>	<u>2,223,839</u>	<u>-</u>	<u>92,260,247</u>
Total capital assets being depreciated, net	<u>109,388,320</u>				<u>108,128,814</u>
Governmental activity capital assets, net	<u>\$ 116,189,811</u>				<u>\$ 114,930,305</u>

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Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 4,421,823
Operational support services	<u>633,774</u>
	<u>\$ 5,055,597</u>

	<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	\$ 2,664,915	\$ 5,973	\$ 106,225	\$ -	\$ 2,564,663
Vehicles	75,226	-	-	-	75,226
Total capital assets being depreciated	<u>2,740,141</u>	<u>5,973</u>	<u>106,225</u>	<u>-</u>	<u>2,639,889</u>
Less accumulated depreciation:					
Furniture and equipment	2,471,059	58,726	106,225	-	2,423,560
Vehicles	75,226	-	-	-	75,226
Total accumulated depreciation	<u>2,546,285</u>	<u>58,726</u>	<u>106,225</u>	<u>-</u>	<u>2,498,786</u>
Business-type activities capital assets, net	<u>\$ 193,856</u>				<u>\$ 141,103</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.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate was 17.38 percent of covered payroll from July 1, 2022 to June 30, 2023. 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 \$9,141,914 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Board reported a liability of \$45,540,439 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Board's 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 0.3068% and 0.2981% at June 30, 2023 and June 30, 2022, respectively.

For the year ended June 30, 2023, the Board recognized pension expense of \$8,644,382. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 198,286	\$ 620,723
Changes of assumptions	3,592,967	-
Net difference between projected and actual earnings on pension plan investments	14,957,306	-
Changes in proportions and differences between Board contributions and proportionate share of contributions	475,282	805,555
Board contributions subsequent to the measurement date	<u>9,141,914</u>	<u>-</u>
Total	<u>\$ 28,365,755</u>	<u>\$ 1,426,278</u>

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The Board reported \$9,141,914 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, 2024.

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

Year Ended June 30:	
2024	\$ (4,613,258)
2025	(4,279,749)
2026	(1,734,444)
2027	<u>(7,170,114)</u>
	<u>\$ (17,797,566)</u>

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

Inflation	2.5 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, 2021 actuarial valuation are based on the experience study prepared as of December 31, 2020 and adopted by the Board of Trustees on January 28, 2022, Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the 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, 2022 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Totals	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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	\$ 80,517,816	\$ 45,540,439	\$16,669,411

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

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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 [\[https://www.osc.nc.gov/public-information/reports\]](https://www.osc.nc.gov/public-information/reports).

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

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

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

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

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 6.89 percent of covered payroll from July 1, 2022 to June 30, 2023. Board contributions to the plan were \$3,624,153 for the year ended June 30, 2023. During the year ended June 30, 2023, the North Carolina State Health Plan ("SHP") contributed \$475.2 million to the Retiree Health Benefit Fund. In accordance with GASB, the Board recognized revenue of \$480,171 as a result of this non-employer contribution.

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

At June 30, 2023, Board reported a liability of \$63,169,813 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December, 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2023 and 2022, the Board's proportion was 0.2660% and 0.2604% respectively.

\$3,624,153 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024.

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

Year Ended June 30:	
2024	\$ 10,303,333
2025	6,281,011
2026	6,443,053
2027	<u>4,095,010</u>
	<u>\$ 27,122,407</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, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

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Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the 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:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 74,406,761	\$ 63,169,813	\$ 53,992,276

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 lower or 1 percentage point higher than the current healthcare cost trend rates:

	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	\$ 51,998,861	\$ 63,169,813	\$ 77,609,864

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

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disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2023, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$52,600 for the year ended June 30, 2023.

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

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

At June 30, 2023, Board reported a liability of \$79,937 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2023 and 2022, the Board's proportion was 0.2687% and 0.2648%, respectively.

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\$52,600 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>		
2024	\$	42,093
2025		47,911
2026		34,296
2027		26,559
2028		5,745
Thereafter		<u>10,467</u>
	<u>\$</u>	<u>167,071</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 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 (2.00 percent) or 1 percentage point higher (4.00 percent) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Board's proportionate share of the net OPEB liability	\$ 98,433	\$ 79,937	\$ 61,395

Common actuarial assumptions for both OPEB plans. The net OPEB liability was determined by an actuarial valuation performed as of June 30, 2022 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The net OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Totals	<u>100.0%</u>	

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources 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	\$ (9,565,662)	\$ 111,372	\$ (9,454,290)
OPEB liability	63,169,813	79,937	63,249,750
Proportionate share of the net OPEB liability (asset)	0.266%	0.269%	
Deferred outflows of resources			
Differences between expected and actual experience	613,295	89,605	702,900
Changes of assumptions	5,057,564	5,138	5,062,702
Net difference between projected and actual earnings on pension plan investments	547,023	84,550	631,573
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,946,671	5,405	1,952,076
Employer contributions subsequent to the measurement date	3,624,153	52,600	3,676,753
Total	<u>\$ 11,788,706</u>	<u>\$ 237,298</u>	<u>\$ 12,026,004</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 174,797	\$ -	\$ 174,797
Changes of assumptions	28,750,069	14,809	28,764,878
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,362,095	2,819	6,364,914
Total	<u>\$ 35,286,961</u>	<u>\$ 17,628</u>	<u>\$ 35,304,589</u>

Board of Education of Franklin County Schools
Notes to Financial Statements

(2) Payables

Payables as of June 30, 2023 are as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General fund	\$ 763,883	\$ 3,920	\$ 767,803
Other governmental	<u>23,039</u>	<u>-</u>	<u>23,039</u>
Total governmental activities	<u>\$ 786,922</u>	<u>\$ 3,920</u>	<u>\$ 790,842</u>
Business-type activities:			
School food service	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ 1,238</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)	\$ 901,186	\$ 795,520
Changes of assumptions (Pension & OPEB)	8,655,669	28,764,878
Net difference between projected and actual earnings on plan investments (Pension & OPEB)	15,588,879	-
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	2,427,358	7,170,469
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>12,818,667</u>	<u>-</u>
Totals	<u>\$ 40,391,759</u>	<u>\$ 36,730,867</u>

(4) Unearned Revenues

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

School Food Service Fund:	
Prepayments for meals	<u>\$ 44,941</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, 2023, 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, 2023, June 30, 2022 and June 30, 2021, 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, 2023 are as follows:

Year Ending June 30,	Total
2024	\$ 95,069
2025	48,408
	<u>\$ 143,477</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, 2023:

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement					
installment purchases	\$ 231,626	193,643	281,792	\$ 143,477	95,069
Net pension liability	13,449,556	30,471,495	-	43,921,051	-
Net OPEB liability	77,614,637	-	16,655,802	60,958,835	-
Compensated absences	4,842,391	3,385,760	3,322,833	4,905,318	1,980,950
Total	<u>\$ 96,138,210</u>	<u>\$34,050,898</u>	<u>\$ 20,260,427</u>	<u>\$ 109,928,681</u>	<u>2,076,019</u>
Business-type activities:					
Net pension liability	509,278	1,619,388	-	1,619,388	-
Net OPEB liability	2,897,748	-	606,833	2,290,915	-
Compensated absences	95,326	123,133	110,544	107,915	54,607
Total	<u>\$ 3,502,352</u>	<u>\$ 1,742,521</u>	<u>\$ 717,377</u>	<u>\$ 4,018,218</u>	<u>54,607</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, 2023 consist of the following:

From the General Fund to the Individual Schools Fund for capital outlay expenditures	<u>\$ 60,000</u>
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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	\$ 4,378,260
Inventories	117,246
Stabilization by State Statute	<u>13,455</u>
Unassigned Fund Balance	<u>\$ 4,247,559</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.

	<u>General Fund</u>		<u>Capital Outlay Fund</u>		<u>Restricted Revenues</u>
Encumbrances	\$	-	\$	-	\$ -

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, 2022, the Board implemented the accounting and financial reporting requirements of GASB Statement 96, Subscription-Based Information Technology Arrangements. This statement establishes a model for accounting of subscription-based information technology arrangements based on the principle that such arrangements are financings of the right to use an underlying subscription asset. Under this statement, a user of a subscription-based information technology arrangement is required to recognize a subscription liability and an intangible subscription asset. As of July 1, 2022, and for the year ended June 30, 2023, the Board has determined that it has not entered into any arrangements that meet the reporting requirements of GASB 96.

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 (Liability) - 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 Ten Fiscal Years***

Schedule 1

	<u>2023</u>	<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	0.3068%	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	\$ 45,540,439	\$ 13,958,834	\$ 13,958,834	\$ 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	\$ 51,244,421	\$ 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	88.87%	29.79%	29.46%	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	84.14%	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.

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

Schedule 2

	<u>2023</u>	<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	\$ 9,141,914	\$ 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>9,141,914</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 53,466,268	\$ 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	17.10%	15.55%	14.63%	12.87%	12.15%	10.67%	10.49%	8.98%	9.18%	8.56%

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 Seven Fiscal Years*

Schedule 3

	<u>2023</u>	<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	0.2660%	0.2604%	0.2753%	0.2731%	0.2806%	0.2974%	0.2971%
Board's proportionate share of the net OPEB liability	\$ 63,169,813	\$ 80,512,385	\$ 80,512,385	\$ 86,437,332	\$ 79,938,148	\$ 97,501,426	\$ 129,225,268
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
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	123.27%	171.85%	169.89%	189.76%	181.61%	221.27%	281.93%
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	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 Seven Fiscal Years***

Schedule 4

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,624,153	\$ 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>3,624,153</u>	<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>
Board's covered payroll	\$ 53,466,268	\$ 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	6.78%	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 (Liability)
Disability Income Plan of North Carolina
Last Seven Fiscal Years*

Schedule 5

	<u>2023</u>	<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 (liability)	0.2687%	0.2648%	0.2736%	0.2764%	0.2794%	0.2874%	0.3043%
Board's proportionate share of the net OPEB asset (liability) \$	(79,937)	\$ 43,252	\$ 134,586	\$ 119,245	\$ 84,860	\$ 175,653	\$ 188,952
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
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	-0.16%	0.09%	0.28%	0.26%	0.19%	0.40%	0.41%
Plan fiduciary net position as a percentage of the net OPEB asset (liability)	90.34%	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 Seven Fiscal Years***

Schedule 6

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 52,600	\$ 43,341	\$ 41,743	\$ 47,039	\$ 63,060	\$ 61,018	\$ 165,051
Contributions in relation to the contractually required contribution	<u>52,600</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 53,466,268	\$ 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	0.10%	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, 2023

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 406,438	\$ 281,793	\$ (124,645)
Franklin County:			
General county revenues	1,500,000	1,500,000	-
Other:			
Interest earned on investments	-	2,660	2,660
Miscellaneous revenue	-	4,212	4,212
	<u>-</u>	<u>6,872</u>	<u>6,872</u>
Total revenues	<u>1,906,438</u>	<u>1,788,665</u>	<u>(117,773)</u>
Expenditures:			
Capital outlay:			
Real property and buildings		1,233,124	
Furnishings and equipment		252,706	
Buses and motor vehicles		252,356	
		<u>1,738,186</u>	
Total capital outlay	<u>1,986,438</u>	<u>1,738,186</u>	<u>248,252</u>
Debt service:			
Principal	281,792	281,792	-
	<u>281,792</u>	<u>281,792</u>	<u>-</u>
Total expenditures	<u>2,268,230</u>	<u>2,019,978</u>	<u>248,252</u>
Revenues under expenditures	<u>(361,792)</u>	<u>(231,313)</u>	<u>130,479</u>
Other financing sources (uses):			
Installment purchase obligations issued	281,792	193,643	(88,149)
	<u>281,792</u>	<u>193,643</u>	<u>(88,149)</u>
Total other financing sources (uses)	<u>281,792</u>	<u>193,643</u>	<u>(88,149)</u>
Fund balance appropriated	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(37,670)</u>	<u>\$ (37,670)</u>
Fund balance:			
Beginning of year		<u>1,695,315</u>	
End of year		<u>\$ 1,657,645</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, 2023

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, 2022</u>	<u>Fund Balances June 30, 2023</u>
Bunn Elementary	\$ 47,287	\$ 62,949	\$ 3,750	\$ (11,912)	\$ 20,558	\$ 8,646
Bunn Middle	81,493	92,448	3,750	(7,205)	19,654	12,449
Bunn High	317,664	333,820	3,750	(12,406)	168,931	156,525
Franklinton Elementary	25,209	30,299	3,750	(1,340)	10,028	8,688
Franklinton Middle	42,579	45,567	3,750	762	13,121	13,883
Franklinton High	398,440	430,390	3,750	(28,200)	167,112	138,912
Louisburg Elementary	34,004	40,334	3,750	(2,580)	23,022	20,442
Louisburg High	213,480	258,589	3,750	(41,359)	135,417	94,058
Terrell Lane Middle	52,319	54,473	3,750	1,596	28,544	30,140
Cedar Creek Middle	89,998	103,253	3,750	(9,505)	47,910	38,405
Edward Best Elementary	58,511	75,028	3,750	(12,767)	44,810	32,043
Early College High School	27,653	32,320	3,750	(917)	14,241	13,324
Laurel Mill Elementary	24,710	28,247	3,750	213	9,835	10,048
Youngsville Elementary	39,259	44,442	3,750	(1,433)	15,333	13,900
Long Mill Elementary	50,664	49,965	3,750	4,449	19,410	23,859
Royal Elementary	31,504	38,453	3,750	(3,199)	8,730	5,531
	<u>\$ 1,534,774</u>	<u>\$ 1,720,577</u>	<u>\$ 60,000</u>	<u>\$ (125,803)</u>	<u>\$ 746,656</u>	<u>\$ 620,853</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, 2023

Schedule 9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - food sales	\$ 1,384,618	\$ 818,203	\$ (566,415)
Operating expenditures:			
Business support services:			
Purchase of food		1,431,842	
Donated commodities		413,935	
Food processing supplies		163,832	
Salaries and benefits		2,774,645	
Materials and supplies		18,619	
Repairs and maintenance		80,684	
Non-capitalized equipment		7,365	
Other		33,708	
Total operating expenditures	<u>5,214,089</u>	<u>4,924,630</u>	<u>289,459</u>
Operating loss	<u>(3,829,471)</u>	<u>(4,106,427)</u>	<u>(276,956)</u>
Nonoperating revenues:			
Federal reimbursements	3,582,302	3,949,413	367,111
Federal commodities	238,115	413,935	175,820
State reimbursements	-	5,936	5,936
Interest earned	-	805	805
Other	9,054	4,121	(4,933)
Total nonoperating revenues	<u>3,829,471</u>	<u>4,374,210</u>	<u>544,739</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>267,783</u>	<u>\$ 267,783</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(58,726)	
State OPEB contribution		15,482	
Change in inventories		(37,258)	
Change in net OPEB asset		(1,403)	
Change in deferred outflows of resources		506,585	
Change in compensated absences payable		(12,589)	
Change in net pension liability		(1,018,295)	
Change in net OPEB liability		556,612	
Change in deferred inflows of resources		411,413	
Change in net deficit (full accrual)		<u>\$ 629,604</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, 2023

Schedule 10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - child care fees	\$ 267,885	\$ 310,280	\$ 42,395
Operating expenditures:			
Regular community service			
Salaries and benefits		261,977	
Materials and supplies		1,675	
Other		1,466	
Total operating expenditures	<u>267,885</u>	<u>265,118</u>	<u>2,767</u>
Excess of revenues over expenditures	<u>\$ -</u>	45,162	<u>\$ 45,162</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
State OPEB contribution		1,396	
Change in net OPEB asset		(160)	
Change in deferred outflows of resources		45,677	
Change in net pension liability		(91,815)	
Change in net OPEB liability		50,221	
Change in deferred inflows of resources		<u>37,094</u>	
Change in net deficit (full accrual)		<u>\$ 87,575</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, North Carolina

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, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 31, 2023.

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 over financial reporting.

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

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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

**High Point, North Carolina
October 31, 2023**

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, North Carolina

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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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, the Uniform Guidance, and the State Single Audit Implementation Act, we:

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

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

Report on Internal Control Over Compliance

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

FORVIS

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

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

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

FORVIS,LLP

**High Point, North Carolina
October 31, 2023**

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, North Carolina

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, 2023. 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, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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, the Uniform Guidance, and the State Single Audit Implementation Act, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS,LLP

**High Point, North Carolina
October 31, 2023**

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>Assistance Listing</u>	<u>Names of Federal Program or Cluster</u>
10.555, 10.553, 10.559 84.425	Child Nutrition Cluster 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 No
- Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes No

Identification of major state programs:

Program Name

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.

There were no findings or questioned costs related to the audit of federal and state awards for the fiscal year ended June 30, 2022.

**Board of Education of Franklin County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2023**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
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	\$ 413,935
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
School Breakfast Program	10.553	PRC 035	862,549
National School Lunch Program	10.555	PRC 035	3,045,046
Summer Food Service Program for Children	10.559	PRC 050	41,818
Total Cash Assistance			<u>3,949,413</u>
Total Child Nutrition Cluster:			<u>4,363,348</u>
Total U.S. Department of Agriculture			<u>4,363,348</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	2,779,356
Total Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)			<u>2,779,356</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	1,183,502
Early Intervening Services	84.027	PRC 070	34,627
Special Needs Target Assistance	84.027	PRC 118	8,016
ESSER III - ARP IDEA 611 Grants to States	84.027X	PRC 185	271,706
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	52,505
Preschool Targeted Assistance	84.173	PRC 119	238
ESSER III - ARP IDEA Preschool Grants	84.173X	PRC 186	28,197
Total Special Education Cluster:			<u>1,578,791</u>
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	162,164
English Language Acquisition Grant	84.365	PRC 104/111	75,533
Supporting Effective Instruction State Grants	84.367	PRC 103	420,885
Education for Homeless Children and Youth	84.029	PRC 026	29,698
Student Support and Academic Enrichment Program	84.424	PRC 108	173,058
			<u>861,338</u>
COVID-19 Education Stabilization Fund			
ESSER II - K12 Emergency Relief Fund	84.425D	PRC 171	5,224,444
ESSER II - Supplemental Contracted Instructional Support Funding	84.425D	PRC 173	8,026
ESSER II - School Nutritional COVID Support	84.425D	PRC 174	11,248
ESSER II - Learning Loss Funding	84.425D	PRC 176	8,381
ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	44,093
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	5,349,373
ESSER III - Homeless I	84.425W	PRC 183	1,251
ESSER III - Homeless II	84.425W	PRC 184	40,447
ESSER III - Summer Career Acceleratory Programs	84.425U	PRC 188	73,834
ESSER III - Math Enrichment Programs	84.425U	PRC 189	80,238
ESSER III - Grants for Identification and Location of Missing Students	84.425U	PRC 191	11,484
ESSER III - Cyberbullying & Suicide Prevention	84.425U	PRC 192	28,450
ESSER III - Career & Technical Education - Hospitality	84.425U	PRC 194	1,157
ESSER III - STEM Pilot Program	84.425U	PRC 196	43,500
ESSER III - NBPTS Certification Fee Reimbursement Program	84.425U	PRC 198	6,700
ESSER III - Driver Training	84.425U	PRC 205	2,139
Total COVID-19 Education Stabilization Fund	84.425		<u>10,934,765</u>
Total U.S. Department of Education			<u>16,154,250</u>

**Board of Education of Franklin County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2023**

**Schedule 13
Page 2 of 2**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants (Continued):			
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	NONE	PRC 031	\$ 106,609
Total U.S. Department of Defense			<u>106,609</u>
Total Federal Assistance			<u>20,624,207</u>
State Grants:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			57,737,857
Driver Training - SPSF		PRC 012	170,754
School Technology Fund - SPSF		PRC 015	50,198
Career and Technical Education			
- State Months of Employment		PRC 013	2,927,268
- Program Support Funds		PRC 014	472,382
Textbooks and Digital Resources		PRC 131	159,671
Total N.C. Department of Public Instruction			<u>61,518,130</u>
<u>N.C. Department of Agriculture</u>			
State Kindergarten Breakfast Funds			5,936
<u>N.C. Department of Health and Human Services</u>			
Division of Public Health:			
State School Nurse Initiative			244,959
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	281,793
Total State Assistance			<u>62,050,818</u>
Total Federal and State Assistance			<u>\$ 82,675,025</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of 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, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule of Expenditures of Federal and State Awards 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: 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 \$695,728 were received during the year ended June 30, 2023. These non-cash items received were included in the determination of federal and State awards expended for the year ended June 30, 2023.