

**NASH BOARD OF EDUCATION**  
**Nashville, North Carolina**

*Financial Statements*  
*For the Fiscal Year Ended*  
*June 30, 2022*

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# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Nash Board of Education  
Nashville, North Carolina

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nash Board of Education, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School, Restricted Revenue 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 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 Nash Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the 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 Nash Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Nash Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nash Board of Education's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 50 through 55, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nash Board of Education's basic financial statements. The accompanying individual nonmajor fund schedule, budgetary schedules and schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 nonmajor fund schedule, budgetary schedules and schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16 2022, on our consideration of the Nash Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Nash Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nash Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

November 16, 2022  
Rockingham, North Carolina  
(910) 997-1418

## **NASH BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### ***Impact of Coronavirus on District***

During the fiscal year, the State and nation continued to be affected by the coronavirus (COVID-19) pandemic. Educational services returned to the traditional classroom environment with remote learning as an option for students preferring that method of instruction. The Board incurred additional expenses as a result of COVID-19 including: the purchase of personal protective equipment, remote learning educational tools, learning loss remediation due to online learning challenges and increases in salaries due to the Board's expansion of summer school programs. The Board received significant grants from the federal government to assist with these additional expenses incurred due to the pandemic.

### ***Financial Highlights***

For the fiscal year ended June 30, 2022, the Board's total government-wide net position increased by \$36.6 million. Governmental activities net position increased by \$33.2 million while business-type activities net position increased by \$3.4 million.

- Total government-wide net investment in capital assets increased by \$6.1 million, or 4.4%, over the prior year. Governmental activities net investment in capital assets increased by \$6.1 million and business-type activities investment in capital assets decreased by \$49,000.
- The Board's total government-wide unrestricted net position for the year ended June 30, 2022 increased by \$28.4 million over the prior year. Total governmental activities restricted net position increased by \$2.2 million over the prior year.
- A financial reporting award from the Association of School Business Officials International was received for the fiscal year ended June 30, 2021.

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

The audited financial statements of the Nash Board of Education consist of five components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions.*
- *Supplementary section that presents individual fund budgetary and other schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position 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, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements

## **NASH BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

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

### **Government-wide Statements**

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 and how it has changed. Net position is the difference between the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the unit's financial health or position.

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

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

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

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

### **Fund Financial Statements**

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

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

Nash 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 that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the



# **NASH BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Restricted Revenue Fund and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

*Proprietary fund:* 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 Nash Board of Education's only proprietary fund is an enterprise fund, the School Food Service Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

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

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$38.1 million as of June 30, 2022 as compared to \$74.7 million as of June 30, 2021. Following is a summary of the Statement of Net Position at June 30, 2022 and 2021:

**Table 1**  
**Condensed Statement of Net Position**  
**As of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Current and other assets	\$ 18,981,679	\$ 17,920,247	\$ 5,436,460	\$ 2,852,966	\$ 24,418,139	\$ 20,773,213
Capital assets	144,108,219	138,417,040	329,296	378,182	144,437,515	138,795,222
Total assets	<u>163,089,898</u>	<u>156,337,287</u>	<u>5,765,756</u>	<u>3,231,148</u>	<u>168,855,654</u>	<u>159,568,435</u>
Deferred outflows of resources	43,022,364	40,787,465	886,252	898,457	43,908,616	41,685,922
Current liabilities	8,366,336	12,913,369	228,034	362,355	8,594,370	13,275,724
Long-term liabilities	152,808,387	183,686,522	3,080,774	3,988,833	155,889,161	187,675,355
Total liabilities	<u>161,174,723</u>	<u>196,599,891</u>	<u>3,308,808</u>	<u>4,351,188</u>	<u>164,483,531</u>	<u>200,951,079</u>
Deferred inflows of resources	84,658,700	73,403,111	1,743,952	1,616,906	86,402,652	75,020,017
Net investment in capital assets	143,576,890	137,474,289	329,296	378,182	143,906,186	137,852,471
Restricted net position	4,984,328	2,812,822	7,452	9,816	4,991,780	2,822,638
Unrestricted net position (deficit)	<u>(188,282,379)</u>	<u>(213,165,361)</u>	<u>1,262,500</u>	<u>(2,226,487)</u>	<u>(187,019,879)</u>	<u>(215,391,848)</u>
Total net position (deficit)	<u>\$ (39,721,161)</u>	<u>\$ (72,878,250)</u>	<u>\$ 1,599,248</u>	<u>\$ (1,838,489)</u>	<u>\$ (38,121,913)</u>	<u>\$ (74,716,739)</u>

Net position is an indicator of the fiscal health of the Board. The net position of the Board's governmental activities increased \$33.2 million during the year, from \$(72.9) million at June 30, 2021 to \$(39.7) million at June 30, 2022, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$2.2 million due primarily to an increase in amounts restricted for State statute, capital outlay and individual schools activities. Unrestricted net position increased \$24.9 million over the prior year. Net investment in capital assets increased \$6.1 million due largely to construction in progress for a new elementary school in the district. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 3 of the financial statements for more details regarding these plans.

**NASH BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net position of the Board's business-type activities increased \$3.4 million during the year. This increase represents the net profit generated by our school food service operations during the 2022 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Revenues:						
Program revenues:						
Charges for services	\$ 2,398,336	\$ 927,222	\$ 229,507	\$ 6,627	\$ 2,627,843	\$ 933,849
Operating grants and contributions	138,389,664	114,660,862	9,494,994	3,663,994	147,884,658	118,324,856
Capital grants and contributions	587,929	942,320	-	-	587,929	942,320
General revenues:						
County appropriations	34,576,194	25,335,449	-	-	34,576,194	25,335,449
State appropriations	6,277,560	5,627,632	-	-	6,277,560	5,627,632
Federal appropriations	34,109	38,295	-	-	34,109	38,295
Other revenues	2,203,867	1,811,577	16,561	19,645	2,220,428	1,831,222
Total revenues	184,467,659	149,343,357	9,741,062	3,690,266	194,208,721	153,033,623
Expenses:						
Governmental activities:						
Instructional services	111,495,510	114,701,566	-	-	111,495,510	114,701,566
System-wide support services	36,158,960	24,196,408	-	-	36,158,960	24,196,408
Ancillary services	1,394,796	634,112	-	-	1,394,796	634,112
Payments to other governments	1,684,851	1,563,710	-	-	1,684,851	1,563,710
Interest on long-term debt	30,221	1,326	-	-	30,221	1,326
Unallocated depreciation	447,857	486,228	-	-	447,857	486,228
Business-type activities:						
School food service	-	-	6,401,700	5,111,976	6,401,700	5,111,976
Total expenses	151,212,195	141,583,350	6,401,700	5,111,976	157,613,895	146,695,326
Excess (deficiency) before transfers	33,255,464	7,760,007	3,339,362	(1,421,710)	36,594,826	6,338,297
Transfers in (out)	(98,375)	(172,520)	98,375	172,520	-	-
Increase (decrease) in net position	33,157,089	7,587,487	3,437,737	(1,249,190)	36,594,826	6,338,297
Beginning net position (deficit)	(72,878,250)	(80,465,737)	(1,838,489)	(589,299)	(74,716,739)	(81,055,036)
Ending net position (deficit)	\$ (39,721,161)	\$ (72,878,250)	\$ 1,599,248	\$ (1,838,489)	\$ (38,121,913)	\$ (74,716,739)

Total governmental activities generated revenues of \$184.5 million while expenses in this category totaled \$151.2 million for the year ended June 30, 2022, resulting in an increase in net position of \$33.2 million (including transfers to business-type activities of \$98,000). Comparatively, revenues were \$149.3 million, expenses totaled \$141.6 million and transfers out were \$173,000 for the year ended June 30, 2021, resulting in an increase in net position of \$7.6 million. In comparing the two years, revenues increased \$35.1 million, or 23.5%, while expenses increased by \$9.6 million, or 6.8%. The increases in revenues and expenses were primarily due to COVID-19 federal grants received and expended during the year. Funding from Nash County increased significantly due to construction of a new elementary school being financed by the County. Expenses were also significantly impacted by a year-over-year decrease of \$13.2 million in pension and OPEB expense due to changes in actuarial valuations and allocation percentages.

## NASH BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Board's primary sources of revenues were funding from the State of North Carolina, the counties of Nash and Edgecombe, and the United States Government, which respectively comprised 57.8%, 18.7% and 20.1% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 73.7% of our total expenses during the most recent fiscal year. Of the remaining 26.3% of our total expenses, 23.9% was attributable to system-wide support services.

Our business-type activities generated revenues of \$9.7 million while expenses in this category totaled \$6.4 million for the year ended June 30, 2022. For the year, net position increased by \$3.4 million (including transfers in of \$98,000). Comparatively, revenues were \$3.7 million and expenses were \$5.1 million for the year ended June 30, 2021, resulting in a decrease in net position of \$1.2 million (including transfers in of \$173,000). In comparing the two years, revenues increased \$6.1 million while expenses increased \$1.3 million. With students returning to the classroom in the 2022 year, the number of meals served increased to a more normal, pre-pandemic level. As would be expected with the increase in meals served, revenues, food and food supply costs all increased significantly. Expenses were also significantly impacted by a year-over-year decrease of \$557,000 in pension and OPEB expense due to changes in actuarial valuations and allocation percentages.

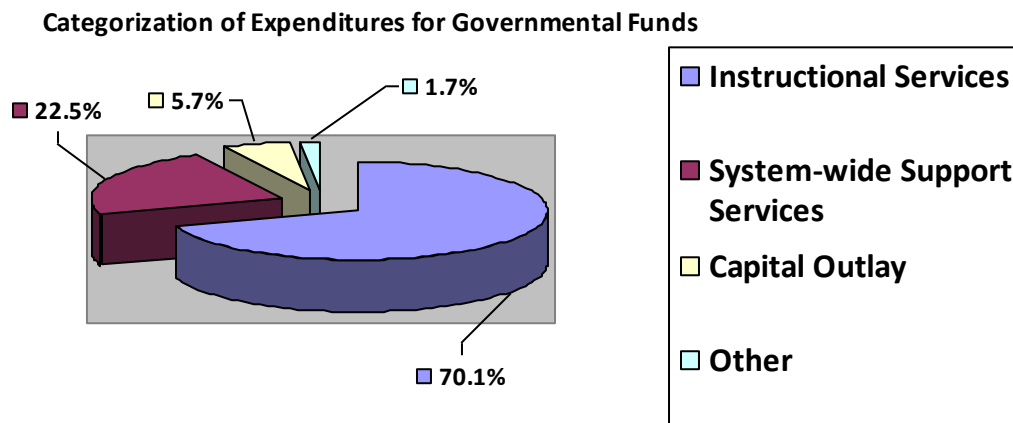
### **Financial Analysis of the Board's Funds**

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

The Board's governmental funds reported a combined fund balance of \$15.7 million at June 30, 2022, an increase of \$4.8 million over the \$10.8 million reported at June 30, 2021. The General, Capital Outlay and Individual Schools funds each reported increases in fund balance for the year while the Other Special Revenue Fund reported a decrease in fund balance.

The Board's General Fund reported an increase in fund balance of \$4.4 million (including the change in reserve for inventories) during the 2021-2022 year compared to an increase of \$1.5 million in the 2020-2021 year. Revenues increased slightly by \$98,000, or 0.4%, while expenditures declined \$2.8 million, or 12.7%. The District was able to generate cost savings in the General Fund in instruction services expenditures during the 2022 school year due primarily to being able to utilize State and federal funding sources that were available.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received. Combined revenues and expenditures in these two funds increased \$23.3 million over the previous year. The District received various COVID-19 grants through these two funds which were used to pay for specific costs incurred by the district in response to the pandemic.



Expenditures presented on modified accrual basis of accounting.

## **NASH BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Proprietary Fund:* The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$3.4 million for the fiscal year ended June 30, 2022 compared to a decrease of \$1.2 million for the same 2021 period. See the discussion above under "*Financial Analysis of the Board as a Whole*" for further details regarding the year-over-year change in operating results for the School Food Service Fund.

### **General Fund Budgetary Highlights**

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. However, during the year ended June 30, 2022, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year. The timing of some revenues and expenditures is less predictable which leads to differences between the budgeted and actual amounts. Variances between actual expenditures and final budget amounts relate to conservative budgeting practices and cost containment strategies.

### **Capital Assets**

Total primary government capital assets were \$144.4 million at June 30, 2022 compared to \$138.8 million at June 30, 2021, an increase of \$5.6 million, or 4.1%. The increase is largely attributable to construction of a new elementary school. More detailed information about the Board's capital assets is contained in Note 3 to the financial statements. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2022 and 2021.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Capital assets not being depreciated:						
Land	\$ 4,656,285	\$ 4,656,285	\$ -	\$ -	\$ 4,656,285	\$ 4,656,285
Construction in progress	9,760,824	804,002	-	-	9,760,824	804,002
Capital assets being depreciated:						
Buildings and improvements	115,036,910	119,179,065	-	-	115,036,910	119,179,065
Equipment and furniture	10,001,973	10,161,148	308,104	350,788	10,310,077	10,511,936
Vehicles	4,652,227	3,616,540	21,192	27,394	4,673,419	3,643,934
Total	<u>\$ 144,108,219</u>	<u>\$ 138,417,040</u>	<u>\$ 329,296</u>	<u>\$ 378,182</u>	<u>\$ 144,437,515</u>	<u>\$ 138,795,222</u>

### **Debt Outstanding**

During the year, the outstanding balances for installment purchase contracts decreased by \$575,000. The installment purchase contracts relate to the purchase of school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 3 to the financial statements.

### **Economic Factors**

The unemployment rate in Nash County at June 30, 2022 was 5.8% compared to a rate of 7.2% at June 30, 2021. Nash County's unemployment rate is higher than the June 30, 2022 State of N.C. and national unemployment rates which were 4.1% and 3.8%, respectively.

**NASH BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Requests for Information***

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

Doug Hale, Chief Financial Officer  
Nash Board of Education  
930 Eastern Avenue  
Nashville, NC 27856

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**NASH BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 15,349,539	\$ 5,026,614	\$ 20,376,153
Due from other governments	1,315,454	127,309	1,442,763
Receivables	1,153,796	694	1,154,490
Net OPEB asset	68,472	1,411	69,883
Inventories	509,808	280,432	790,240
Prepaid expenses	1,281	-	1,281
Right to use leased assets, net of amortization	583,329	-	583,329
Capital assets:			
Land and construction in progress	14,417,109	-	14,417,109
Other capital assets, net of depreciation	129,691,110	329,296	130,020,406
Total capital assets	144,108,219	329,296	144,437,515
Total assets	163,089,898	5,765,756	168,855,654
<b>Deferred Outflows of Resources</b>	43,022,364	886,252	43,908,616
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,239,923	18,617	1,258,540
Due to other governments	1,120,626	-	1,120,626
Unearned revenue	293,227	38,907	332,134
Long-term liabilities:			
Due within one year	5,712,560	170,510	5,883,070
Due in more than one year	152,808,387	3,080,774	155,889,161
Total liabilities	161,174,723	3,308,808	164,483,531
<b>Deferred Inflows of Resources</b>	84,658,700	1,743,952	86,402,652
<b>Net position</b>			
Net investment in capital assets	143,576,890	329,296	143,906,186
Restricted for:			
Stabilization by State statute	1,199,456	-	1,199,456
School capital outlay	577,444	-	577,444
Instructional services	1,580,025	-	1,580,025
Individual schools activities	1,265,695	-	1,265,695
DIPNC OPEB plan	361,708	7,452	369,160
Unrestricted (deficit)	(188,282,379)	1,262,500	(187,019,879)
Total net position	\$ (39,721,161)	\$ 1,599,248	\$ (38,121,913)

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

**NASH BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2022**

**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	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 63,158,874	\$ -	\$ 64,481,836	\$ -	\$ 1,322,962	\$ -	\$ 1,322,962
Special populations	14,354,499	-	16,184,447	-	1,829,948	-	1,829,948
Alternative programs	13,759,040	-	14,969,518	-	1,210,478	-	1,210,478
School leadership	7,956,983	-	6,830,056	-	(1,126,927)	-	(1,126,927)
Co-curricular	3,000,124	2,398,336	-	-	(601,788)	-	(601,788)
School-based support	9,265,990	-	8,411,667	-	(854,323)	-	(854,323)
System-wide support services:							
Support and development	1,036,142	-	765,977	-	(270,165)	-	(270,165)
Special population support and development	1,087,064	-	1,031,798	-	(55,266)	-	(55,266)
Alternative programs and services support and development	650,476	-	675,397	-	24,921	-	24,921
Technology support	3,753,193	-	3,576,532	-	(176,661)	-	(176,661)
Operational support	24,903,841	-	16,459,552	587,929	(7,856,360)	-	(7,856,360)
Financial and human resource services	3,755,993	-	2,598,695	-	(1,157,298)	-	(1,157,298)
Accountability	187,702	-	84,449	-	(103,253)	-	(103,253)
System-wide pupil support	(18,310)	-	-	-	18,310	-	18,310
Policy, leadership and public relations	802,859	-	490,810	-	(312,049)	-	(312,049)
Ancillary services	1,394,796	-	1,376,973	-	(17,823)	-	(17,823)
Payments to other governments	1,684,851	-	451,957	-	(1,232,894)	-	(1,232,894)
Interest on long-term debt	30,221	-	-	-	(30,221)	-	(30,221)
Unallocated depreciation expense**	447,857	-	-	-	(447,857)	-	(447,857)
Total governmental activities	151,212,195	2,398,336	138,389,664	587,929	(9,836,266)	-	(9,836,266)
Business-type activities:							
School food service	6,401,700	229,507	9,494,994	-	-	3,322,801	3,322,801
Total primary government	\$ 157,613,895	\$ 2,627,843	\$ 147,884,658	\$ 587,929	(9,836,266)	3,322,801	(6,513,465)
General revenues:							
Unrestricted county appropriations - operating					23,147,615	-	23,147,615
Unrestricted county appropriations - capital					11,428,579	-	11,428,579
Unrestricted State appropriations - operating					6,145,219	-	6,145,219
Unrestricted Federal appropriations - operating					34,109	-	34,109
Unrestricted State appropriations - capital					132,341	-	132,341
Investment earnings, unrestricted					1,195	2,479	3,674
Miscellaneous, unrestricted					2,202,672	14,082	2,216,754
Transfers					(98,375)	98,375	-
Total general revenues and transfers					42,993,355	114,936	43,108,291
Change in net position					33,157,089	3,437,737	36,594,826
Net position (deficit) - beginning					(72,878,250)	(1,838,489)	(74,716,739)
Net position (deficit) - ending					\$ (39,721,161)	\$ 1,599,248	\$ (38,121,913)

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

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



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## **FUND FINANCIAL STATEMENTS**

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**NASH BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

**Exhibit 3**

	Major Funds					Non-major Fund	Total
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 10,012,920	\$ 11,902	\$ -	\$ 3,976,745	\$ 82,277	\$ 1,265,695	\$ 15,349,539
Due from other governments	36,908	-	-	8,752	1,269,794	-	1,315,454
Accounts receivable	1,117,334	-	-	36,462	-	-	1,153,796
Inventories	509,808	-	-	-	-	-	509,808
Prepaid expenditures	1,281	-	-	-	-	-	1,281
Total assets	<u>\$ 11,678,251</u>	<u>\$ 11,902</u>	<u>\$ -</u>	<u>\$ 4,021,959</u>	<u>\$ 1,352,071</u>	<u>\$ 1,265,695</u>	<u>\$ 18,329,878</u>
<b>Liabilities and Fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 446,871	\$ -	\$ -	\$ 18,425	\$ 774,627	\$ -	\$ 1,239,923
Due to other governments	1,108,724	11,902	-	-	-	-	1,120,626
Unearned revenue	-	-	-	293,227	-	-	293,227
Total liabilities	<u>1,555,595</u>	<u>11,902</u>	<u>-</u>	<u>311,652</u>	<u>774,627</u>	<u>-</u>	<u>2,653,776</u>
Fund balances:							
Nonspendable:							
Inventories	509,808	-	-	-	-	-	509,808
Prepaid expenditures	1,281	-	-	-	-	-	1,281
Restricted:							
Stabilization by State statute	1,154,242	-	-	45,214	-	-	1,199,456
School capital outlay	-	-	-	-	577,444	-	577,444
Instructional services	-	-	-	1,580,025	-	-	1,580,025
Individual schools	-	-	-	-	-	1,265,695	1,265,695
Assigned:							
Information technology	-	-	-	398,396	-	-	398,396
Band uniforms	-	-	-	112,929	-	-	112,929
Special revenues	-	-	-	1,573,743	-	-	1,573,743
Unassigned	8,457,325	-	-	-	-	-	8,457,325
Total fund balances	<u>10,122,656</u>	<u>-</u>	<u>-</u>	<u>3,710,307</u>	<u>577,444</u>	<u>1,265,695</u>	<u>15,676,102</u>
Total liabilities and fund balances	<u>\$ 11,678,251</u>	<u>\$ 11,902</u>	<u>\$ -</u>	<u>\$ 4,021,959</u>	<u>\$ 1,352,071</u>	<u>\$ 1,265,695</u>	<u>\$ 18,329,878</u>

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

**NASH BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

**Exhibit 3 (continued)**

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

Total fund balances of governmental funds	\$ 15,676,102
Net OPEB asset	68,472
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	144,108,219
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	583,329
Deferred outflows of resources related to pensions	23,446,470
Deferred outflows of resources related to OPEB	19,575,894
Some liabilities, including those for compensated absences, installment purchases and leases are not due and payable in the current period and therefore are not reported in the funds.	(9,561,158)
Net pension liability	(22,424,277)
Net OPEB liability	(126,535,512)
Deferred inflows of resources related to pensions	(30,470,032)
Deferred inflows of resources related to OPEB	<u>(54,188,668)</u>
Net position (deficit) of governmental activities	<u>\$ (39,721,161)</u>

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

**NASH BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 4**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 105,983,411	\$ -	\$ 488,786	\$ 587,929	\$ -	\$ 107,060,126
Local Counties:							
Edgecombe County - local appropriation	2,647,354	-	-	-	-	-	2,647,354
Edgecombe County - other	-	-	-	-	306,363	-	306,363
Nash County - local appropriation	20,500,261	-	-	-	-	-	20,500,261
Nash County - other	-	-	-	-	11,122,216	-	11,122,216
Total local Counties	23,147,615	-	-	-	11,428,579	-	34,576,194
U.S. Government	-	2,967,221	32,563,527	1,662,907	-	-	37,193,655
Other	558,634	-	-	3,738,105	16,797	2,048,333	6,361,869
Total revenues	23,706,249	108,950,632	32,563,527	5,889,798	12,033,305	2,048,333	185,191,844
Expenditures:							
Current:							
Instructional services:							
Regular instructional	3,244,513	61,488,743	2,683,503	2,837,001	-	-	70,253,760
Special populations	832,040	13,015,097	3,171,477	263,184	-	-	17,281,798
Alternative programs	149,291	2,713,778	11,066,639	1,064,921	-	-	14,994,629
School leadership	736,723	9,124,521	-	13,743	-	-	9,874,987
Co-curricular	1,125,386	-	98,772	25,000	-	1,907,658	3,156,816
School-based support	570,326	8,123,315	882,301	1,347,348	-	-	10,923,290
System-wide support services:							
Support and development	62,081	1,017,360	174,230	124,757	-	-	1,378,428
Special population support and development	47,494	317,027	714,771	127,440	-	-	1,206,732
Alternative programs and services							
support and development	42	28,003	647,394	4,530	-	-	679,969
Technology support	95,647	832,144	2,994,344	92,661	-	-	4,014,796
Operational support	8,884,802	9,987,960	6,404,445	18,105	1,016,833	-	26,312,145
Financial and human resource services	1,089,023	1,178,565	2,105,839	-	-	-	4,373,427
Accountability	41,662	186,796	-	-	-	-	228,458
System-wide pupil support	2,887	-	-	-	-	-	2,887
Policy, leadership and public relations	617,896	490,810	-	-	-	-	1,108,706
Ancillary services	4,928	209,118	1,167,855	12,895	-	-	1,394,796
Non-programmed charges	1,684,851	-	451,957	-	-	-	2,136,808
Debt service:							
Principal retirement	150,498	163,925	-	-	587,929	-	902,352
Interest and fees	23,898	6,323	-	-	-	-	30,221
Capital outlay	-	-	-	-	10,317,968	-	10,317,968
Total expenditures	19,363,988	108,883,485	32,563,527	5,931,585	11,922,730	1,907,658	180,572,973
Revenues over (under) expenditures	4,342,261	67,147	-	(41,787)	110,575	140,675	4,618,871
Other financing sources (uses):							
Transfers to other funds	-	(67,147)	-	-	-	-	(67,147)
Installment purchase obligations issued	-	-	-	-	191,156	-	191,156
Total other financing sources (uses)	-	(67,147)	-	-	191,156	-	124,009
Net change in fund balance	4,342,261	-	-	(41,787)	301,731	140,675	4,742,880
Fund balances:							
Beginning of year	5,691,358	-	-	3,752,094	275,713	1,125,020	10,844,185
Change in reserve for inventories	89,037	-	-	-	-	-	89,037
End of year	\$ 10,122,656	\$ -	\$ -	\$ 3,710,307	\$ 577,444	\$ 1,265,695	\$ 15,676,102

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2022**

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

Net changes in fund balances - total governmental funds	\$ 4,742,880
Change in fund balance due to change in reserve for inventory	89,037
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 capital outlays exceeded depreciation in the current period.	5,691,179
Governmental funds report right to use leased assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which amortization exceeded capitalized right to use leased asset expenditures in the current period.	(145,832)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	13,774,388
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	5,365,115
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(5,824)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	765,378
Gain on disposal of capital assets	5,824
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	711,196
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension (expense) benefit	(4,871,872)
OPEB (expense) benefit	7,282,652
Compensated absences	(247,032)
Total changes in net position of governmental activities	<u>\$ 33,157,089</u>

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

**NASH BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 6**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Local Counties	23,147,614	23,147,614	23,147,615	1
U.S. Government	-	-	-	-
Other	445,000	445,000	558,634	113,634
Total revenues	23,592,614	23,592,614	23,706,249	113,635
Expenditures:				
Current:				
Instructional services	8,859,173	9,342,695	6,658,279	2,684,416
System-wide support services	12,902,793	12,349,201	10,841,534	1,507,667
Ancillary services	6,252	6,322	4,928	1,394
Non-programmed charges	1,650,000	1,720,000	1,684,851	35,149
Debt service:				
Principal retirement	150,498	150,498	150,498	-
Interest and fees	23,898	23,898	23,898	-
Total debt service	174,396	174,396	174,396	-
Total expenditures	23,592,614	23,592,614	19,363,988	4,228,626
Revenues over (under) expenditures	-	-	4,342,261	4,342,261
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	4,342,261	\$ 4,342,261
Fund balances:				
Beginning of year			5,691,358	
Change in reserve for inventories			89,037	
End of year			\$ 10,122,656	

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

**NASH BOARD OF EDUCATION****Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2022**

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 92,751,099	\$ 106,658,048	\$ 105,983,411	\$ (674,637)
Local Counties	-	-	-	-
U.S. Government	-	2,917,031	2,967,221	50,190
Other	-	-	-	-
Total revenues	<u>92,751,099</u>	<u>109,575,079</u>	<u>108,950,632</u>	<u>(624,447)</u>
Expenditures:				
Current:				
Instructional services	82,556,654	94,525,786	94,465,454	60,332
System-wide support services	10,121,979	14,186,860	14,038,665	148,195
Ancillary services	-	221,084	209,118	11,966
Non-programmed charges	-	-	-	-
Debt service:				
Principal retirement	-	538,446	163,925	374,521
Interest and fees	-	35,756	6,323	29,433
Total debt service	-	<u>574,202</u>	<u>170,248</u>	<u>403,954</u>
Total expenditures	<u>92,678,633</u>	<u>109,507,932</u>	<u>108,883,485</u>	<u>624,447</u>
Revenues over (under) expenditures	72,466	67,147	67,147	-
Other financing uses:				
Transfers to other funds	(72,466)	(67,147)	(67,147)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

**NASH BOARD OF EDUCATION****Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2022**

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Local Counties	-	-	-	-
U.S. Government	74,767,019	77,721,132	32,563,527	(45,157,605)
Other	-	-	-	-
Total revenues	<u>74,767,019</u>	<u>77,721,132</u>	<u>32,563,527</u>	<u>(45,157,605)</u>
Expenditures:				
Current:				
Instructional services	32,202,403	41,700,205	17,902,692	23,797,513
System-wide support services	10,623,532	27,630,595	13,041,023	14,589,572
Ancillary services	925,869	2,302,281	1,167,855	1,134,426
Non-programmed charges	31,015,215	6,088,051	451,957	5,636,094
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	<u>74,767,019</u>	<u>77,721,132</u>	<u>32,563,527</u>	<u>45,157,605</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			<u>\$ -</u>	

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



**NASH BOARD OF EDUCATION****Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2022**

	Restricted Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ 144,458	\$ 488,786	\$ 344,328
Local Counties	-	-	-	-
U.S. Government	228,000	228,000	1,662,907	1,434,907
Other	<u>1,160,000</u>	<u>4,915,666</u>	<u>3,738,105</u>	<u>(1,177,561)</u>
Total revenues	<u>1,388,000</u>	<u>5,288,124</u>	<u>5,889,798</u>	<u>601,674</u>
Expenditures:				
Current:				
Instructional services	1,388,000	6,436,689	5,551,197	885,492
System-wide support services	-	339,442	367,493	(28,051)
Ancillary services	-	15,395	12,895	2,500
Non-programmed charges	-	175	-	175
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,388,000</u>	<u>6,791,701</u>	<u>5,931,585</u>	<u>860,116</u>
Revenues over (under) expenditures	-	(1,503,577)	(41,787)	1,461,790
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>1,503,577</u>	<u>-</u>	<u>(1,503,577)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(41,787)	<u>\$ (41,787)</u>
Fund balances:				
Beginning of year			3,752,094	
Change in reserve for inventories			<u>-</u>	
End of year			<u>\$ 3,710,307</u>	

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

**NASH BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUND TYPE  
June 30, 2022**

**Exhibit 7**

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,026,614
Due from other governments	127,309
Receivables	694
Inventories	<u>280,432</u>
Total current assets	<u>5,435,049</u>
Noncurrent assets:	
Net OPEB asset	1,411
Capital assets:	
Furniture and office equipment, net	<u>329,296</u>
Total noncurrent assets	<u>330,707</u>
Total assets	<u>5,765,756</u>
<b>Deferred Outflows of Resources</b>	<u>886,252</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	18,617
Compensated absences	170,510
Unearned revenue	<u>38,907</u>
Total current liabilities	<u>228,034</u>
Noncurrent liabilities:	
Net pension liability	461,935
Net OPEB liability	2,606,604
Compensated absences	<u>12,235</u>
Total noncurrent liabilities	<u>3,080,774</u>
Total liabilities	<u>3,308,808</u>
<b>Deferred Inflows of Resources</b>	<u>1,743,952</u>
<b>Net position</b>	
Investment in capital assets	329,296
Restricted for DIPNC OPEB plan	7,452
Unrestricted	<u>1,262,500</u>
Total net position	<u>\$ 1,599,248</u>

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

**NASH BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2022**

**Exhibit 8**

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	\$ 229,507
Other	14,082
Total operating revenues	<u>243,589</u>
Operating expenses:	
Food cost:	
Purchase of food	2,176,393
Donated commodities	686,851
Salaries and benefits	2,615,924
Indirect costs	266,404
Materials and supplies	361,696
Repairs and maintenance	150,950
Depreciation	80,114
Non-capitalized equipment	18,300
Other	45,068
Total operating expenses	<u>6,401,700</u>
Operating loss	<u>(6,158,111)</u>
Nonoperating revenues:	
Federal reimbursements	8,808,143
Federal commodities	686,851
Interest earned	2,479
Total nonoperating revenues	<u>9,497,473</u>
Income before transfers and contributions	3,339,362
Transfers from other funds	67,147
Capital contributions	<u>31,228</u>
Change in net position	3,437,737
Net position (deficit), beginning of year	<u>(1,838,489)</u>
Net position, end of year	<u><u>\$ 1,599,248</u></u>

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

**NASH BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
For the Fiscal Year Ended June 30, 2022**

**Exhibit 9**

	Enterprise Fund
	Major Fund
	School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 229,495
Cash paid for goods and services	(2,978,702)
Cash paid to employees for services	(3,418,674)
Other revenues	14,082
Net cash used by operating activities	(6,153,799)
Cash flows from noncapital financing activities:	
Due from other funds	84,014
Federal reimbursements	8,895,686
Net cash provided by noncapital financing activities	8,979,700
Cash flows from investing activities:	
Interest earned on investments	2,479
Net increase in cash and cash equivalents	2,828,380
Cash and cash equivalents, beginning of year	2,198,234
Cash and cash equivalents, end of year	\$ 5,026,614
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (6,158,111)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	80,114
Donated commodities	686,851
Salaries paid by special revenue fund	67,147
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Decrease in accounts receivable	2,179
Decrease in net OPEB asset	3,324
Decrease in inventories	67,826
Decrease in accounts payable and accrued liabilities	(27,717)
Decrease in accrued salaries and wages payable	(97,391)
Decrease in unearned revenue	(2,191)
Decrease in net pension liability	(875,835)
Decrease in net OPEB liability	(30,374)
Decrease in deferred outflows	12,205
Increase in deferred inflows	127,046
Decrease in compensated absences payable	(8,872)
Total adjustments	4,312
Net cash used by operating activities	\$ (6,153,799)

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

**NASH BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
For the Fiscal Year Ended June 30, 2022**

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**Exhibit 9 (continued)**

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$686,851 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$67,147 to personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

School Food Service capital assets with a value of \$31,228 were purchased by the Federal Grants Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Nash Board of Education 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 Nash Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Nash County and a portion of Edgecombe 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 has no component units.

B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. 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. Interfund services provided and used are not eliminated in the process of consolidation.

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

The Board reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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

*Restricted Revenue Fund.* The Restricted Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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

The Board reports the following nonmajor governmental fund:

*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 fundraising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

The Board reports the following major enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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.

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys from one function to another within a fund without limitation and without a report to the Board of Education being required. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

2. Cash and Cash Equivalents

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

3. Inventories

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



**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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

4. Right to use assets

The Board has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

5. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other 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 both governmental and 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. In addition, other items that are purchased in large quantities such as student desks and library books are capitalized. The library collections consist of a large number of books with modest values; the composite depreciation method has been used as discussed in GASB 35, paragraphs 163-166. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

	<u>Years</u>
Buildings and improvements	50
Equipment and furniture	3 - 10
Vehicles	6 - 12

Depreciation for assets that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

6. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element,

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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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 two items that meet this criterion – pension and other post-employment benefit-related deferrals.

7. Long-term Obligations

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

8. Compensated Absences

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

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

9. Net Position/Fund Balances

Net Position

Net position 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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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.

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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 - North Carolina G.S. 115C-425(a) prohibits boards of education from budgeting or spending a portion of their fund balance. Restricted by State statute (RSS) is calculated at the end of each fiscal year. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS.

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 instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

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 of Education intends to use for specific purposes.

Information technology – portion of fund balance that represents amounts designated for information technology expenditures.

Band uniforms – portion of fund balance that represents amounts designated for band uniform expenditures.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

*Unassigned fund balance* – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will pay expenditures from restricted revenue sources first and then from general unrestricted revenues.

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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10. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(55,397,263) consists of the following elements:

Description	Amount
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)	\$ 259,131,246
Less accumulated depreciation	<u>(115,023,027)</u>
Net capital assets	<u>144,108,219</u>
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use leased assets at historical cost on government-wide statement in governmental activities column)	729,161
Less accumulated amortization	<u>(145,832)</u>
Right to use leased assets, net	<u>583,329</u>
Net OPEB asset	68,472
Deferred outflows of resources related to pensions	23,446,470
Deferred outflows of resources related to OPEB	19,575,894
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 funds:	
Installment purchases	(531,329)
Lease liabilities	(593,312)
Compensated absences	(8,436,517)
Net pension liability	(22,424,277)
Net OPEB liability	(126,535,512)
Deferred inflows of resources related to pensions	(30,470,032)
Deferred inflows of resources related to OPEB	<u>(54,188,668)</u>
Total adjustment	<u>\$ (55,397,263)</u>

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$28,414,209 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 10,932,247
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	(5,241,068)
Amortization expense for intangible assets, the allocation of those assets over their useful lives, that is recorded in the statement of activities but not in the fund statements	(145,832)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(191,156)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	902,352
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	13,774,388
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	5,365,115
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities	(5,824)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
OPEB nonemployer contributions	765,378
Gain on disposal of capital assets	5,824
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 funds	
Pension (expense) benefit	(4,871,872)
OPEB (expense) benefit	7,282,652
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(247,032)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	89,037
Total adjustment	<u>\$ 28,414,209</u>

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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11. Defined Benefit Pension Plans

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2022, the Board reported expenditures within the Capital Outlay Fund and Other Special Revenue Fund that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance, as summarized below:

	<u>Violation Amount</u>
Capital Outlay Fund:	
System-wide support services	\$ 65,367
Capital outlay	<u>9,648,146</u>
Total	<u>\$ 9,713,513</u>
Other Special Revenue Fund:	
System-wide support services	<u>\$ 28,051</u>

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method,

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the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding concentration risk or custodial credit risk for deposits.

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$18,545,981 and with the State Treasurer of \$11,902. The bank balances with the financial institutions and the State Treasurer were \$18,946,996 and \$2,969,017, respectively. Of these balances, \$1,576,885 was covered by federal depository insurance and \$20,339,128 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2022, the Board had \$1,818,270 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2022. The Board has no investment balances in the NCCMT as of June 30, 2022. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

3. Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 36,908	\$ 1,117,334	\$ 1,154,242
Other governmental activities	1,278,546	36,462	1,315,008
Total governmental activities	<u>\$ 1,315,454</u>	<u>\$ 1,153,796</u>	<u>\$ 2,469,250</u>
Business-type activities:			
School Food Service Fund	<u>\$ 127,309</u>	<u>\$ 694</u>	<u>\$ 128,003</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 36,908	Edgecombe and Nash counties
Restricted Revenue Fund	8,752	State grants
Capital Outlay Fund	1,269,794	Amounts due from Nash County
Total governmental activities	<u>\$ 1,315,454</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 127,309</u>	Federal grant funds

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4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,656,285	\$ -	\$ -	\$ 4,656,285
Construction in progress	804,002	8,956,822	-	9,760,824
Total capital assets not being depreciated	<u>5,460,287</u>	<u>8,956,822</u>	<u>-</u>	<u>14,417,109</u>
Capital assets being depreciated:				
Buildings and improvements	201,168,162	161,135	-	201,329,297
Equipment and furniture	27,411,344	288,682	19,349	27,680,677
Vehicles	14,637,468	1,525,608	458,913	15,704,163
Total capital assets being depreciated	<u>243,216,974</u>	<u>1,975,425</u>	<u>478,262</u>	<u>244,714,137</u>
Less accumulated depreciation for:				
Buildings and improvements	81,989,097	4,303,290	-	86,292,387
Equipment and furniture	17,250,196	447,857	19,349	17,678,704
Vehicles	11,020,928	489,921	458,913	11,051,936
Total accumulated depreciation	<u>110,260,221</u>	<u>5,241,068</u>	<u>478,262</u>	<u>115,023,027</u>
Total capital assets being depreciated, net	<u>132,956,753</u>			<u>129,691,110</u>
Governmental activity capital assets, net	<u>\$ 138,417,040</u>			<u>\$ 144,108,219</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 2,570,839	\$ 31,228	\$ -	\$ 2,602,067
Vehicles	269,527	-	-	269,527
Total capital assets being depreciated	<u>2,840,366</u>	<u>31,228</u>	<u>-</u>	<u>2,871,594</u>
Less accumulated depreciation for:				
Equipment and furniture	2,220,051	73,912	-	2,293,963
Vehicles	242,133	6,202	-	248,335
Total accumulated depreciation	<u>2,462,184</u>	<u>80,114</u>	<u>-</u>	<u>2,542,298</u>
School Food Service capital assets, net	<u>\$ 378,182</u>			<u>\$ 329,296</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 4,303,290
System-wide support services	489,921
Unallocated depreciation	<u>447,857</u>
Total	<u>\$ 5,241,068</u>



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5. Construction and Other Significant Commitments

As of June 30, 2022, the Board had a project in progress for construction of a new elementary school. The Board's commitments with an architect and contractor for the remaining portion of contracts outstanding for this project totaled approximately \$7.6 million at June 30, 2022.

6. Right to Use Leased Assets

The Board has recorded one right to use leased asset. The asset is a right to use asset for leased copiers. The related lease is discussed in the Leases subsection of the Liabilities section of the footnotes. The right to use leased asset is amortized on a straight-line basis over the term of the related lease.

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

	Beginning Balances	Restatement	Increases	Decreases	Ending Balances
Right to use assets:					
Leased equipment	\$ -	\$ 729,161	\$ -	\$ -	\$ 729,161
Less accumulated amortization for:					
Leased equipment	-	-	145,832	-	145,832
Right to use assets, net	<u>\$ -</u>	<u>\$ 729,161</u>	<u>\$ (145,832)</u>	<u>\$ -</u>	<u>\$ 583,329</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of

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members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the period July 1, 2021 through December 31, 2021 was 14.78% of covered payroll and 17.98% for the period January 1, 2022 through June 30, 2022, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$14,058,135 for the year ended June 30, 2022.

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

At June 30, 2022, the Board reported a liability of \$22,886,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was 0.4888% and 0.5137%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$4,917,467. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,286,463	\$ 519,771
Changes of assumptions	8,584,864	-
Net difference between projected and actual earnings on pension plan investments	-	28,356,302
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	2,221,636
Board contributions subsequent to the measurement date	14,058,135	-
Total	<u>\$ 23,929,462</u>	<u>\$ 31,097,709</u>

\$14,058,135 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (3,894,684)
2024	(4,077,928)
2025	(4,557,006)
2026	(8,696,764)
Total	<u>\$ (21,226,382)</u>

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

Inflation	2.50 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 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 actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rates used to measure the total pension liability reported at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 76,768,979	\$ 22,886,212	\$ (21,903,874)

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

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b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

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

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

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

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

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the period July 1, 2021 through December 31, 2021, the Board contributed 6.68% of covered payroll and 5.90% for the period January 1, 2022 through June 30, 2022, which amounted to \$5,398,392 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$781,145.

At June 30, 2022, the Board reported a liability of \$129,142,116 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.4177% and 0.4410%, respectively.

\$5,398,392 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (18,352,259)
2024	(11,788,426)
2025	(5,842,910)
2026	(5,074,815)
2027	<u>34,952</u>
Total	<u>\$ (41,023,458)</u>

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

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Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%

Healthcare cost trend rates:

Medical	5.00-6.00%
Prescription drug	5.00-9.50%
Administrative costs	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

*Discount rate.* The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2022 and 2021 were 2.16% and 2.21%, respectively. 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, 2021.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (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	\$ 153,612,670	\$ 129,142,116	\$ 109,323,721

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

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.00%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical - 5.00-6.00%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical - 6.00-7.00%, Pharmacy - 6.00-10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 104,583,334	\$ 129,142,116	\$ 161,721,601

*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.

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2. Disability Benefits

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

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

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

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

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$77,242 for the year ended June 30, 2022.

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

At June 30, 2022, the Board reported an asset of \$69,883 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.4278% and 0.4466%, respectively.



**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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\$77,242 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	55,451
2024		40,896
2025		50,162
2026		26,807
2027		14,494
Thereafter		<u>34,225</u>
Total	\$	<u>222,035</u>

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

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

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 44,123	\$ 69,883	\$ 93,714

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

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

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

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

**NASH BOARD OF EDUCATION**  
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Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2022:

	RHBFB	DIPNC	Total
OPEB expense (benefit)	\$ (7,845,352)	\$ 163,505	\$ (7,681,847)
OPEB liability (asset)	129,142,116	(69,883)	129,072,233
Proportionate share of the net OPEB liability (asset)	0.4177%	0.4278%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 762,436	\$ 178,183	\$ 940,619
Changes of assumptions	10,562,713	12,270	10,574,983
Net difference between projected and actual earnings on plan investments	-	6,820	6,820
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,930,965	50,133	2,981,098
Board contributions subsequent to the measurement date	5,398,392	77,242	5,475,634
Total deferred outflows of resources	<u>\$ 19,654,506</u>	<u>\$ 324,648</u>	<u>\$ 19,979,154</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 2,403,936	\$ -	\$ 2,403,936
Changes of assumptions	31,384,341	25,371	31,409,712
Net difference between projected and actual earnings on plan investments	66,061	-	66,061
Changes in proportion and differences between Board contributions and proportionate share of contributions	21,425,234	-	21,425,234
Total deferred inflows of resources	<u>\$ 55,279,572</u>	<u>\$ 25,371</u>	<u>\$ 55,304,943</u>

2. Accounts Payable

Accounts payable as of June 30, 2022 are as follows:

	Vendors and Other	Due to other governments	Total
Governmental activities:			
General Fund	\$ 446,871	\$ 1,108,724	\$ 1,555,595
Other governmental activities	793,052	11,902	804,954
Total	<u>\$ 1,239,923</u>	<u>\$ 1,120,626</u>	<u>\$ 2,360,549</u>
Business-type activities:			
School Food Service Fund	<u>\$ 18,617</u>	<u>\$ -</u>	<u>\$ 18,617</u>

3. Unearned Revenues

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

Governmental activities:	
Grants not yet earned (Restricted Revenue Fund)	<u>\$ 293,227</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 38,907</u>

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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Unearned revenue in governmental activities consists of grant revenues for which eligibility requirements other than time requirements have not been met.

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,227,082	\$ 2,923,707
Changes of assumptions	19,159,847	31,409,712
Net difference between projected and actual earnings on pension and OPEB plan investments	6,820	28,422,363
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,981,098	23,646,870
Board contributions subsequent to the measurement date	19,533,769	-
Total	<u>\$ 43,908,616</u>	<u>\$ 86,402,652</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1,000,000 each claim made / \$3,150,000 coverage period aggregate. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage.

Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and 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 State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$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 the 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 healthcare benefits. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$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. Long-Term Obligations

a. Leases

The Board has entered into an agreement to lease certain equipment. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on August 3, 2020, to lease copier machines and requires 24 quarterly payments of \$39,900. There are no variable payment components of the lease. The lease liability is measured at an imputed discount rate of 3.50%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$583,329 on June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2022:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2023	\$ 140,667	\$ 18,933	\$ 159,600
2024	145,655	13,945	159,600
2025	150,821	8,779	159,600
2026	156,169	3,431	159,600
Totals	<u>\$ 593,312</u>	<u>\$ 45,088</u>	<u>\$ 638,400</u>

b. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third-party direct placement financing arrangements. During the current and prior fiscal years, the Board entered such contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The gross amount of buses acquired under installment purchase contracts outstanding at June 30, 2022 totaled \$1,261,651. The contracts each require four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15<sup>th</sup> dates. The future minimum payments of the installment purchase as of June 30, 2022 are as follows:

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

<u>Year Ending June 30:</u>	<u>Governmental Activities Principal</u>
2023	\$ 315,415
2024	215,914
Totals	<u>\$ 531,329</u>

c. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2022:

	<u>July 1, 2021</u>	<u>Restatement</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental activities:						
Direct placement	\$ 1,106,676	\$ -	\$ 191,156	\$ 766,503	\$ 531,329	\$ 315,415
installment purchases						
Lease liabilities	-	729,161	-	135,849	593,312	140,667
Net pension liability	60,731,073	-	-	38,306,796	22,424,277	-
Net OPEB liability	119,711,555	-	6,823,957	-	126,535,512	-
Compensated absences	8,189,485	-	5,349,594	5,102,562	8,436,517	5,256,478
Total	<u>\$189,738,789</u>	<u>\$ 729,161</u>	<u>\$ 12,364,707</u>	<u>\$ 44,311,710</u>	<u>\$158,520,947</u>	<u>\$ 5,712,560</u>
Business-type activities:						
Net pension liability	\$ 1,337,770	\$ -	\$ -	\$ 875,835	\$ 461,935	\$ -
Net OPEB liability	2,636,978	-	-	30,374	2,606,604	-
Compensated absences	191,617	-	169,916	178,788	182,745	170,510
Total	<u>\$ 4,166,365</u>	<u>\$ -</u>	<u>\$ 169,916</u>	<u>\$ 1,084,997</u>	<u>\$ 3,251,284</u>	<u>\$ 170,510</u>

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases and lease liabilities are typically liquidated by the General and Capital Outlay funds.

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2022 consisted of \$67,147 transferred from the State Public School Fund to the School Food Service Fund for administrative costs.

2. Transfers / Contributed Capital

During the year ended June 30, 2022, the Federal Grants Fund purchased capitalized equipment for the School Food Service Fund totaling \$31,228. This amount is presented as a transfer between governmental and business-type activities in Exhibit 2 and as contributed capital in Exhibit 8.

**NASH BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2022**

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D. Net Position/Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

Net investment in capital assets presented in Exhibit 1 is calculated as follows:

Total governmental activities capital assets	\$ 144,108,219
Less installment purchase obligations for school buses	<u>(531,329)</u>
Net investment in capital assets, governmental activities	<u>\$ 143,576,890</u>

2. Fund Balance

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

Total fund balance - General Fund	\$ 10,122,656
Less:	
Inventories	(509,808)
Prepaid expenditures	(1,281)
Stabilization by State statute	<u>(1,154,242)</u>
Unassigned fund balance	<u>\$ 8,457,325</u>

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Board implemented Governmental Accounting Standards Board (GASB) statement 87, *Leases*, in the fiscal year ending June 30, 2022. The implementation of the statement required the Board to record beginning right to use leased assets and related lease liabilities. Implementation of this statement had no impact on the Board's June 30, 2021 net position, as previously reported.

**NOTE 6 – SUBSEQUENT EVENTS**

It is our understanding that in September 2022, the Edgecombe County Board of Commissioners voted to approve a boundary line change beginning in the 2024-25 school year and to continue paying per-pupil expenditures and capital costs through the end of the 2023-24 fiscal year. If the Edgecombe Commissioners stand by this decision, Nash County Public Schools will lose approximately 2,000 students when this change goes into effect. The financial impact to the school system of such a change would likely be the loss of all State, federal and local funding the district receives based on student Average Daily Membership, as well as all school system real property located in Edgecombe County.

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## REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of the Board's 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 Board's Proportionate Share of the Net OPEB Liability  
*Retiree Health Benefit Fund*

Schedule of Board Contributions  
*Retiree Health Benefit Fund*

Schedule of the Board's Proportionate Share of the Net OPEB Asset  
*Disability Income Plan of North Carolina*

Schedule of Board Contributions  
*Disability Income Plan of North Carolina*

**NASH BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST NINE FISCAL YEARS\***

	2022	2021	2020	2019	2018
Board's proportion of the net pension liability (asset)	0.489%	0.514%	0.522%	0.550%	0.564%
Board's proportionate share of the net pension liability (asset)	\$ 22,886,212	\$ 62,068,843	\$ 54,152,837	\$ 54,763,468	\$ 44,745,487
Board's covered payroll	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668	\$ 81,987,756
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.21%	76.53%	65.70%	67.00%	54.58%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014	
Board's proportion of the net pension liability (asset)	0.549%	0.544%	0.553%	0.604%	
Board's proportionate share of the net pension liability (asset)	\$ 50,491,859	\$ 20,050,425	\$ 6,478,212	\$ 36,644,671	
Board's covered payroll	\$ 77,448,579	\$ 76,690,342	\$ 75,247,837	\$ 81,734,603	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65.19%	26.14%	8.61%	44.83%	
Plan fiduciary net position as a percentage of the total pension liability	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.

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only nine years of data presented.



**NASH BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 14,058,135	\$ 11,991,801	\$ 10,518,752	\$ 10,130,639	\$ 8,811,644
Contributions in relation to the contractually required contribution	<u>14,058,135</u>	<u>11,991,801</u>	<u>10,518,752</u>	<u>10,130,639</u>	<u>8,811,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 85,825,000	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 8,182,378	\$ 7,086,545	\$ 7,017,165	\$ 6,539,037	\$ 6,840,352
Contributions in relation to the contractually required contribution	<u>8,182,378</u>	<u>7,086,545</u>	<u>7,017,165</u>	<u>6,539,037</u>	<u>6,840,352</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 81,987,756	\$ 77,448,579	\$ 76,690,342	\$ 75,247,837	\$ 82,117,075
Contributions as a percentage of covered payroll	9.98%	9.15%	9.15%	8.69%	8.33%

**NASH BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
RETIREE HEALTH BENEFIT FUND  
LAST SIX FISCAL YEARS\***

	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability (asset)	0.418%	0.441%	0.459%	0.487%	0.509%
Board's proportionate share of the net OPEB liability (asset)	\$ 129,142,116	\$ 122,348,533	\$ 145,364,768	\$ 138,834,918	\$ 167,007,178
Board's covered payroll	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668	\$ 81,987,756
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	159.17%	150.86%	176.35%	169.85%	203.70%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

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	2017
Board's proportion of the net OPEB liability (asset)	0.469%
Board's proportionate share of the net OPEB liability (asset)	\$ 203,906,417
Board's covered payroll	\$ 77,448,579
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	263.28%
Plan fiduciary net position as a percentage of the total OPEB liability	2.41%

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

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

**NASH BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
RETIREE HEALTH BENEFIT FUND  
LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 5,398,392	\$ 5,419,840	\$ 5,247,211	\$ 5,168,357	\$ 4,945,310
Contributions in relation to the contractually required contribution	<u>5,398,392</u>	<u>5,419,840</u>	<u>5,247,211</u>	<u>5,168,357</u>	<u>4,945,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 85,825,000	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 4,734,456	\$ 4,317,941	\$ 4,185,790	\$ 4,055,596	\$ 4,352,205
Contributions in relation to the contractually required contribution	<u>4,734,456</u>	<u>4,317,941</u>	<u>4,185,790</u>	<u>4,055,596</u>	<u>4,352,205</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 81,987,756	\$ 77,448,579	\$ 76,690,342	\$ 75,247,837	\$ 82,117,075
Contributions as a percentage of covered payroll	5.81%	5.60%	5.49%	5.40%	5.30%

**NASH BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET  
DISABILITY INCOME PLAN OF NORTH CAROLINA  
LAST SIX FISCAL YEARS\***

	2022	2021	2020	2019	2018
Board's proportion of the net OPEB asset	0.428%	0.447%	0.456%	0.479%	0.495%
Board's proportionate share of the net OPEB asset	\$ 69,883	\$ 219,695	\$ 196,859	\$ 145,455	\$ 302,245
Board's covered payroll	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668	\$ 81,987,756
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.09%	0.27%	0.24%	0.18%	0.37%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	116.23%

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	2017
Board's proportion of the net OPEB asset	0.486%
Board's proportionate share of the net OPEB asset	\$ 301,638
Board's covered payroll	\$ 77,448,579
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	116.06%

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

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

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF BOARD CONTRIBUTIONS**  
**DISABILITY INCOME PLAN OF NORTH CAROLINA**  
**LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 77,242	\$ 73,022	\$ 81,101	\$ 115,402	\$ 114,437
Contributions in relation to the contractually required contribution	<u>77,242</u>	<u>73,022</u>	<u>81,101</u>	<u>115,402</u>	<u>114,437</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 85,825,000	\$ 81,135,325	\$ 81,100,632	\$ 82,429,935	\$ 81,740,668
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 309,655	\$ 316,135	\$ 312,600	\$ 330,456	\$ 361,315
Contributions in relation to the contractually required contribution	<u>309,655</u>	<u>316,135</u>	<u>312,600</u>	<u>330,456</u>	<u>361,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 81,987,756	\$ 77,448,579	\$ 76,690,342	\$ 75,247,837	\$ 82,117,075
Contributions as a percentage of covered payroll	0.38%	0.41%	0.41%	0.44%	0.44%

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## **INDIVIDUAL FUND SCHEDULES**

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**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Local Counties:			
Edgecombe County appropriation	\$ 2,647,353	\$ 2,647,354	\$ 1
Nash County appropriation	20,500,261	20,500,261	-
Total Local Counties	23,147,614	23,147,615	1
Other:			
Fines and forfeitures	440,000	544,537	104,537
Interest earned on investment	5,000	1,195	(3,805)
Miscellaneous	-	12,902	12,902
Total other	445,000	558,634	113,634
Total revenues	23,592,614	23,706,249	113,635
Expenditures:			
Current:			
Instructional services:			
Regular instructional		3,244,513	
Special populations		832,040	
Alternative programs		149,291	
School leadership		736,723	
Co-curricular		1,125,386	
School-based support		570,326	
Total instructional services	9,342,695	6,658,279	2,684,416
System-wide support services:			
Support and development		62,081	
Special population support and development		47,494	
Alternative programs and services			
support and development		42	
Technology support		95,647	
Operational support		8,884,802	
Financial and human resource services		1,089,023	
Accountability		41,662	
System-wide pupil support		2,887	
Policy, leadership and public relations		617,896	
Total system-wide support services	12,349,201	10,841,534	1,507,667
Ancillary services:			
Nutrition	6,322	4,928	1,394
Non-programmed charges:			
Payments to other governments	1,720,000	1,684,851	35,149

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Final Budget	Actual	Variance with Final Budget
Expenditures: (Continued)			
Debt service:			
Principal retirement	150,498	150,498	-
Interest and fees	23,898	23,898	-
Total debt service	174,396	174,396	-
Total expenditures	23,592,614	19,363,988	4,228,626
Net change in fund balance	\$ -	4,342,261	\$ 4,342,261
Fund balance:			
Beginning of year		5,691,358	
Change in reserve for inventories		89,037	
End of year		\$ 10,122,656	



**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CAPITAL OUTLAY FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 587,929	\$ 587,929	\$ -
Local Counties:			
Edgecombe County appropriations	180,391	306,363	125,972
Nash County appropriations	1,396,890	1,396,890	-
Nash County - Northern Nash field house	-	101,250	101,250
Nash County - new school project	-	9,624,076	9,624,076
Total local Counties	1,577,281	11,428,579	9,851,298
Other:			
Proceeds from disposal of capital assets	-	5,824	5,824
Miscellaneous	-	10,973	10,973
Total other	-	16,797	16,797
Total revenues	2,165,210	12,033,305	9,868,095
Expenditures:			
Debt service:			
Principal retirement	587,929	587,929	-
Current:			
Instructional services:			
Regular instructional	15,000	-	15,000
System-wide support services:			
Operational support	-	1,016,833	-
Total system-wide support services	951,466	1,016,833	(65,367)
Capital outlay	669,822	10,317,968	(9,648,146)
Total expenditures	2,224,217	11,922,730	(9,698,513)
Revenues over (under) expenditures	(59,007)	110,575	169,582
Other financing sources:			
Installment purchase obligations issued	-	191,156	191,156
Fund balance appropriated	59,007	-	(59,007)
Net change in fund balance	\$ -	301,731	\$ 301,731
Fund balance:			
Beginning of year		275,713	
End of year		\$ 577,444	

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**INDIVIDUAL SCHOOLS FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2021	Fund balances June 30, 2022
Bailey Elementary	\$ 8,020	\$ 13,657	\$ (5,637)	\$ 22,878	\$ 17,241
Baskerville Elementary	19,764	17,245	2,519	8,095	10,614
Benvenue Elementary	61,693	59,428	2,265	3,916	6,181
Cedar Grove Elementary	5,225	5,232	(7)	1,025	1,018
Coopers Elementary	13,172	13,903	(731)	22,127	21,396
Englewood Elementary	21,613	18,563	3,050	9,361	12,411
Fairview Elementary	13,835	16,662	(2,827)	11,136	8,309
M.B. Hubbard Elementary	41,346	28,850	12,496	619	13,115
D.S. Johnson Elementary	15,046	22,837	(7,791)	11,730	3,939
Middlesex Elementary	11,908	22,220	(10,312)	40,143	29,831
Nashville Elementary	31,206	30,135	1,071	23,340	24,411
Red Oak Elementary	41,349	34,795	6,554	17,266	23,820
Spring Hope Elementary	10,002	14,824	(4,822)	21,351	16,529
Swift Creek Elementary	28,834	16,569	12,265	9,602	21,867
Willford Elementary	4,539	6,087	(1,548)	3,550	2,002
Winstead Elementary	54,012	36,789	17,223	6,634	23,857
J.W. Parker Middle	25,551	17,827	7,724	4,736	12,460
Edwards Middle	61,745	54,962	6,783	16,890	23,673
Nash Central Middle	94,256	82,400	11,856	15,519	27,375
Red Oak Middle	112,361	95,122	17,239	76,098	93,337
Rocky Mount Middle	45,914	43,551	2,363	25,991	28,354
Southern Nash Middle	121,298	100,377	20,921	54,140	75,061
Nash Central High	328,316	319,145	9,171	130,616	139,787
Northern Nash Senior	324,491	316,198	8,293	234,088	242,381
Rocky Mount High	205,418	186,504	18,914	94,962	113,876
Southern Nash Senior	331,093	321,140	9,953	218,914	228,867
Tar River Academy	2,910	845	2,065	553	2,618
Nash-Rocky Mount Early College High	6,947	6,445	502	39,140	39,642
CITI High School	6,469	5,346	1,123	600	1,723
Totals	<u>\$ 2,048,333</u>	<u>\$ 1,907,658</u>	<u>\$ 140,675</u>	<u>\$ 1,125,020</u>	<u>\$ 1,265,695</u>

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	\$ 1,154,604	\$ 229,507	\$ (925,097)
Other	30,000	14,082	(15,918)
Total operating revenues	<u>1,184,604</u>	<u>243,589</u>	<u>(941,015)</u>
Operating expenditures:			
Business support services:			
Purchase of food		2,108,567	
Donated commodities		686,851	
Salaries and benefits		3,388,430	
Indirect costs		266,404	
Materials and supplies		361,696	
Repairs and maintenance		150,950	
Non-capitalized equipment		18,300	
Other		45,068	
Total operating expenditures	<u>8,445,925</u>	<u>7,026,266</u>	<u>1,419,659</u>
Operating loss	<u>(7,261,321)</u>	<u>(6,782,677)</u>	<u>478,644</u>
Nonoperating revenues:			
Federal reimbursements and grants	6,638,389	8,808,143	2,169,754
Federal commodities	600,000	686,851	86,851
State reimbursements	6,664	-	(6,664)
Interest earned	16,268	2,479	(13,789)
Total nonoperating revenues	<u>7,261,321</u>	<u>9,497,473</u>	<u>2,236,152</u>
Excess of revenues over expenditures before other financing sources	-	2,714,796	2,714,796
Other financing sources:			
Transfers from other funds	-	67,147	67,147
Net change in fund balance	<u>\$ -</u>	<u>2,781,943</u>	<u>\$ 2,781,943</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(80,114)	
Capital contributions		31,228	
Net OPEB asset		(3,324)	
Net pension liability		875,835	
Net OPEB liability		30,374	
Deferred outflows - pension and OPEB		(12,205)	
Deferred inflows - pension and OPEB		(127,046)	
Decrease in compensated absences payable		8,872	
Decrease in inventories		(67,826)	
Change in net position (full accrual)		<u>\$ 3,437,737</u>	

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## **COMPLIANCE SECTION**

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# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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*

To the Nash Board of Education  
Nashville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nash Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprises the Nash Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 16, 2022.

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

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

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

Our consideration of internal control over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 22-01 and 22-02, that we consider to be significant deficiencies.

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

As part of obtaining reasonable assurance about whether the Nash Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs in item 22-02.

### ***Nash Board of Education's Response to Findings***

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

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

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

*Anderson Smith & Wike PLLC*

November 16, 2022  
Rockingham, North Carolina



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

To the Nash Board of Education  
Nashville, North Carolina

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

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

We have audited Nash Board of Education, North Carolina's 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 the Board's major federal programs for the year ended June 30, 2022. The Nash Board of Education'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 Nash Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Nash Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Nash Board of Education's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Nash Board of Education'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 Nash Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nash Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 22-03. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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



Our consideration of internal control over compliance was for the limited purpose described in 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 22-03, that we consider to be a significant deficiency.

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.

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

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

*Anderson Smith & Wike PLLC*

November 16, 2022  
Rockingham, North Carolina



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

To the Nash Board of Education  
Nashville, North Carolina

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

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

We have audited Nash Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2022. The Nash Board of Education'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 Nash Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Nash Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Nash Board of Education's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Nash Board of Education'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 Nash Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nash Board of Education's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in 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.

*Anderson Smith & Wike PLLC*

*November 16, 2022*

*Rockingham, North Carolina*

**NASH BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *Yes*

Noncompliance material to financial statements noted? *No*

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *Yes*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *Yes*

Identification of major federal programs:

<b>AL Number</b>	<b>Name of Federal Program or Cluster</b>
	Special Education Cluster:
84.027	Grants to States - IDEA, part B (611)
84.027	COVID-19 - ARP - Grants to States - IDEA, part B (611)
84.027	Risk Pool
84.027	Special Needs Targeted Assistance
84.173	Preschool Grants - IDEA, Part B (619)
84.173	Preschool Targeted Assistance
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Employee Bonuses
84.425	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 1,400,659*

Auditee qualified as low-risk auditee? *Yes*

**NASH BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**Section I - Summary of Auditor's Results (Continued)**

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

Type of auditor's 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?

*No*

Identification of major State programs:

Program Name

State Public School Fund

**Section II - Financial Statement Findings**

**Finding 22-01**

**SIGNIFICANT DEFICIENCY**  
Purchasing Procedures

Criteria: Before checks are written to vendors, finance department staff should ensure that proper supporting documentation exists for the expenditure. This documentation should include an invoice and purchase order or contract that has been approved by the appropriate member of management and has been preaudited by the finance officer. Staff should also be familiar enough with budget codes to question codes that appear to be improper.

Condition: The following conditions were noted pertaining to expenditures made during the year:

1. A check totaling over \$1.1 million was issued by the district to a vendor for computer devices for which there was not proper supporting documentation on file for the disbursement. The vendor had already received payment on behalf of the district directly from a granting agency. The vendor had to refund the district for the duplicate \$1.1 million payment. This matter is discussed more fully in Finding 22-03.
2. During our audit, we noted that the district made payments to contractors for the wrong amounts on two separate AIA billings during the year. The district paid the "balance to finish" amount instead of the "balance due" amount.
3. In our testing of disbursements, we noted a payment from State PRC 056 to a restaurant for \$3,186 charged to object code 411 which is for supplies.

**NASH BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**Finding 22-01 (continued):**

Effect:	Disbursements were made by the district which did not have proper supporting documentation on file or were paid from the wrong budget code.
Cause:	Controls were not in place to ensure that proper supporting documentation exists for checks written to vendors. In addition, it appears that finance staff are not performing reviews to verify that all checks written to vendors agree to invoices, purchase orders and/or contracts. It also appears that finance staff are not reviewing budget codes closely enough to detect basic coding errors made on payment requests submitted.
Identification of a repeat finding:	This is not a repeat finding from the immediate previous audit.
Recommendation:	We recommend that controls and procedures be put in place to ensure that proper supporting documentation exists for checks written to vendors, and that finance staff perform reviews to verify that all checks written to vendors agree to invoices, purchase orders and/or contracts. Controls should also be put in place to ensure that finance staff are reviewing budget codes closely enough to detect basic coding errors made on payment requests submitted to the finance department.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls and procedures to ensure that proper supporting documentation exists for checks written to vendors, and that finance staff perform reviews to verify that all checks written to vendors agree to invoices, purchase orders and/or contracts. Controls will also be put in place to ensure that finance staff are reviewing budget codes closely enough to detect basic coding errors made on payment requests submitted to the finance department.

**Finding 22-02**

**SIGNIFICANT DEFICIENCY**  
Budget Violations

Criteria:	North Carolina General Statute 115C-441 states that all monies expended should be included in the budget resolution.
Condition:	During the year, the Board incurred expenditures within the Capital Outlay Fund and Other Special Revenue Fund that exceeded appropriations as detailed in Note 2.
Effect:	The Board was in violation of State law.
Cause:	Budget amendments were not prepared when needed due to lack of timely recordkeeping and oversight of the budgetary process.
Identification of a repeat finding:	This is not a repeat finding from the immediate previous audit.
Recommendation:	We recommend that budget amendments be prepared as needed.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that adequate oversight exists over the budgetary process.

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2022**

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**Section III - Federal Award Findings and Questioned Costs**

**Finding 22-03**

U.S. Department of Education  
 Passed Through the N.C. Department of Public Instruction  
 Program Name: COVID-19 – Education Stabilization Fund  
 CFDA #: 84.425

**SIGNIFICANT DEFICIENCY**

Compliance – Allowable Costs/Cost Principles

Criteria:	Expenditures reported from the Education Stabilization Fund should be supported by proper documentation and be allowable under program guidelines.
Condition:	<p>In FY 21-22 Nash County Public Schools (NCPS) implemented an IT device "refresh" where all devices were to be replaced throughout the district for students and administrators. This "refresh" was to be funded initially using ESSER funding (PRC 181). In January 2022 NCPS received an Emergency Connectivity Funding (ECF) grant and the decision was made to use the ECF grant to fund the "refresh". Since the ECF grant was to be used, payment for the devices was to be made directly to the vendor, CDW-G, by the Universal Service Administrative Co. (USAC). CDW-G required a purchase order and one was issued using an ESSER budget code to generate the purchase order. The purchase order total was zeroed out by reflecting a discount of the total purchase price as recommended by CDW-G. NCPS was informed by CDW-G via e-mail that NCPS would not be billed for this purchase order and USAC would be billed directly. USAC paid the bill in full prior to June 30, 2022.</p> <p>In June 2022, NCPS finance department staff pulled the purchase order and requested an invoice from the IT department, overlooking the \$-0- total on the purchase order. The IT department requested an invoice from CDW-G. The invoice was sent to IT via e-mail and given to finance department staff who paid the \$1,108,657.42 invoice per check #676626 dated 6/7/2022. Federal PRC 181 was used as the funding source for the check. CDW-G cashed the check and notified NCPS that USAC had already paid the invoice and that NCPS' payment was made in error. CDW-G issued NCPS a refund for the full amount of the payment via ACH on 7/26/22.</p>
Effect:	\$1,108,657.42 of Education Stabilization funds were paid to a vendor (CDW-G) for an invoice for computer devices that had already been paid from Emergency Connectivity funds.
Cause:	Controls were not in place to ensure that invoices paid using Education Stabilization funds were supported by proper documentation with proper administrative approvals.
Questioned costs:	At June 30, 2022, NCPS has recorded a receivable for \$1,108,657.42 from CDW-G and a corresponding payable to the N.C. Department of Public Instruction (DPI) for repayment of the Education Stabilization funds.
Identification of a repeat finding:	This is not a repeat finding from the immediate previous audit.



**NASH BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**Finding 22-03 (continued):**

Recommendation: We recommend that controls be put in place to ensure that any expenditures paid from Education Stabilization Fund are supported by proper documentation with proper administrative approvals.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will implement controls to ensure that any expenditures paid from Education Stabilization funds are supported by proper documentation with proper administrative approvals.

**Section IV - State Award Findings and Questioned Costs**

None reported.



# Nash County Public Schools

## ***CORRECTIVE ACTION PLAN***

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

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### **Finding 22-01**

Name of Contact Person: Doug Hale, Chief Financial Officer

Corrective Action Plan: Management will implement controls and procedures to ensure that proper supporting documentation exists for checks written to vendors, and that finance staff perform reviews to verify that all checks written to vendors agree to invoices, purchase orders and/or contracts. Controls will also be put in place to ensure that finance staff are reviewing budget codes closely enough to detect basic coding errors made on payment requests submitted to the finance department.

Proposed Completion Date: Immediately

### **Finding 22-02**

Name of Contact Person: Doug Hale, Chief Financial Officer

Corrective Action Plan: Budgets will be reviewed on a monthly basis and any necessary budget amendments will be presented to the Board for approval in a timely manner.

Proposed Completion Date: Immediately

### **Finding 22-03**

Name of Contact Person: Doug Hale, Chief Financial Officer

Corrective Action Plan: Management will implement controls to ensure that any expenditures paid from Education Stabilization funds are supported by proper documentation with proper administrative approvals.

Proposed Completion Date: Immediately

**NASH BOARD OF EDUCATION**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
***For the Fiscal Year Ended June 30, 2022***

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There were no findings reported in the prior year.

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

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Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 686,851
Cash Assistance:			
Supply Chain Assistance Funds	10.555	PRC 035	280,056
After School Snack Program	10.555	PRC 035	21,418
Seamless Summer Program	10.555	PRC 035	8,333,910
Summer Food Service Program for Children	10.559	PRC 035	172,759
Cash Assistance Subtotal			8,808,143
Total Child Nutrition Cluster			9,494,994
Total U.S. Department of Agriculture			9,494,994
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
COVID-19 - Coronavirus Relief Fund:			
Low Wealth Supplemental Funds	21.019	PRC 134	50,190
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds -			
Employee Bonuses	21.027	PRC 141	2,917,031
<u>Federal Communications Commission</u>			
Direct Program:			
COVID-19 - Emergency Connectivity Fund Program	32.009		1,301,661
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Program:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041		34,109
21st Century Community Learning Centers	84.287		72,985
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105, 115	6,000,645
School Improvement	84.377	PRC 117	67,222
Migrant Education (Title I of IASA)	84.011	PRC 051	202,869
Education for Homeless Children and Youth	84.196	PRC 026	48,682

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

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Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Supporting Effective Instruction State Grant	84.367	PRC 103	876,557
Language Acquisition Grant	84.365	PRC 104, 111	43,424
Special Education - State Personnel Development	84.323	PRC 082	38,939
Student Support and Academic Enrichment Program	84.424	PRC 108	340,251
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	296,824
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	2,614,799
COVID-19 - ARP - Grants to States - IDEA, part B (611)	84.027	PRC 185	71,574
Special Needs Targeted Assistance	84.027	PRC 118	24,197
Risk Pool	84.027	PRC 114	128,509
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	113,867
Preschool Targeted Assistance	84.173	PRC 119	17,938
Total Special Education Cluster			2,970,884
COVID-19 - Education Stabilization Fund:			
CARES Act:			
COVID-19 - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	1,482,359
COVID-19 - ESSER I - Digital Curricula	84.425D	PRC 165	52,028
COVID-19 - ESSER I - Learning Management System	84.425D	PRC 166	31,300
COVID-19 - ESSER I - Exceptional Children Grants	84.425D	PRC 167	118,685
COVID-19 - ESSER I - ICARES	84.425D	PRC 168	154,335
COVID-19 - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	156,451
COVID-19 - GEER I - Supplemental Instructional Services	84.425C	PRC 170	117,564
CRRSA:			
COVID-19 - K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	7,669,045
COVID-19 - ESSER II - Supplemental Contracted Instructional Support Funding	84.425D	PRC 173	3,435
COVID-19 - ESSER II - School Nutrition COVID Support	84.425D	PRC 174	62,022
COVID-19 - ESSER II - Learning Loss Funding	84.425D	PRC 176	131,821
COVID-19 - ESSER II - Summer Career Accel. Program	84.425D	PRC 177	28,001
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	10,334,944
COVID-19 - ESSER III - Homeless	84.425W	PRC 183	6,172
COVID-19 - ESSER III - Homeless II	84.425W	PRC 184	4,768
COVID-19 - ESSER III - Teacher Bonuses	84.425U	PRC 203	1,041,966
Total COVID-19 - Education Stabilization Fund	84.425		21,394,896
Total U.S. Department of Education			32,388,287

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

**Page 3 of 4**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Health Resources and Services Administration			
Passed-through the N.C. Department of Public Instruction:			
School Mental Health Support - Aware/Activate	93.243	PRC 102	282,334
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.000		254,152
<b>Total Federal Assistance</b>			<b>46,688,649</b>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund		Various	100,526,049
Career and Technical Education:			
State Months of Employment		PRC 013	4,704,943
Program Support Funds		PRC 014	395,143
Driver Training		PRC 012	262,695
School Technology Fund		PRC 015	94,581
Regional Alternative Licensing			106,445
Cash assistance subtotal			106,089,856
Non-Cash Assistance:			
State Buses Appropriation			587,929
Total N.C. Department of Public Instruction			106,677,785
<u>N.C. Department of Health and Human Services</u>			
Passed-through Nash County:			
State School Nurse Initiative			250,000
<b>Total State Assistance</b>			<b>106,927,785</b>
<b>Total Federal and State Assistance</b>			<b>\$ 153,616,434</b>

**NASH BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Nash Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 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. Because the Schedule presents only a selected portion of the operations of Nash Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Nash Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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