

**Warren County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2022

WARREN COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Position.....	12
2 Statement of Activities.....	13
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds	14
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds	17
6 Statement of Net Position – Proprietary Fund.....	21
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	22
8 Statement of Cash Flows – Proprietary Fund	23
Notes to the Financial Statements	25
Required Supplementary Information:	
Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	52
Schedule of Board Contributions – Teachers' and State Employees' Retirement System	53
Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund	54
Schedule of Board Contributions – Retiree Health Benefit Fund	55
Schedule of the Board's Proportionate Share of the Net OPEB Asset – Disability Income Plan of North Carolina	56
Schedule of Board Contributions – Disability Income Plan of North Carolina	57
Individual Fund Budgetary Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	58
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund.....	60
C-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) School Food Service Fund	61
Compliance Report.....	62



INDEPENDENT AUDITORS' REPORT

The Board of Education
Warren County Board of Education
Warrenton, North Carolina

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Board of Education as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise of the Warren County 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 Warren County Board of Education as of June 30, 2022, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grants Fund, and Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 Warren County 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 Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 raises substantial doubt about Warren County Board of Education's ability to continue as a going concern for the 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained 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 responsible 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 Warren County 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 Warren County 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 11 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedule of Board Contributions on pages 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 Warren County Board of Education's basic financial statements. The budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund budgetary schedules and the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 on our consideration of Warren County 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 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 Warren County 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 Warren County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 22, 2022
Elon, North Carolina
(336) 380-4123

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

This section of the Warren County 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.

Financial Highlights

- The Board had an average daily membership of approximately 1,688 students.
- The Board continues to work diligently with the Warren County Board of Commissioners to find ways to increase funds for preventative maintenance and capital outlay.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required Supplementary Information*
- *Other supplemental section that presents budgetary statements for certain governmental funds and budgetary statements for the 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, 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 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 type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund, and fiduciary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary 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 the financial resources of each of the Board's major funds.

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

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 inflows of resources, and liabilities. 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 – the difference between the Board's assets and the total of liabilities and deferred inflows – 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 Warren County's (the "County") property tax base and the condition of its school buildings and other physical assets.

The Board'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. The school food service fund 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.

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Warren County Board of Education has two types of funds:

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

The governmental fund statements are shown as Exhibits 3, 4 and 5 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. Warren County Board of Education has one proprietary fund – enterprise fund – the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,956,966 as of June 30, 2022. The largest component of net position, other than unrestricted net position, is net investment in capital assets of \$13,375,212.

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2022 and 2021						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Current assets	\$ 3,370,624	\$ 4,039,674	\$ 1,836,536	\$ 1,814,737	\$ 5,207,160	\$ 5,854,411
Capital assets	13,852,906	14,200,496	27,637	33,848	13,880,543	14,234,344
Total assets	<u>17,223,530</u>	<u>18,240,170</u>	<u>1,864,173</u>	<u>1,848,585</u>	<u>19,087,703</u>	<u>20,088,755</u>
Deferred outflow s of resources	<u>5,454,594</u>	<u>4,795,347</u>	<u>195,946</u>	<u>208,938</u>	<u>5,650,540</u>	<u>5,004,285</u>
Current liabilities	719,732	985,458	3,513	10,611	723,245	996,069
Long-term liabilities	21,296,448	26,250,342	775,489	1,128,422	22,071,937	27,378,764
Total liabilities	<u>22,016,180</u>	<u>27,235,800</u>	<u>779,002</u>	<u>1,139,033</u>	<u>22,795,182</u>	<u>28,374,833</u>
Deferred inflow s of resources	<u>14,383,334</u>	<u>13,240,555</u>	<u>516,693</u>	<u>576,907</u>	<u>14,900,027</u>	<u>13,817,462</u>
Net investment in						
capital assets	13,347,575	13,772,204	27,637	33,848	13,375,212	13,806,052
Restricted net position	726,603	509,349	320	1,216	726,923	510,565
Unrestricted net position	<u>(27,795,568)</u>	<u>(31,722,391)</u>	<u>736,467</u>	<u>306,519</u>	<u>(27,059,101)</u>	<u>(31,415,872)</u>
Total net position	<u>\$ (13,721,390)</u>	<u>\$ (17,440,838)</u>	<u>\$ 764,424</u>	<u>\$ 341,583</u>	<u>\$ (12,956,966)</u>	<u>\$ (17,099,255)</u>

Note that net position of governmental activities increased by \$3,719,448 during the year, indicating an improvement in the financial condition of the Board. This improvement is primarily from a decrease in liability related to the Board's pension and OPEB plans. Also note that the Board carries capital assets for which Warren County carries the offsetting debt.

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Revenues:						
Program revenues:						
Charges for services	\$ 3,608	\$ 820	\$ 108,819	\$ 60,067	\$ 112,427	\$ 60,887
Operating grants and contributions	22,769,449	20,459,248	1,541,282	2,393,616	24,310,731	22,852,864
Capital grants and contributions	337,649	333,053	-	-	337,649	333,053
General revenues:						
Other revenues	6,430,860	6,272,625	505	334	6,431,365	6,272,959
Total revenues	<u>29,541,566</u>	<u>27,065,746</u>	<u>1,650,606</u>	<u>2,454,017</u>	<u>31,192,172</u>	<u>29,519,763</u>
Expenses:						
Governmental activities:						
Instructional services	18,145,897	16,933,812	-	-	18,145,897	16,933,812
System-wide support services	6,324,707	5,613,634	-	-	6,324,707	5,613,634
Ancillary services	222,540	104,946	-	-	222,540	104,946
Non-programmed charges	1,029,981	966,968	-	-	1,029,981	966,968
Depreciation	53,993	30,478	-	-	53,993	30,478
Business-type activities:						
School food service	-	-	1,272,765	1,823,608	1,272,765	1,823,608
Total expenses	<u>25,777,118</u>	<u>23,649,838</u>	<u>1,272,765</u>	<u>1,823,608</u>	<u>27,049,883</u>	<u>25,473,446</u>
Transfers in (out)	(45,000)	(90,820)	45,000	90,820	-	-
Increase (decrease) in net position	3,719,448	3,325,088	422,841	721,229	4,142,289	4,046,317
Beginning net position	(17,440,838)	(20,765,926)	341,583	(379,646)	(17,099,255)	(21,145,572)
Ending net position	<u>\$ (13,721,390)</u>	<u>\$ (17,440,838)</u>	<u>\$ 764,424</u>	<u>\$ 341,583</u>	<u>\$ (12,956,966)</u>	<u>\$ (17,099,255)</u>

Total governmental activities generated revenues of approximately \$29.5 million while expenses in this category totaled approximately \$25.8 million. The increase in net position was \$3,719,448. Business-type activities generated revenue of approximately \$1.7 million and had expenses of approximately \$1.3 million. The increase in net position was \$422,841.

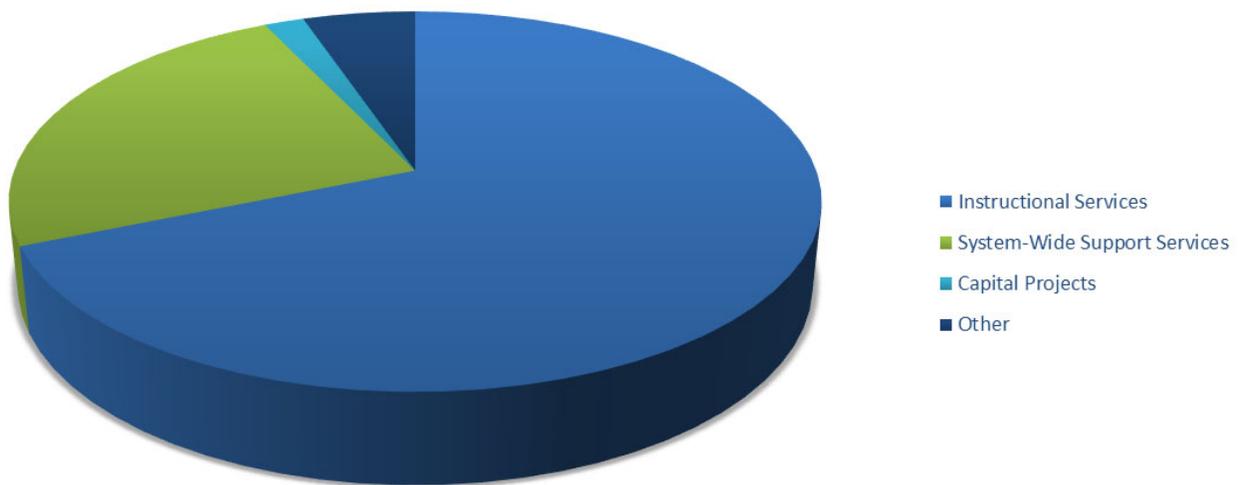
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Warren County 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 \$2,641,977, a \$384,337 decrease over last year.

Proprietary Funds: The Board's School Food Service experienced an increase of \$422,841 in net position over the prior year.

Categorization of Expenditures for Governmental Funds



Expenditures are presented on the modified accrual basis of accounting.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in expenditures.

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Capital Assets

Capital assets decreased by \$353,801 (or 2.5%) from the previous year. The following is a summary of the capital assets, net of depreciation, at year end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Land	\$ 779,301	\$ 779,301	\$ -	\$ -	\$ 779,301	\$ 779,301
Buildings and improvements	11,433,657	12,113,708	-	-	11,433,657	12,113,708
Equipment and furniture	389,706	410,751	27,637	33,848	417,343	444,599
Vehicles	1,250,242	896,736	-	-	1,250,242	896,736
Total	<u>\$ 13,852,906</u>	<u>\$ 14,200,496</u>	<u>\$ 27,637</u>	<u>\$ 33,848</u>	<u>\$ 13,880,543</u>	<u>\$ 14,234,344</u>

Debt Outstanding

Exclusive of the pension liability, OPEB liability and compensated absences, the Board's outstanding debt increased to approximately \$505,000 during the year. The debt consists of installment purchase agreements for 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 the majority of the debt issued for school construction.

Economic Factors

The Board anticipates that funds will be needed for increasing the ratio of computers to the number of students, updating technology, maintaining an early college school, maintaining support for small schools, and recruiting and retaining quality teachers. County funding is a major source of revenue for the Board; therefore, the county's economic outlook directly affects that of the Board. The following factors have affected the economic outlook of Warren County:

- The home building industry has declined in the county.
- The manufacturing industry in the county is showing signs of life amid recent announcements of new jobs coming to the area.
- Agricultural products continue to decline.

Impact of Coronavirus on School

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. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective

**WARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

equipment, remote learning educational tools, learning loss remediation as a result of the online learning challenges and an increase in salaries due to Board's expansions of summer school programs and hiring, retention and COVID-19 bonuses. The Board received significant grants from the federal government to assist with these additional expenses incurred due to the world-wide pandemic.

Requests for Information

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

Cierra Ojjo, Finance Officer
109 Cousin Lucy's Lane
Warrenton, NC 27589

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 2,705,653	\$ 1,535,823	\$ 4,241,476
Due from other governments	655,519	181,774	837,293
Receivables (net)	36,894	-	36,894
Internal balances	(36,357)	36,357	-
Net OPEB asset	8,915	320	9,235
Inventories	-	82,262	82,262
Capital assets			
Land and construction in progress	779,301	-	779,301
Other capital assets, net of depreciation	13,073,605	27,637	13,101,242
Total capital assets	13,852,906	27,637	13,880,543
Total assets	17,223,530	1,864,173	19,087,703
DEFERRED OUTFLOWS OF RESOURCES	5,454,594	195,946	5,650,540
LIABILITIES			
Accounts payable and accrued expenses	615,879	2,046	617,925
Unearned revenue	103,853	1,467	105,320
Long-term liabilities:			
Net pension liability	2,946,280	105,839	3,052,119
Net OPEB liability	16,576,829	595,491	17,172,320
Due within one year	972,342	33,172	1,005,514
Due in more than one year	800,997	40,987	841,984
Total liabilities	22,016,180	779,002	22,795,182
DEFERRED INFLOWS OF RESOURCES	14,383,334	516,693	14,900,027
NET POSITION			
Net investment in capital assets	13,347,575	27,637	13,375,212
Restricted for:			
Stabilization by State statute	491,274	-	491,274
Individual schools	129,128	-	129,128
Capital Outlay	97,286	-	97,286
DIPNC OPEB asset	8,915	320	9,235
Unrestricted	(27,795,568)	736,467	(27,059,101)
Total net position	\$ (13,721,390)	\$ 764,424	\$ (12,956,966)

**WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional programs:							
Regular instructional	\$ 10,641,383	\$ 3,248	\$ 11,259,729	\$ -	\$ 621,594	\$ -	\$ 621,594
Special populations	2,509,932	-	2,969,033	-	459,101	-	459,101
Alternative programs	2,126,645	-	1,896,843	-	(229,802)	-	(229,802)
School leadership	1,418,926	-	1,660,742	-	241,816	-	241,816
Co-curricular	146,262	-	-	-	(146,262)	-	(146,262)
School-based support	1,302,749	-	1,354,621	-	51,872	-	51,872
Support services:							
Support and development	187,044	-	23,262	-	(163,782)	-	(163,782)
Special populations	366,524	-	422,611	-	56,087	-	56,087
Alternative programs	104,988	-	124,919	-	19,931	-	19,931
Technology support	252,953	-	50,725	-	(202,228)	-	(202,228)
Operational support	3,897,705	360	2,341,264	337,649	(1,218,432)	-	(1,218,432)
Financial and human resource	669,992	-	238,742	-	(431,250)	-	(431,250)
System-wide pupil support	14,686	-	-	-	(14,686)	-	(14,686)
Policy, leadership and public relations	830,815	-	361,965	-	(468,850)	-	(468,850)
Ancillary services	222,540	-	64,993	-	(157,547)	-	(157,547)
Non programmed charges	1,029,981	-	-	-	(1,029,981)	-	(1,029,981)
Unallocated depreciation expense**	53,993	-	-	-	(53,993)	-	(53,993)
Total governmental activities	25,777,118	3,608	22,769,449	337,649	(2,666,412)	-	(2,666,412)
Business-type activities:							
School food service	1,272,765	108,819	1,541,282	-	-	377,336	377,336
Total primary government	\$ 27,049,883	\$ 112,427	\$ 24,310,731	\$ 337,649	(2,666,412)	377,336	(2,289,076)
General revenues:							
Unrestricted county appropriations - operating					5,483,331	-	5,483,331
Unrestricted county appropriations - capital					350,000	-	350,000
Unrestricted State appropriations - capital					337,649	-	337,649
Investment earnings, unrestricted					1,800	505	2,305
Miscellaneous, unrestricted					258,080	-	258,080
Transfers					(45,000)	45,000	-
Total general revenues and transfers					6,385,860	45,505	6,431,365
Change in net position					3,719,448	422,841	4,142,289
Net position-beginning					(17,440,838)	341,583	(17,099,255)
Net position-ending					\$ (13,721,390)	\$ 764,424	\$ (12,956,966)

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

**WARREN COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Capital Outlay	Individual Schools	Federal Grants	Other Special Revenue	
ASSETS							
Cash and investments	\$ 1,468,250	\$ 220,828	\$ -	\$ 129,128	\$ -	\$ 887,447	\$ 2,705,653
Due from other governments	186,519	-	350,000	-	-	119,000	655,519
Due from other funds	-	-	-	-	-	148,861	148,861
Receivables (net)	-	-	-	-	-	36,894	36,894
Total assets	<u>\$ 1,654,769</u>	<u>\$ 220,828</u>	<u>\$ 350,000</u>	<u>\$ 129,128</u>	<u>\$ -</u>	<u>\$ 1,192,202</u>	<u>\$ 3,546,927</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 394,571	\$ 220,828	\$ -	\$ -	\$ -	\$ 480	\$ 615,879
Due to other funds	36,357	-	148,861	-	-	-	185,218
Unavailable revenue	-	-	103,853	-	-	-	103,853
Total liabilities	<u>430,928</u>	<u>220,828</u>	<u>252,714</u>	<u>-</u>	<u>-</u>	<u>480</u>	<u>904,950</u>
Fund balances:							
Restricted:							
Stabilization by State statute	186,519	-	-	-	-	304,755	491,274
Capital Outlay	-	-	97,286	-	-	-	97,286
Individual Schools	-	-	-	129,128	-	-	129,128
Assigned:							
Special revenues	-	-	-	-	-	886,967	886,967
Unassigned	1,037,322	-	-	-	-	-	1,037,322
Total fund balances	<u>1,223,841</u>	<u>-</u>	<u>97,286</u>	<u>129,128</u>	<u>-</u>	<u>1,191,722</u>	<u>2,641,977</u>
Total liabilities and fund balances	<u>\$ 1,654,769</u>	<u>\$ 220,828</u>	<u>\$ 350,000</u>	<u>\$ 129,128</u>	<u>\$ -</u>	<u>\$ 1,192,202</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,852,906
Net OPEB asset	8,915
Deferred outflows of resources related to OPEB	2,248,267
Deferred outflows of resources related to pensions	3,206,327
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(1,773,339)
Net pension liability	(2,946,280)
Net OPEB liability	(16,576,829)
Deferred inflows of resources related to OPEB	(10,150,842)
Deferred inflows of resources related to pensions	(4,232,492)
Net position of governmental activities	<u>\$ (13,721,390)</u>

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Capital Outlay	Individual Schools	Federal Grants	Other Special Revenue	
REVENUES							
State of North Carolina	\$ -	\$ 17,630,087	\$ 337,649	\$ -	\$ -	\$ 368,940	\$ 18,336,676
Warren County	5,214,331	-	350,000	-	-	269,000	5,833,331
U.S. Government	-	481,712	-	-	4,099,013	110,717	4,691,442
Other	131,752	-	357	173,086	-	374,922	680,117
Total revenues	5,346,083	18,111,799	688,006	173,086	4,099,013	1,123,579	29,541,566
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	694,675	8,863,174	-	197,799	1,792,918	248,942	11,797,508
Special populations	777	2,769,379	-	-	199,654	16,606	2,986,416
Alternative programs	174,794	606,633	-	-	1,290,210	458,730	2,530,367
School leadership	27,552	1,660,742	-	-	-	-	1,688,294
Co-curricular	126,320	-	-	-	-	47,708	174,028
School-based support	64,556	1,245,229	-	-	109,392	130,886	1,550,063
System-wide support services:							
Support and development	199,291	11,606	-	-	11,656	-	222,553
Special populations	13,494	49,242	-	-	373,369	-	436,105
Alternative programs	-	1,077	-	-	123,842	-	124,919
Technology support	250,248	45,223	-	-	5,502	-	300,973
Operational support	1,732,398	2,200,244	414,688	-	141,020	822	4,489,172
Financial and human resource services	558,441	212,627	-	-	26,115	-	797,183
System-wide pupil support	17,475	-	-	-	-	-	17,475
Policy, leadership and public relations	626,572	361,965	-	-	-	-	988,537
Ancillary services	137,241	39,658	-	-	25,335	62,554	264,788
Non-programmed charges	1,032,201	-	-	-	-	-	1,032,201
Debt service - principal	-	-	337,649	-	-	-	337,649
Capital outlay	-	-	557,360	-	-	-	557,360
Total expenditures	5,656,035	18,066,799	1,309,697	197,799	4,099,013	966,248	30,295,591
Revenues over (under) expenditures	(309,952)	45,000	(621,691)	(24,713)	-	157,331	(754,025)
OTHER FINANCING SOURCES (USES)							
Transfers (to) from other funds	-	(45,000)	-	-	-	-	(45,000)
Installment purchase obligations issued	-	-	414,688	-	-	-	414,688
Net change in fund balance	(309,952)	-	(207,003)	(24,713)	-	157,331	(384,337)
Fund balances-beginning	1,533,793	-	304,289	153,841	-	1,034,391	3,026,314
Fund balances-ending	\$ 1,223,841	\$ -	\$ 97,286	\$ 129,128	\$ -	\$ 1,191,722	\$ 2,641,977

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ (384,337)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(347,590)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	1,935,531
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	753,888
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	100,269
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(77,039)
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	(580,670)
Net OPEB expense	2,256,159
Compensated absences	63,237
	<hr/>
Total changes in net position of governmental activities	<u>\$ 3,719,448</u>

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

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Warren County	5,176,237	4,996,237	5,214,331	(218,094)
U.S. Government	-	-	-	-
Other	76,188	256,188	131,752	124,436
Total revenues	<u>\$ 5,252,425</u>	<u>\$ 5,252,425</u>	<u>5,346,083</u>	<u>(93,658)</u>
Expenditures:				
Current:				
Instructional services			1,088,674	
System-wide support services			3,397,919	
Ancillary services			137,241	
Non-programmed charges			1,032,201	
Total expenditures	<u>5,252,425</u>	<u>6,002,425</u>	<u>5,656,035</u>	<u>346,390</u>
Revenues over (under) expenditures	-	(750,000)	(309,952)	440,048
Other financing uses:				
Transfer to other funds	-	-	-	-
Appropriated fund balance	-	750,000	-	(750,000)
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(309,952)</u>	<u>\$ (309,952)</u>
Fund balances, beginning of year			1,533,793	
Fund balances, end of year			<u>\$ 1,223,841</u>	

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

Exhibit 5 (continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 17,272,056	\$ 18,879,660	\$ 17,630,087	\$ (1,249,573)
Warren County	-	-	-	-
U.S. Government	-	-	481,712	481,712
Other	-	-	-	-
Total revenues	<u>17,272,056</u>	<u>18,879,660</u>	<u>18,111,799</u>	<u>(767,861)</u>
Expenditures:				
Current:				
Instructional services			15,145,157	
System-wide support services			2,881,984	
Ancillary services			39,658	
Non-programmed charges			-	
Total expenditures	<u>17,272,056</u>	<u>18,834,660</u>	<u>18,066,799</u>	<u>767,861</u>
Revenues over (under) expenditures	-	45,000	45,000	-
Other financing uses:				
Transfer to other funds	-	(45,000)	(45,000)	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

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

Exhibit 5 (continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Warren County	-	-	-	-
U.S. Government	10,558,905	14,250,946	4,099,013	(10,151,933)
Other	-	-	-	-
Total revenues	<u>\$ 10,558,905</u>	<u>\$ 14,250,946</u>	<u>4,099,013</u>	<u>(10,151,933)</u>
Expenditures:				
Current:				
Instructional services			3,392,174	
System-wide support services			681,504	
Ancillary services			25,335	
Non-programmed charges			-	
Total expenditures	<u>10,558,905</u>	<u>14,250,946</u>	<u>4,099,013</u>	<u>10,151,933</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfer to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

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

Exhibit 5 (continued)

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 599,130	\$ 639,874	\$ 368,940	\$ (270,934)
Warren County	-	-	269,000	269,000
U.S. Government	-	276,075	110,717	(165,358)
Other	344,687	833,231	374,922	(458,309)
Total revenues	<u>943,817</u>	<u>1,749,180</u>	<u>1,123,579</u>	<u>(625,601)</u>
Expenditures:				
Current:				
Instructional services			902,872	
System-wide support services			822	
Ancillary services			62,554	
Non-programmed charges			-	
Total expenditures	<u>943,817</u>	<u>1,749,180</u>	<u>966,248</u>	<u>782,932</u>
Revenues over (under) expenditures	-	-	157,331	157,331
Other financing uses:				
Transfer to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	157,331	<u>\$ 157,331</u>
Fund balances, beginning of year			<u>1,034,391</u>	
Fund balances, end of year			<u>\$ 1,191,722</u>	

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

Exhibit 6

	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,535,823
Due from other governments	181,774
Due from other funds	36,357
OPEB asset	320
Inventories	82,262
Total current assets	<u>1,836,536</u>
Noncurrent assets:	
Capital assets, net	<u>27,637</u>
Total assets	<u>1,864,173</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>195,946</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,046
Compensated absences	33,172
Unearned revenues	1,467
Total current liabilities	<u>36,685</u>
Noncurrent liabilities:	
Net pension liability	105,839
Net OPEB liability	595,491
Compensated absences	40,987
Total liabilities	<u>779,002</u>
DEFERRED INFLOWS OF RESOURCES	<u>516,693</u>
NET POSITION	
Invested in capital assets	27,637
DIPNC OPEB plan	320
Unrestricted	736,467
Total net position	<u>\$ 764,424</u>

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
For the Year Ended June 30, 2022

	<i>Exhibit 7</i>
	Major Fund
	School Food Service
OPERATING REVENUES	
Food sales	\$ 108,819
OPERATING EXPENSES	
Purchase of food	626,903
Salaries and benefits	479,567
Indirect costs	73,298
Materials and supplies	33,042
Repairs and maintenance	8,948
Contracted services	14,526
Telephone	3,315
Continuing Education	11,381
Non-capital equipment	10,313
Depreciation	6,211
Other	5,261
Total operating expenses	1,272,765
Operating loss	(1,163,946)
NONOPERATING REVENUES	
Federal reimbursements	1,337,869
Federal commodities	130,950
Interest earned	505
Indirect costs not paid	72,463
Total nonoperating revenues	1,541,787
Net income (loss) before transfers	377,841
Transfer from other funds	45,000
Net income (loss)	422,841
Total net position - beginning	341,583
Total net position - ending	\$ 764,424

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 8

	<u>Major Fund</u>
	<u>School Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 109,143
Cash paid for goods and services	(605,912)
Cash paid to employees for services	(833,826)
Net cash provided (used) by operating activities	<u>(1,330,595)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,321,312
(Increase) decrease in due from other funds	(18,606)
Net cash provided (used) by financing activities	<u>1,302,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>505</u>
Net increase (decrease) in cash and cash equivalents	(27,384)
Balance-beginning of the year	<u>1,563,207</u>
Balance-end of the year	<u><u>\$ 1,535,823</u></u>

WARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
For the Year Ended June 30, 2022

	Exhibit 8 (continued)
	Major Fund
	School Food Service
Reconciliation of operating loss to net cash provided (used) by operating activities	
Operating loss	\$ (1,163,946)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	6,211
Donated commodities consumed	130,950
Indirect costs not paid	72,463
Expenses paid by other funds	45,000
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in inventories	(14,916)
(Increase) decrease in deferred outflows of resources	12,992
(Increase) decrease in net OPEB asset	896
Increase (decrease) in accounts payable	(7,422)
Increase (decrease) in deferred inflows of resources	(60,214)
Increase (decrease) in net pension liability	(241,574)
Increase (decrease) in net OPEB liability	(124,189)
Increase (decrease) in unavailable revenues	324
Increase (decrease) in compensated absences	12,830
Total adjustments	(166,649)
Net cash provided (used) by operating activities	\$ (1,330,595)

Noncash investing, capital, and financing activities:

Indirect costs of \$72,463 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$130,950 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid \$45,000 of operating costs of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Warren County 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 Warren County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statements of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. 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, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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. The fiduciary fund is presented separately.

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.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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.

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

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

Other Special Revenue Fund. The Other Special 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, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received from prekindergarten programs and other 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 Warren County appropriations, restricted sales tax moneys, proceeds of Warren County bonds issued for public school construction, as well as certain State assistance.

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.

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

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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/function level for all annually budgeted funds. The Board has authorized the Superintendent to move appropriations within funds as needed. 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.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2022.

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

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-

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, which is the NCCMT's share price. Balances in the North Carolina Capital Management Trust (NCCMT) are reported at fair value. Ownership interest in 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. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. 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.

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.

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

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 1982 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. It is the policy of the Board to capitalize all capital assets costing more than \$2,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Warren 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 refund 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

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 in years:

	<u>Years</u>
Buildings and Improvements	20 - 45
Equipment and Furniture	10 - 15
Vehicles	6 - 14

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

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 will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Board has several items that meet this criterion - pension and OPEB related deferrals.

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.

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.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Net Position/Fund Balances

Net Position

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

Net Position/Fund Balances

In the governmental fund financial statements, fund balance is composed of 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:

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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

Assigned fund balance – portion of fund balance that the Warren County Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

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 the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly board of education funds. For purposes of fund balance classification, expenditures are to be spent

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

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 \$(16,363,367) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 44,070,859
Less Accumulated Depreciation	<u>30,217,953</u>
Net capital assets	13,852,906
 Net OPEB asset	 8,915
 Pension related deferred outflows of resources	 3,206,327
OPEB related deferred outflows of resources	2,248,267
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment financing	(505,331)
Compensated absences	(1,268,008)
Net pension liability	(2,946,280)
Net OPEB liability	(16,576,829)
Deferred inflows of resources related to pensions	(4,232,492)
Differences between contributions and proportional share of	
Deferred inflows of resources related to OPEB	<u>(10,150,842)</u>
 Total adjustment	 <u>\$ (16,363,367)</u>

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.

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 \$4,103,785 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 603,212
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but no in the fund statements.	(950,802)
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.	(414,688)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	337,649
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,935,531
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
OPEB nonemployer contributions	100,269
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	753,888
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(580,670)
Net OPEB expense	2,256,159
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	63,237
Total adjustment	<u>\$ 4,103,785</u>

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Defined Benefit Pension Plan and OPEB 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 – SWTEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Noncompliance with North Carolina General Statutes

State law requires that a Finance Officer or Interim Finance Officer be appointed by the Superintendent and approved by the Board of Education. For the period of August 29, 2021 until December 14, 2021 Warren County Schools did not have a Board approved Finance Officer or Interim Finance Officer.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$3,307,042 and with the State Treasurer of \$220,828. The bank balances with the financial

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

institutions and the State Treasurer were \$3,544,311 and \$1,310,058, respectively. Of these balances, \$391,343 was covered by federal depository insurance and \$4,463,026 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2022, the Board had \$713,606 invested with the North Carolina Capital Management Trust's Term Portfolio which carried a credit rating of AAAM by Standard and Poor's. As of June 30, 2022, the NCCMT Term Portfolio has a duration of .15 years. Because the NCCMT have a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

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

	Due from other <u>governments</u>	Due from other <u> </u>
Governmental activities:		
General Fund	\$ 186,519	\$ -
Capital Outlay Fund	350,000	-
Other Special Revenue Fund	<u>119,000</u>	<u>36,894</u>
Total	<u>\$ 655,519</u>	<u>\$ 36,894</u>
Business-type activities:		
School Food Service	<u>\$ 181,774</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 186,519	Warren County
Capital Outlay Fund	350,000	Warren County
Other Special Revenue Fund	<u>119,000</u>	Warren County
Total	<u>\$ 655,519</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 181,774</u>	USDA Reimbursement

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements and Transfers</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 779,301	\$ -	\$ -	\$ 779,301
Capital assets being depreciated:				
Buildings and improvements	34,090,665	91,974	-	34,182,639
Equipment and furniture	2,188,131	32,948	-	2,221,079
Vehicles	6,409,550	478,290	-	6,887,840
Total capital assets being depreciated	<u>42,688,346</u>	<u>603,212</u>	<u>-</u>	<u>43,291,558</u>
Less accumulated depreciation for:				
Buildings and improvements	21,976,957	772,025	-	22,748,982
Equipment and furniture	1,777,380	53,993	-	1,831,373
Vehicles	5,512,814	124,784	-	5,637,598
Total accumulated depreciation	<u>29,267,151</u>	<u>950,802</u>	<u>-</u>	<u>30,217,953</u>
Total capital assets being depreciated, net	<u>13,421,195</u>			<u>13,073,605</u>
Governmental activity capital assets, net	<u>\$ 14,200,496</u>			<u>\$ 13,852,906</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 732,387	\$ -	\$ -	\$ 732,387
Less accumulated depreciation for:				
Furniture and office equipment	698,539	6,211	-	704,750
School Food Service capital assets, net:	<u>\$ 33,848</u>			<u>\$ 27,637</u>

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 772,025
System-wide support services	124,784
Unallocated depreciation	<u>53,993</u>
Total	<u>\$ 950,802</u>

Liabilities

Pension Plan Obligations and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined at 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 year ended June 30, 2022 was 16.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year. Contributions to the pension plan from the Board were \$2,005,061 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$3,052,119 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 proportionate share 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 Boards proportion was .065% and .069%.

For the year ended June 30, 2022, the Board recognized pension expense of (\$560,785). At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 171,564	\$ 69,317
Changes of assumptions	1,144,883	-
Net difference between projected and actual earnings on pension plan investments	-	3,781,614
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	533,605
Board contributions subsequent to the measurement date	<u>2,005,061</u>	<u>-</u>
Total	<u>\$ 3,321,508</u>	<u>\$ 4,384,536</u>

\$2,005,061 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (632,730)
2024	(678,506)
2025	(597,047)
2026	(1,159,806)
2027	-
Thereafter	-
Total	<u>\$ (3,068,089)</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%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.50%, 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.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

The actuarial assumptions used in the December 31, 2020 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability 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.

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 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>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 10,237,958	\$ 3,052,119	\$ (2,921,114)

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.

b. Other Post-employment Benefits

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 2 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

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.29% of covered payroll which amounted to \$769,953. 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 \$103,871.

At June 30, 2022, Board reported a liability of \$17,172,320 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 at June 30, 2020, the Boards proportion was 0.06%.

\$769,953 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	\$ (3,984,801)
2024	(2,377,687)
2025	(1,225,460)
2026	(1,203,522)
2027	(214,737)
Total	<u>\$ (9,006,207)</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	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 Collar for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16%, a decrease of .05% over the prior year discount rate of 2.21%. 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.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 20,426,225	\$ 17,172,320	\$ 14,537,023

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	\$ 13,906,683	\$ 17,172,320	\$ 21,504,488

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.

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.

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 \$11,017 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, Board reported an OPEB asset of \$9,235 for its proportionate share of the net 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 asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and at June 30, 2021, the Boards proportion was .06%.

\$11,017 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:

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Year ended June 30:

2023	\$	8,945
2024		7,024
2025		8,250
2026		4,710
2027		3,083
Thereafter		6,766
Total	\$	<u>38,778</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% to 8.05%, including a 3.25% inflation and productivity factor
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

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

	<u>1% Decrease: 2.00%</u>	<u>Current Discount Rate: 3.00%</u>	<u>1% Increase: 4.00%</u>
Net OPEB asset	\$ 5,831	\$ 9,235	\$ 12,385

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.

WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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%.

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 2,571,594	\$ (23,445)	\$ 2,548,149
OPEB liability (asset)	17,172,320	(9,235)	17,163,085
Proportionate share of the net OPEB liability (asset)	0.056%	0.057%	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	101,383	23,547	124,930
Changes of assumptions	1,404,548	1,622	1,406,170
Net difference between projected and actual earnings on plan investments	-	901	901
Changes in proportion and defferences between Board contributions and proportionate share of contributions	-	16,061	16,061
Board contributions subsequent to the measurement date	769,953	11,017	780,970
 Deferred of Inflows of Resources			
Differences between expected and actual experience	319,657	-	319,657
Changes of assumptions	4,173,247	3,353	4,176,600
Changes in proportion and differences between Board contributions and proportionate share of contributions	6,010,450	-	6,010,450
Net difference between projected and actual earnings on plan investments	8,784	-	8,784

**WARREN COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022**

Accounts Payable

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

	<u>Vendors</u>
Governmental Activities	
General Fund	\$ 394,571
Other Special Revenue Fund	480
State Public School Fund	<u>220,828</u>
Total-governmental activities	<u>\$ 615,879</u>
Business-type Activities	
School Food Service	<u>\$ 2,046</u>

Unavailable Revenues

All timing restrictions have been met for unavailable revenues. The balance in unavailable revenues at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 1,467</u>
K-12 Athletic Facilities Grant (Capital Fund)	<u>\$ 103,853</u>

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Deferred Outflows and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$ 16,061	\$ 6,544,055
Changes in assumptions	2,551,053	4,176,600
Difference between projected and actual earnings on plan investments	901	3,790,398
Board contributions subsequent to the measurement date	2,786,031	-
Difference between expected and actual experience	<u>296,494</u>	<u>388,974</u>
Total	<u>\$ 5,650,540</u>	<u>\$ 14,900,027</u>

Risk Management

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

**WARREN COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022**

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. The Board pays the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

The Board has made the decision not to purchase flood insurance at this time. None of the schools are in a flood plain. The Board does not deem the risk of flooding to outweigh the costs of insurance.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

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 third party direct placement financing arrangements. As of June 30, 2022, the Board has entered into such contracts for the purchase of school buses. The terms of the financing contracts require annual payments from \$47,618 to \$99,076.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>
2023	\$ 250,368
2024	151,291
2025	<u>103,672</u>
Totals	<u>\$ 505,331</u>

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Current Maturities
Governmental activities:					
Direct placement					
installment purchases	\$ 428,292	\$ 414,688	\$ 337,649	\$ 505,331	\$ 250,368
Net pension liability	7,973,458	-	5,027,178	2,946,280	-
Net OPEB liability	16,517,347	59,482	-	16,576,829	-
Compensated absences	1,331,245	1,613,342	1,676,579	1,268,008	721,974
Total	<u>\$ 26,250,342</u>	<u>\$ 2,087,512</u>	<u>\$ 7,041,406</u>	<u>\$ 21,296,448</u>	<u>\$ 972,342</u>
Business-type activities:					
Net pension liability	\$ 347,413	\$ -	\$ 241,574	\$ 105,839	\$ -
Net OPEB liability	719,680	-	124,189	595,491	-
Compensated absences	61,329	72,976	59,786	74,519	33,172
Total	<u>\$ 1,128,422</u>	<u>\$ 72,976</u>	<u>\$ 425,549</u>	<u>\$ 775,849</u>	<u>\$ 33,172</u>

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

Transfers to/from other funds

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

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for operating costs	<u>\$ 45,000</u>

Interfund balances

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

	<u>Amount</u>
Due to the Capital Outlay Fund from the Other Special Revenue Fund for operating expenditures	<u>\$ 148,861</u>

All interfund balances were created within the normal operating cycle and are anticipated to be repaid within the next fiscal year.

**WARREN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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	\$ 1,223,841
Less:	
Stabilization by State statute	<u>186,519</u>
Remaining fund balance	<u>\$ 1,037,322</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.

WARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
Last Nine Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net pension liability (asset)	0.065%	0.069%	0.078%	0.082%	0.086%
Board's proportionate share of the net pension liability (asset)	\$ 3,052,119	\$ 8,320,871	\$ 8,130,804	\$ 8,165,984	\$ 6,849,009
Board's covered-employee payroll	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167	\$ 12,913,467
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.35%	71.37%	62.82%	64.01%	53.04%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.096%	0.095%	0.095%	0.097%
Board's proportionate share of the net pension liability (asset)	\$ 8,807,767	\$ 3,507,571	\$ 1,107,939	\$ 5,888,888
Board's covered-employee payroll	\$ 13,425,359	\$ 13,847,257	\$ 13,448,182	\$ 13,501,189
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.61%	25.33%	8.24%	43.62%
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.

This schedule is required supplementary information

WARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
Teachers' and State Employees' Retirement System
Last Nine Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,005,061	\$ 1,712,270	\$ 1,512,138	\$ 1,590,823	\$ 1,375,330
Contributions in relation to the contractually required contribution	<u>2,005,061</u>	<u>1,712,270</u>	<u>1,512,138</u>	<u>1,590,823</u>	<u>1,375,330</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 12,240,909	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167
Contributions as a percentage of covered-employee payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,288,764	\$ 1,228,420	\$ 1,267,024	\$ 1,168,647
Contributions in relation to the contractually required contribution	<u>1,288,764</u>	<u>1,228,420</u>	<u>1,267,024</u>	<u>1,168,647</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 12,913,467	\$ 13,425,359	\$ 13,847,257	\$ 13,448,182
Contributions as a percentage of covered-employee payroll	9.98%	9.15%	9.15%	8.69%

This schedule is required supplementary information

**WARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
Last Six Fiscal Years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.056%	0.062%	0.069%	0.072%	0.080%
Board's proportionate share of the net OPEB liability (asset)	\$ 17,172,320	\$ 17,237,027	\$ 21,873,914	\$ 20,457,229	\$ 26,150,045
Board's covered-employee payroll	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167	\$ 12,913,467
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	148.23%	147.85%	168.99%	160.35%	202.50%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

	<u>2016</u>
Board's proportion of the net OPEB liability (asset)	0.081%
Board's proportionate share of the net OPEB liability (asset)	\$ 36,758,380
Board's covered-employee payroll	\$ 13,425,359
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	273.80%
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.

This schedule is required supplementary information.

WARREN COUNTY BOARD OF EDUCATION
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	\$ 769,953	\$ 773,881	\$ 754,320	\$ 811,591	\$ 771,869
Contributions in relation to the contractually required contribution	<u>769,953</u>	<u>773,881</u>	<u>754,320</u>	<u>811,591</u>	<u>771,869</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 12,240,909	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167
Contributions as a percentage of covered-employee 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	\$ 750,121	\$ 751,425	\$ 760,215	\$ 726,813	\$ 715,440
Contributions in relation to the contractually required contribution	<u>750,121</u>	<u>751,425</u>	<u>760,215</u>	<u>726,813</u>	<u>715,440</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 12,913,467	\$ 13,425,359	\$ 13,847,257	\$ 13,498,861	\$ 13,927,960
Contributions as a percentage of covered-employee payroll	5.81%	5.60%	5.49%	5.38%	5.14%

This schedule is required supplementary information.

**WARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Six Fiscal Years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.565%	0.059%	0.068%	0.072%	0.076%
Board's proportionate share of the net OPEB asset	\$ 9,235	\$ 29,118	\$ 29,407	\$ 21,737	\$ 46,525
Board's covered-employee payroll	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167	\$ 17,081,593
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.08%	0.25%	0.23%	0.17%	0.27%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	113.00%	113.00%	108.47%	116.23%

	<u>2016</u>
Board's proportion of the net OPEB asset	0.085%
Board's proportionate share of the net OPEB asset	\$ 53,046
Board's covered-employee payroll	\$ 13,425,359
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.40%
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.

This schedule is required supplementary information.

WARREN COUNTY BOARD OF EDUCATION
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	\$ 11,017	\$ 10,427	\$ 11,659	\$ 18,122	\$ 17,861
Contributions in relation to the contractually required contribution	<u>11,017</u>	<u>10,427</u>	<u>11,659</u>	<u>18,122</u>	<u>17,861</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 12,240,909	\$ 11,585,046	\$ 11,658,736	\$ 12,944,040	\$ 12,758,167
Contributions as a percentage of covered-employee 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	\$ 49,146	\$ 54,884	\$ 56,774	\$ 59,263	\$ 59,395
Contributions in relation to the contractually required contribution	<u>49,146</u>	<u>54,884</u>	<u>56,774</u>	<u>59,263</u>	<u>59,395</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered-employee payroll	\$ 12,913,467	\$ 13,425,359	\$ 13,847,257	\$ 13,498,861	\$ 13,927,960
Contributions as a percentage of covered-employee payroll	0.38%	0.41%	0.41%	0.44%	0.43%

This schedule is required supplementary information.

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

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Warren County	\$ 4,996,237	\$ 5,214,331	\$ 218,094
Other:			
Fines and forfeitures	76,188	97,023	20,835
Interest earned on investments	-	946	946
Miscellaneous	180,000	33,783	(146,217)
Total	256,188	131,752	(124,436)
Total revenues	5,252,425	5,346,083	93,658
Expenditures:			
Instructional services:			
Regular instructional		694,675	
Special populations		777	
Alternative programs		174,794	
School leadership		27,552	
Co-curricular		126,320	
School-based support		64,556	
Total instructional services		1,088,674	
System-wide support services:			
Support and development		199,291	
Special populations		13,494	
Technology support		250,248	
Operational support		1,732,398	
Financial and human resource services		558,441	
System-wide pupil support services		17,475	
Policy, leadership and public relations		626,572	
Total system-wide support services		3,397,919	
Ancillary services		137,241	
Non-programmed charges:			
Payments to charter schools		1,032,201	
Total expenditures	6,002,425	5,656,035	346,390

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

	<u>Budget</u>	<u>Actual</u>	Exhibit A-1 (Continued) Variance Positive (Negative)
Revenues over (under) expenditures	(750,000)	(309,952)	440,048
Appropriated fund balance	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
Revenues and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(309,952)</u>	<u>\$ (309,952)</u>
Fund balances:			
Beginning of year, July 1		<u>1,533,793</u>	
End of year, June 30		<u>\$ 1,223,841</u>	

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

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina - buses	\$ -	\$ 337,649	\$ 337,649
State of North Carolina - Public School Capital Fund	1,200,000	-	(1,200,000)
Warren County appropriations	350,000	350,000	-
Other	<u>648,665</u>	<u>357</u>	<u>(648,308)</u>
Total revenues	<u>2,198,665</u>	<u>688,006</u>	<u>(1,510,659)</u>
Expenditures:			
Current:			
System-wide support services		414,688	
Debt service - principal		337,649	
Capital outlay		<u>557,360</u>	
Total expenditures	<u>2,198,665</u>	<u>1,309,697</u>	<u>888,968</u>
Revenues over (under) expenditures	-	(621,691)	(621,691)
Other financing sources (uses):			
Installment purchase obligations issued	<u>-</u>	<u>414,688</u>	<u>414,688</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>(207,003)</u>	<u>\$ (207,003)</u>
Fund balances:			
Beginning of year, July 1		<u>304,289</u>	
End of year, June 30		<u>\$ 97,286</u>	

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

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	\$ -	\$ 108,819	\$ 108,819
Operating expenditures:			
Business support services	1,874,000	1,635,146	238,854
Operating loss	<u>(1,874,000)</u>	<u>(1,526,327)</u>	<u>347,673</u>
Nonoperating revenues:			
Federal reimbursements	1,874,000	1,337,869	(536,131)
Federal commodities	-	130,950	130,950
Interest earned	-	505	505
	<u>1,874,000</u>	<u>1,469,324</u>	<u>404,676</u>
Revenues over (under) expenditures before transfers	-	(57,003)	(57,003)
Transfer from other funds	-	45,000	45,000
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(12,003)</u>	<u>\$ (12,003)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(6,211)	
Increase (decrease) in deferred inflows of resources		12,992	
Increase (decrease) in net pension liability		241,574	
Increase (decrease) in net OPEB liability		124,189	
Increase (decrease) in deferred inflows of resources		60,214	
Increase (decrease) in compensated absences		(12,830)	
(Increase) decrease in inventories		14,916	
Change in net position - full accrual		<u>\$ 422,841</u>	

COMPLIANCE SECTION



INDEPENDENT AUDITORS' 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 Warren County Board of Education
Warrenton, 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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Warren County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Warren County Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that we did not identify. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 22-02 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Warren County 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 22-01.

Warren County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Warren County Board of Education's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Warren County Board of Education's response was not subjected to the other 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

December 22, 2022
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' 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 Warren County Board of Education
Warrenton, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Warren County Board of Education'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 Warren County Board of Education's major federal programs for the year ended June 30, 2022. Warren County 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, Warren County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. 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 Warren County 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 Warren County 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 Warren County Board of Education 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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

*December 22, 2022
Elon, North Carolina*



INDEPENDENT AUDITORS' 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 Warren County Board of Education
Warrenton, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Warren County Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Warren County Board of Education's major state programs for the year ended June 30, 2022. The Warren County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Warren County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Warren County 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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

*December 22, 2022
Elon, North Carolina*

**Warren County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

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

**Warren County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
84.010 84.425	Title 1, Grants to Local Education Agencies Education Stabilization Fund

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

Auditee qualified as low-risk auditee? ___yes Xno

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone reported

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? ___yes Xno

Identification of major State programs:

Program Name
State Public School Fund

**Warren County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II. Financial Statement Findings

Finding 22-01

MATERIAL NON COMPLIANCE

Finance Officer

Criteria: State law requires that a Finance Officer or Interim Finance Officer be appointed by the Superintendent and approved by the Board of Education.

Condition: For the period of August 29, 2021 until December 14, 2021 Warren County Schools did not have a Board approved Finance Officer or Interim Finance Officer.

Effect: The District was out of compliance with the School Budget and Fiscal Control Act.

Cause: Oversight.

Recommendation: Upon discovering the Board of Education was out of compliance, the district appointed an Interim Finance Officer.

Management Response: The Board agrees with this finding and recommendation.

**Warren County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Finding 22-02

MATERIAL WEAKNESS

Bank Account

Criteria: A primary component of a sound internal control environment requires the accurate preparation of bank reconciliations.

Condition: During the year, the district received approximately \$221,000 of funds from the North Carolina Department of Public Instruction in excess of what was allowable. These excess funds were not spent by the district. These excess funds are reported as cash and a corresponding account payable in the accompanying financial statements. In addition, the bank reconciliation for this cash account was not accurately prepared in a timely manner during the year.

Effect: As of June 30, 2022 the district has excess cash in the State bank account. In addition, there was a risk of material misstatement of cash due to the lack of timely, accurate completion of bank reconciliations.

Cause: Oversight.

Recommendation: Bank reconciliations should be prepared monthly and any errors should be immediately corrected.

Management Response: The Board agrees with this finding and recommendation.

Section III. Federal Award Findings and Questioned Costs

None

Section IV. State Award Findings and Questioned Costs

None



WARREN COUNTY SCHOOLS

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Finding 22-01

Name of Contact Person: Cierra Ojjo, Finance Officer

Corrective Action Plan: Management corrected this oversight by appointing an Interim Finance Officer.

Proposed Completion Date: December 2021

Finding 22-02

Name of Contact Person: Cierra Ojjo, Finance Officer

Corrective Action Plan: Management intends to refund this amount. Additionally, management plans to implement controls to ensure bank reconciliations are accurately completed in a timely manner.

Proposed Completion Date: As soon as possible.

**Warren County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

Finding 21-01 – Corrected.

Finding 21-02 – Repeat finding 22-02.

WARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 130,950
Cash Assistance:			
Seamless Summer Program	10.555		1,100,602
Supply Chain Assistance Funds	10.555		39,279
After School Snack Program	10.555		3,197
Summer Food Service Program for Children	10.559		194,791
Cash Assistance Subtotal			<u>1,337,869</u>
Total Child Nutrition Cluster			<u>1,468,819</u>
Total U.S. Department of Agriculture			<u>1,468,819</u>
<u>U.S. Department of Education</u>			
<u>Direct Program</u>			
Indian Education Act - Part A Entitlement Program	84.060A		31,737
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Education Agencies			
Title I Cluster			
Educationally Deprived Children	84.010	PRC 050	834,855
Student Support and Academic Enrichment Program	84.424	PRC 108	66,795
School Mental Health Support	93.243	PRC 102	1,607
Supporting Effective Instruction State Grant	84.367	PRC 103	102,212
Rural and Low Income Schools	84.358	PRC 109	13,835
COVID-19 - Education Stabilization Fund			
CARES Act - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	56,616
CARES Act - ESSER I - Digital Curricula	84.425D	PRC 165	12,000
CARES Act - ESSER I - Exceptional Children	84.425D	PRC 167	7,779
CARES Act - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	38,526
CARES Act - GEER I - Supplemental Instructional Services	84.425C	PRC 170	27,652
CRRSA - K-12 Emergency Relief Fund - ESSER II	84.425	PRC 171	2,089,088
ESSER II - Supplemental Contract Instructional Support Funding	84.425D	PRC 173	9,662
CRRSA - ESSER II - School Nutrition COVID Support	84.425D	PRC 174	12,407
CRRSA - ESSER II - Learning Loss Funding	84.425D	PRC 176	52,494
CRRSA - ESSER II - Summer Career Accelerator Program	84.425D	PRC 177	10,507
ARP - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	78,498
ARP - ESSER III - Homeless II	84.425W	PRC 184	12,522
ARP-ESSER III - Teacher Bonuses	84.425U	PRC 203	109,802
Total Education Stabilization Fund			<u>2,517,553</u>

**WARREN COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2021**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	394,428
Special Education - Targeted Assistance	84.027	PRC 118	22,459
Special Education - Preschool Targeted Assistance	84.173	PRC 119	3,523
Special Education - Preschool Grants	84.173	PRC 049	71,818
ESSER III - ARP IDEA Grant to States	84.027X	PRC 185	817
ESSER III - ARP IDEA Preschool Grants	84.173X	PRC 186	3,316
Total Special Education Cluster			<u>496,361</u>
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States Program Development	84.048	PRC 017	<u>58,299</u>
Total U.S. Department of Education			<u>4,123,254</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:			
Abstinence Education	93.235	PRC 101	<u>7,496</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	12.000		<u>78,980</u>
<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:			
State and Local Fiscal Recovery Fund			
ARP - Employee Bonuses	21.027	PRC 141	<u>481,712</u>
Total Federal Assistance			<u>6,160,261</u>

**WARREN COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction (cash assistance):</u>			
Direct Programs:			
State Public School Fund			17,275,087
Vocational Education			
State Months of Employment		PRC 013	232,378
Program Support Funds		PRC 014	91,812
Driver Training		PRC 012	30,810
Total N.C. Department of Public Instruction (cash assistance)			<u>17,630,087</u>
<u>N.C. Department of Public Instruction (noncash assistance)</u>			
School Buses			<u>337,649</u>
<u>N.C. Department of Health and Human Services</u>			
Passed through the Warren County Partnership for Children			
NC Pre-Kindergarten Program			<u>368,940</u>
Total State Assistance			<u>18,336,676</u>
Total Federal and State Assistance			<u>\$ 24,496,937</u>

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Warren County 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 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Warren County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Warren County 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.

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