



New Hanover County Schools

**New Hanover County Board of Education
Wilmington, North Carolina
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019**

New Hanover County
Board of Education

**Comprehensive
Annual Financial Report**

for the Fiscal Year Ended
June 30, 2019
Wilmington, North Carolina

Prepared by the Finance Department

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New Hanover County Schools

Engaging Students, Achieving Excellence

DR. TIM MARKLEY
Superintendent

MARY HAZEL M. SMALL, CPA
Chief Financial Officer

LETTER OF TRANSMITTAL

TO THE MEMBERS OF THE NEW HANOVER COUNTY BOARD OF EDUCATION AND CITIZENS OF NEW HANOVER COUNTY, NORTH CAROLINA

October 31, 2019

In compliance with the **Public School Laws of North Carolina**, the Comprehensive Annual Financial Report of the New Hanover County Board of Education (Board), operating as "New Hanover County Schools," for the fiscal year ended June 30, 2019, is herewith submitted. The accuracy, completeness and clarity of the financial report is the responsibility of the Board. This financial report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) by the Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain an understanding of the Board's financial activities have been included.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The New Hanover County Board of Education's MD&A can be found immediately following the report of the independent auditor.

REPORTING ENTITY

The mission of New Hanover County Schools, in collaboration with our parents and the community, is to strive to provide children with an opportunity for a superior education in a safe and positive learning environment where they are prepared with the skills to succeed.

The Board of Education has the primary responsibility and control over all activities related to public school education in New Hanover County, North Carolina, and is required to maintain accounting records in a uniform state format established by the State's General Assembly. The seven members of the Board are elected by the public and have decision-making authority, the authority to designate management, and the ability to significantly influence operations. The state is the Board's primary source of funding which establishes programs which are supplemented by local funding. Although New Hanover County levies all local taxes used for education purposes, the Board determines how the school system will spend the funds generated for the schools. The County cannot modify the school system's budget. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government, as defined by the Governmental Accounting Standards Board. The Board receives government funding from local, state, and federal sources and must comply with established legal requirements of each funding source entity. The Board is not a component unit of any other government and has no component units of its own.

LOCAL ECONOMIC CONDITION AND FUTURE OUTLOOK

New Hanover County, located in the tidewater section of southeastern North Carolina on the Atlantic coast, has a diverse economy containing a variety of industries, the majority of which are service related, followed by retail trade and health care. New Hanover County also has several large manufacturing and industrial plants. The second-smallest county in the state, New Hanover County encompasses 192 square miles, has a population of approximately 232,274. The County's unemployment rate of 4.1% in 2019 is slightly less than the State rate of 4.4%.

New Hanover County Schools is the 12th largest school system in the state. In 2018-19 it served 25,512 students from kindergarten through twelfth grade, slightly lower than the 2017-18 school year. Additionally, pre-k services were provided to 875 students in both public and private sites. Services were provided to students in 25 elementary schools, 7 middle schools, 4 high schools, 1 alternative high school/pre-k Center, 1 K-8 alternative day treatment center, 1 alternative K-12 school, 3 early college high schools and 2 pre-k centers.

Adequate space and maintenance needs for school facilities continue to be a major budget concern. The average age of school facilities in New Hanover County is 45 years, with 7 schools exceeding 70 years.

Additionally, local funds were transferred to 10 area Charter schools and 1 Lab School serving 1,582 County residents. Local funds were also transferred to 2 Virtual Charter schools serving 64 county residents.

MAJOR INITIATIVES

Capital Improvements. As required by the State Department of Public Instruction, New Hanover County Schools maintains a ten-year facilities plan that has been submitted and approved by the County Commissioners and the State Department of Public Instruction.

Work is in progress on many projects related to the Bond Referendum for Capital Improvements that the voters passed in November, 2014. Major projects that have been completed this year include:

- College Park Elementary School
- Blair Elementary School
- New Hanover HS Renovations

Major bond projects remaining include:

- Additions and renovations at Wrightsville Beach Elementary school and four middle schools.
- District wide technology, safety and security, building system and infrastructure improvements.

The Capital Outlay Plan developed during the 2019-20 Budget Process totaled \$7.1 Million, including \$4 Million in County Funded Projects, \$1.9 Million in State Lottery, and \$1.1 Million in appropriated fund balance. Major projects include:

- Sea-Tech Renovations
- Laney Cooling Tower Replacements
- Johnson Window Replacement
- Repairs and various schools
- Technology Equipment Replacements

FINANCIAL SYSTEM AND BUDGETARY CONTROLS

Accounting System. The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Internal Controls. Management of the Board is responsible for establishing and maintaining internal controls designed to ensure that assets of the district are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow the preparation of financial statements in conformity with generally accepted accounting principles. The controls are designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by Board employees. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations performed by the Board occur within the above framework. We believe that the Board's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

Funding for Public Education. The State of North Carolina is the primary funding source for education in New Hanover County. Federal and local funds are used to supplement state funding. Most local funds are allocated by the New Hanover County Board of Commissioners. The Board of Education has no tax levying authority.

Budgetary Controls. North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The Board adopted a Continuing Budget Resolution in June 2018, with final budget approval in July 2018. The Board's annual budget resolution for 2018-19 authorized expenditures at function level. This method is consistent with generally accepted accounting principles. The budgetary amounts in the accompanying financial statements are presented in conformity with the legally adopted budget resolution as amended during the fiscal year. For internal management purposes, the budget is allocated to line item expenditure accounts in compliance with the uniformed budget format mandated by the School Budget and Fiscal Control Act.

No obligation shall be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year. The Board uses a purchase order encumbrance system that records encumbrances outstanding against each expenditure line item. Contracts and purchase orders are preaudited and signed by the Chief Financial Officer. All non-capital outlay outstanding encumbrances are cancelled at year-end. Capital Outlay encumbrances are carried over into the subsequent year and the corresponding budget amounts are re-appropriated.

Investment Objectives. Funds of the Board shall be invested in accordance with North Carolina General Statutes and this Cash Management and Investments Policy. The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The firm of Cherry Bekaert LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984, as amended, the related *OMB's Uniform Guidance* and the North Carolina Single Audit Implementation Act, as stated before. Generally accepted auditing standards and the standards applicable to financial audits set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report on the management's discussion and analysis, the basic financial statements and the combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the compliance section of this report.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the year ended June 30, 2018. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This was the twenty fourth and twenty fifth consecutive year that the Board received the GFOA and ASBO Awards, respectively.

A **Certificate** of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements for the Certificates of Achievement, and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report would not be possible without the dedicated efforts of the staff of the Finance Department. We would like to thank all employees who assisted in the management of system resources in accordance with Board policies and procedures.

We would also like to express our appreciation to the members of the Board of Education for their interest and support in planning and conducting the financial affairs of the school system in a responsible and dedicated manner, and the members of the Board of County Commissioners for their **continued** support throughout the past year.

Respectfully submitted,



Dr. Tim Markley
Superintendent



Mary Hazel M. Small, CPA
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**New Hanover
County Schools
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

New Hanover County Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



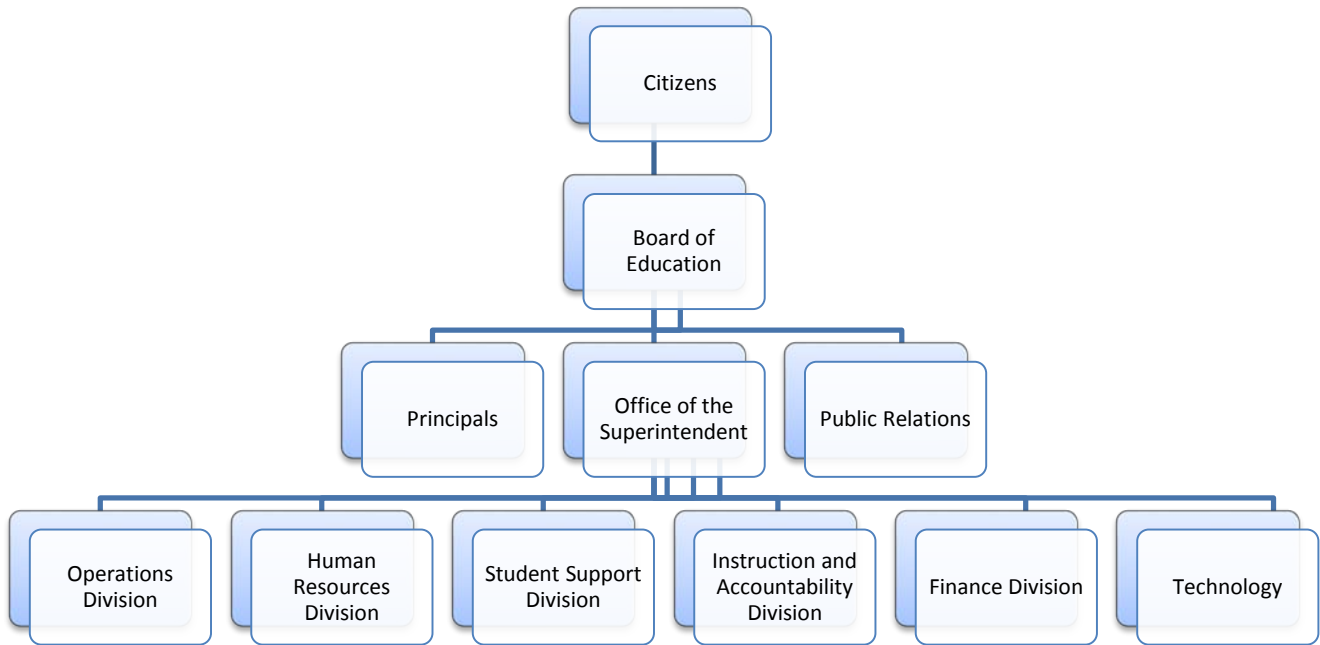
A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer

New Hanover County Schools Organizational Chart



NEW HANOVER COUNTY BOARD OF EDUCATION

LIST OF PRINCIPAL OFFICIALS

June 30, 2019

BOARD OF EDUCATION MEMBERS

Lisa Estep, Chair

David L. Wortman, Vice Chair

Stephanie Adams

Nelson Beaulieu

Judy Justice

Jeannette S. Nichols

Bill Rivenbark

SUPERINTENDENT OF SCHOOLS

Dr. Tim Markley

SENIOR ADMINISTRATION

Dr. Rick Holliday, Deputy Superintendent

Eddie Anderson, Assistant Superintendent for Planning and Operations

Julie Askew, Director for Special Education and Related Services

Dawn Brinson, Chief Technology Officer

Wayne Bullard, Attorney, Legal Council

Valita Quattlebaum, Chief Communications Officer

Mary Hazel M. Small, CPA, Chief Financial Officer

Dr. LaChawn Smith, Assistant Superintendent for Instruction and Academic Accountability

Dr. John Welmers, Assistant Superintendent for Human Resources

Report of Independent Auditor

To the Board of Education
New Hanover County Board of Education
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Hanover County Board of Education (“the Board”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grant Fund, and the Other Restricted Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, schedules of revenues, expenditures (expenses), and changes in fund balances (net position) budget and actual, the statistical section, and 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 (Uniform Guidance)* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues, expenditures (expenses), and changes in fund balances (net position) budget and actual and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hanover County Board of Education, North Carolina
Management's Discussion and Analysis
June 30, 2019

This section of New Hanover County Board of Education's (the Board) annual financial report represents our discussion and analysis of the financial performance of the Board for the fiscal year ending June 30, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- K-12 student enrollment recognized a 1.7% drop from the prior year, primarily due to property damage caused by Hurricane Florence which caused families to relocate.
- At year end, the Board's Governmental Funds reported combined ending fund balances of \$28,705,064, a decrease of 1.8 % over the prior year.
- The unassigned General Fund Balance increased by 25.8% to \$8,849,946
- The Board's total net position increased \$20,231,636, or 12.8%.

Overview of the Financial Statements

The audited financial statements of New Hanover County Board of Education consist of four components. They are as follows:

- *Report of Independent Auditor*
- *Management's discussion and analysis (required supplementary information)*
- *Basic financial statements*
- *Required supplemental section that presents Pension and OPEB Liability and Contribution Schedules.*

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

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

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

Figure 1 shows how the various parts of this annual report are arranged and related to one another.

**Figure 1
Organization of New Hanover County School Board's Annual Financial Report**

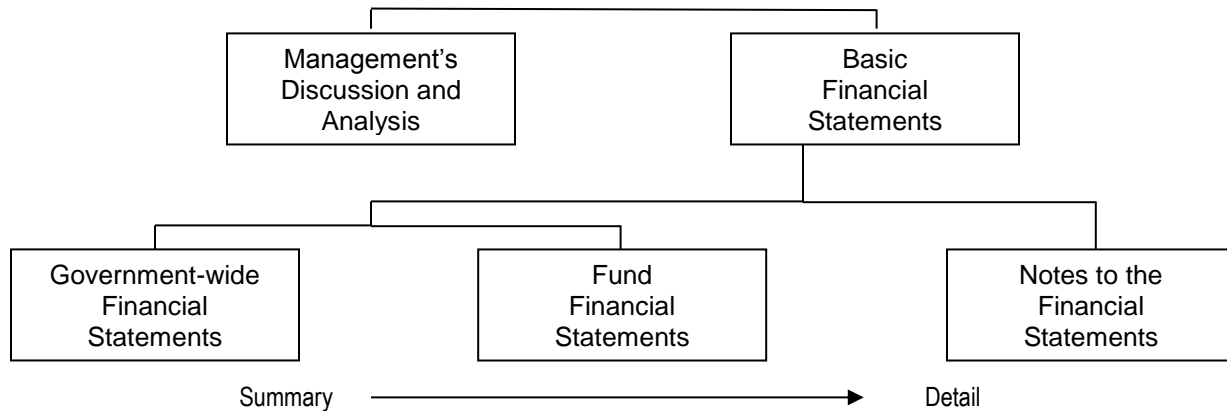


Figure 2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure 2
Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Board (except fiduciary funds)	The activities of the Board that are not proprietary or fiduciary, such as special education and transportation	Activities the Board operates similar to private businesses, such as Child Nutrition
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses and changes in fund net position -Statement of cash flows
Accounting Basis and measurement focus	Full accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Full accrual accounting and economic resources focus
Type of asset, liability, deferred inflows and outflows of resources information	All assets, liabilities, and deferred inflows and outflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, liabilities, and deferred outflows & inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Board 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 and outflows 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 total assets and deferred outflows and the total liabilities and deferred inflows of resources – is one way to measure the Board'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, one should consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The 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 Board's Child Nutrition and After School Program services are included here.

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

Fund Financial Statements

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. 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, such as the Federal Grants Fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

New Hanover County Board of Education has two types of funds:

Governmental Funds: Most of the Board's basic services are included in the Governmental Funds, which generally focus on two things, 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the Governmental Funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the Governmental Funds statements 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 Capital Outlay Fund, the Federal Grants Fund, Other Restricted Fund and the Individual Schools Fund.

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

Proprietary Funds: Services for which the Board charges a fee are generally reported in Proprietary Funds. The proprietary funds statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board has two Proprietary Funds – both *Enterprise Funds* – the Child Nutrition services and the After School Program services.

The proprietary fund statements are Exhibits 7, 8, and 9 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 the assets and deferred outflows of resources by \$138,466,594 as of June 30, 2019. The Board's historical largest component of net position is net investment in capital assets, of \$287,447,477.

Following is a summary of the Statement of Net Position:

Figure 3
Condensed Statement of Net Position
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current assets	\$ 46,562,019	\$ 48,686,079	\$ 4,178,879	\$ 3,644,950	\$ 50,740,898	\$ 52,331,029
Capital assets	287,450,931	270,425,790	465,149	585,152	287,916,080	271,010,942
	<u>334,012,950</u>	<u>319,111,869</u>	<u>4,644,028</u>	<u>4,230,102</u>	<u>338,656,978</u>	<u>323,341,971</u>
Deferred outflows of resources	86,880,726	74,586,653	2,144,572	1,945,811	89,025,298	76,532,464
Current liabilities	17,470,857	18,804,831	384,300	307,023	17,855,157	19,111,854
Long-term liabilities	397,362,385	416,700,049	7,290,179	7,610,663	404,652,564	424,310,712
	<u>414,833,242</u>	<u>435,504,880</u>	<u>7,674,479</u>	<u>7,917,686</u>	<u>422,507,721</u>	<u>443,422,566</u>
Deferred inflows of resources	141,438,466	113,487,920	2,202,683	1,751,371	143,641,149	115,239,291
Net investment in capital assets	286,982,328	269,442,267	465,149	585,152	287,447,477	270,027,419
Restricted:						
Stabilization by state statute	3,341,303	852,127	-	-	3,341,303	852,127
School capital outlay	3,157,372	1,335,361	-	-	3,157,372	1,335,361
DIPNC OPEB plan	294,769	586,650	3,921	8,640	298,690	595,290
Individual schools Programs	2,049,009	1,890,348	-	-	2,049,009	1,890,348
	3,837,537	3,350,865	-	-	3,837,537	3,350,865
Unrestricted	<u>(435,040,350)</u>	<u>(432,751,896)</u>	<u>(3,557,632)</u>	<u>(4,086,936)</u>	<u>(438,597,982)</u>	<u>(436,838,832)</u>
Total Net Position	<u><u>\$ (135,378,032)</u></u>	<u><u>\$ (155,294,278)</u></u>	<u><u>\$ (3,088,562)</u></u>	<u><u>\$ (3,493,144)</u></u>	<u><u>\$ (138,466,594)</u></u>	<u><u>\$ (158,787,422)</u></u>

For the Primary Government as a whole, net position increased by 12.8% during the year, indicating an improvement in the financial condition of the Board. The increase in net position was largely because the net reduction to the OPEB and Pension Liabilities. Also note that the Board carries capital assets for which New Hanover County carries the offsetting debt. New Hanover County Board of Education uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Figure 4 provides a condensed look at the more detailed Statement of Activities, highlighting program revenues. Governmental activities generated revenues of \$318,379,346 while expenses in this category totaled \$298,496,572 for the year ended June 30, 2019. Comparatively, revenues were \$291,502,794 and expenses totaled \$294,855,393 for the year ended June 30, 2018. After transfers to the business-type activities the increase in governmental net position stands at \$19,827,054 at June 30, 2019, compared to a decrease of \$3,390,845 in 2018. Instructional program services expenses comprised 69% of total governmental-type expenses while system-wide support services made up 25% of those expenses for 2019. County funding comprised 37% of total governmental revenue. Much of the remaining 63% of governmental revenue consisted of restricted State and Federal money. Business-type activities generated revenues of \$12,425,483 and expenses of \$12,076,621. Comparatively, revenues were \$12,823,234 and expenses totaled \$12,772,448 for the year ended June 30, 2018. Net position increased in the business-type activities by \$404,582.

Figure 4
Condensed Statement of Activities
For the Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues						
Program revenues						
Charges for services	\$ 111,387	\$ 134,892	\$ 3,105,043	\$ 3,515,732	\$ 3,216,430	\$ 3,650,624
Operating grants and contributions	188,671,126	175,844,726	9,229,807	9,276,337	197,900,933	185,121,063
General revenues (unrestricted)						
County appropriations	118,097,677	108,956,800	-	-	118,097,677	108,956,800
State appropriations	2,290,176	2,495,521	-	-	2,290,176	2,495,521
Other	9,208,980	4,070,855	90,633	31,165	9,299,613	4,102,020
Total revenues	318,379,346	291,502,794	12,425,483	12,823,234	330,804,829	304,326,028
Expenses						
Governmental activities:						
Instructional services	205,386,511	216,974,800	-	-	205,386,511	216,974,800
System-wide support services	73,913,118	61,070,978	-	-	73,913,118	61,070,978
Ancillary services	779,844	408,756	-	-	779,844	408,756
Non-programmed charges	5,725,202	4,809,144	-	-	5,725,202	4,809,144
Interest on long-term debt	-	-	-	-	-	-
Unallocated depreciation	12,691,897	11,591,715	-	-	12,691,897	11,591,715
Business-type activities:						
Child Nutrition	-	-	11,472,145	12,052,622	11,472,145	12,052,622
After School Program	-	-	604,476	669,826	604,476	669,826
Total expenses	298,496,572	294,855,393	12,076,621	12,722,448	310,573,193	307,577,841
Increase (decrease) in net position before transfers	19,882,774	(3,352,599)	348,862	100,786	20,231,636	(3,251,813)
Transfers in (out)	(55,720)	(38,246)	55,720	38,246	-	-
Increase (decrease) in net position	19,827,054	(3,390,845)	404,582	139,032	20,231,636	(3,251,813)
Net position, beginning, previously reported	(155,205,086)	235,320,980	(3,493,144)	2,071,052	(158,698,230)	237,392,032
Net cumulative effect of change in accounting principle	-	(387,224,413)	-	(5,703,228)	-	(392,927,641)
Net position, ending	\$ (135,378,032)	\$ (155,294,278)	\$ (3,088,562)	\$ (3,493,144)	\$ (138,466,594)	\$ (158,787,422)

Financial Analysis of the Board's Funds

Governmental Funds: The major funds represented in total Governmental Funds include General, State Public School, Federal Grant, Capital Outlay, and Other Restricted Funds. The focus of New Hanover 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 New Hanover County Board of Education's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Board's Governmental Funds reported a combined ending fund balance decrease of \$622,715 from last year, lowering the total governmental fund balance to \$28,705,064. 30.8% of the Governmental Funds combined ending fund balance, or \$8,849,946, is unassigned and available for spending at the Board's discretion. The unassigned amount is in the General Fund.

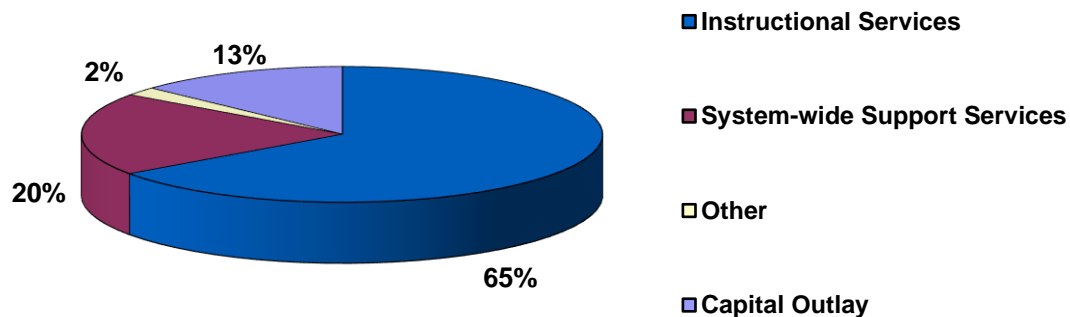
The General Fund total fund balance decreased by \$3,000,867, due to Hurricane Florence repairs for which expenditures exceeded current year insurance proceeds by \$3.5 million. The unassigned fund balance in the General Fund increased by 25.8% and now represents 3.2% of total governmental expenditures, excluding Capital Outlay. Although the Board has established a goal is no less than 7% of budgeted operating expenditures in unassigned fund balance, the Board approved appropriations necessary to respond to the emergency repairs.

State Public School funding increased by approximately \$8.5 million (or 5.6%), while State Capital Outlay funding increased by \$64,960 (or 2.9%). County Local Current Expense funding increased by approximately \$3.2 million (or 4.3%), while County Capital Outlay funding increased by approximately \$6 million (or 17.6%).

Governmental expenditures increased overall by approximately \$24 million (or 8.2%). Capital Outlay expenditures also increased \$4.7 million (or 12.6%) as significant work is continuing on the Bond projects.

Total governmental expenditures are categorized below:

Categorization of Expenditures for Governmental Funds



Proprietary Funds: The Board's business-type funds performed reasonably well this past year despite lost revenue due to lost school days due to Hurricane Florence. Child Nutrition revenues and expenditures decreased 3% and 5%, respectively, while net position increased 12.76%. After School Program revenues and expenditures decreasing 5% and 10%, respectively, with 3.65% loss in net position.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget on several occasions. Most revisions were in response to mid-year changes in state and federal funding that impacted the General Fund budget plan, as well as those related to appropriations necessary after Hurricane Florence. General Fund revenue variances were minimal except for Insurance Proceeds, and expenditures variances were due to position vacancies, program savings, and ongoing repair projects carried forward and year-end.

Capital Assets

Capital assets related to Governmental Activities increased \$17,025,141 (or 6%) as the balance in Construction in progress decreased by 50% over the prior year, as several new or remodeled schools were entered into service. Capital assets related to Business-type Activities decreased, primarily due to depreciation, by \$120,003 (or 20%) compared to last year. Figure 5 below is a summary of capital asset balances, net of depreciation, as of June 30, 2019:

**Figure 5
Summary of Capital Assets
June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Land	\$ 12,173,407	\$ 12,173,407	\$ -	\$ -	\$ 12,173,407	\$ 12,173,407
Non-exhaustible land improvements	11,867,642	11,867,642	-	-	11,867,642	11,867,642
Construction in progress	21,214,437	42,057,766	-	-	21,214,437	42,057,766
Land improvements	4,336,291	4,978,116	-	-	4,336,291	4,978,116
Buildings and building improvements	230,788,437	191,631,270	-	-	230,788,437	191,631,270
Vehicle fleet	3,628,369	4,294,688	-	-	3,628,369	4,294,688
Furniture and equipment	3,442,348	3,422,901	465,149	585,152	3,907,497	4,008,053
Total	\$ 287,450,931	\$ 270,425,790	\$ 465,149	\$ 585,152	\$ 287,916,080	\$ 271,010,942

Additional information on the Board's capital assets can be found in Note 2.A.4 of the Basic Financial Statements.

Long-Term Debt

During the year the Board's long-term debt decreased by \$19,658,148. Long-term obligations are discussed in Note 2.B.7 of the Basic Financial Statements. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose the debt can be used. The County holds all debt issued for school capital construction.

Budget Highlights for Fiscal Year Ending June 30, 2020

Enrollment fell below state projections at the start of fiscal year 2018-19, primarily due charter school growth, and enrollment dropped even more after the storm, but recovered by the start of the new year. The Board anticipates increased enrollment, along with mandated class size decreases, over the next several years and will need continued increases in classroom space, teachers, and equipment.

The beginning budget for 2019-20 is 4.6% higher than last year's beginning budget, primarily due to State and County operating budget increases of 7.8% and 3.4%, respectively. The state increase is estimated based on last year's state formulas, as the 2019-20 budget is not yet finalized. Operating increases are primarily used for salary and benefit cost increases.

Requests for Information

This report is designed to provide an overview of the Board's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Mary Hazel M. Small, CPA
Chief Financial Officer
New Hanover County Board of Education
6410 Carolina Beach Road
Wilmington, NC 28412
maryhazel.small@nhcs.net

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BASIC FINANCIAL STATEMENTS

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New Hanover County Board of Education, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 24,666,901	\$ 3,540,601	\$ 28,207,502
Due from other governments	20,215,547	409,134	20,624,681
Accounts receivable	52,212	25,621	77,833
Net OPEB asset	294,769	3,921	298,690
Inventories	970,741	199,602	1,170,343
Prepays	361,849	-	361,849
Capital assets:			
Land, improvements and construction in progress	45,255,486	-	45,255,486
Other capital assets, net of depreciation	242,195,445	465,149	242,660,594
Total capital assets	<u>287,450,931</u>	<u>465,149</u>	<u>287,916,080</u>
Total assets	<u>334,012,950</u>	<u>4,644,028</u>	<u>338,656,978</u>
DEFERRED OUTFLOWS OF RESOURCES	86,880,726	2,144,572	89,025,298
Liabilities:			
Accounts payable and accrued expenses	11,672,449	164,145	11,836,594
Accrued salaries and wages payable	5,798,408	41,314	5,839,722
Unearned revenue	-	178,841	178,841
Long-term liabilities:			
Due within one year	7,773,160	285,680	8,058,840
Due in more than one year:			
Net pension liability	107,451,975	2,925,210	110,377,185
Net OPEB liability	275,784,993	4,000,414	279,785,407
Long-term debt	6,352,257	78,875	6,431,132
Total long-term liabilities	<u>397,362,385</u>	<u>7,290,179</u>	<u>404,652,564</u>
Total liabilities	<u>414,833,242</u>	<u>7,674,479</u>	<u>422,507,721</u>
DEFERRED INFLOWS OF RESOURCES	141,438,466	2,202,683	143,641,149
Net Position:			
Net Investment in capital assets	286,982,328	465,149	287,447,477
Restricted:			
Stabilization by state statute	3,341,303	-	3,341,303
School capital outlay	3,157,372	-	3,157,372
DIPNC OPEB plan	294,769	3,921	298,690
Individual schools	2,049,009	-	2,049,009
Programs	3,837,537	-	3,837,537
Unrestricted	<u>(435,040,350)</u>	<u>(3,557,632)</u>	<u>(438,597,982)</u>
Total net position	<u>\$ (135,378,032)</u>	<u>\$ (3,088,562)</u>	<u>\$ (138,466,594)</u>

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

New Hanover County Board of Education, North Carolina

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instructional services:			
Regular instruction	\$ 109,620,605	\$ -	\$ 100,869,718
Special populations	37,513,231	-	33,368,556
Alternative programs	19,975,014	-	12,360,499
School leadership	16,235,470	-	9,017,785
Co-curricular	5,033,973	-	2,682,373
School-based support	17,008,218	-	9,151,945
System-wide support services:			
Support and development	2,495,101	-	257,484
Special population support and development	838,967	-	337,489
Alternative program support and development	1,567,941	-	674,551
Technology support	5,443,827	-	688,499
Operational support	54,314,413	111,387	16,792,164
Financial and human resource	5,543,886	-	352,508
Accountability	388,467	-	-
System-wide pupil support	580,119	-	-
Policy, leadership and public relations	2,740,397	-	919,526
Ancillary services	779,844	-	287,995
Non-programmed charges	5,725,202	-	910,034
Interest on long-term debt	-	-	-
Depreciation expense (unallocated)*	12,691,897	-	-
Total governmental activities	298,496,572	111,387	188,671,126
Business-type activities:			
Child nutrition	11,472,145	2,509,705	9,229,807
After school program	604,476	595,338	-
Total business-type activities	12,076,621	3,105,043	9,229,807
Total	\$ 310,573,193	\$ 3,216,430	\$ 197,900,933

General revenues:

- Unrestricted county appropriations - operating
- Unrestricted county appropriations - capital
- Unrestricted state appropriation - capital
- Investment earnings, unrestricted
- Miscellaneous, unrestricted

Transfers:

Total general revenues and transfers

Change in net position

- Net position, beginning
- Net position, ending

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

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

Exhibit 2

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (8,750,887)	\$ -	\$ (8,750,887)
(4,144,675)	-	(4,144,675)
(7,614,515)	-	(7,614,515)
(7,217,685)	-	(7,217,685)
(2,351,600)	-	(2,351,600)
(7,856,273)	-	(7,856,273)
(2,237,617)	-	(2,237,617)
(501,478)	-	(501,478)
(893,390)	-	(893,390)
(4,755,328)	-	(4,755,328)
(37,410,862)	-	(37,410,862)
(5,191,378)	-	(5,191,378)
(388,467)	-	(388,467)
(580,119)	-	(580,119)
(1,820,871)	-	(1,820,871)
(491,849)	-	(491,849)
(4,815,168)	-	(4,815,168)
-	-	-
(12,691,897)	-	(12,691,897)
<u>(109,714,059)</u>	<u>-</u>	<u>(109,714,059)</u>
-	267,367	267,367
-	(9,138)	(9,138)
-	258,229	258,229
<u>(109,714,059)</u>	<u>258,229</u>	<u>(109,455,830)</u>
78,338,270	-	78,338,270
39,759,407	-	39,759,407
2,290,176	-	2,290,176
329,177	10,904	340,081
8,879,803	79,729	8,959,532
(55,720)	55,720	-
<u>129,541,113</u>	<u>146,353</u>	<u>129,687,466</u>
19,827,054	404,582	20,231,636
(155,205,086)	(3,493,144)	(158,698,230)
<u>\$ (135,378,032)</u>	<u>\$ (3,088,562)</u>	<u>\$ (138,466,594)</u>

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

New Hanover County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			
	General Fund	State Public School Fund	Federal Grant Fund	Capital Outlay Fund
Assets:				
Cash and investments	\$ 21,218,504	\$ 137,414	\$ 5,043	\$ 1,171,809
Due from other funds	1,110,372	-	-	-
Due from other governments	1,840,362	5,800,345	330,142	7,000,184
Accounts receivable	38,469	-	-	-
Inventories	970,741	-	-	-
Prepays	361,849	-	-	-
Total assets	\$ 25,540,297	\$ 5,937,759	\$ 335,185	\$ 8,171,993
Liabilities, Deferred Inflow of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,961,529	\$ 1,310,584	\$ 97,098	\$ 5,014,621
Accrued salaries and wages payable	917,622	4,615,049	205,282	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	5,879,151	5,925,633	302,380	5,014,621
Deferred inflow of resources	-	12,126	32,805	-
Fund Balances:				
Nonspendable:				
Inventories	970,741	-	-	-
Prepays	361,849	-	-	-
Restricted:				
Stabilization by state statute	3,341,303	-	-	-
School capital outlay	-	-	-	3,157,372
Individual schools	-	-	-	-
Programs	-	-	-	-
Assigned:				
Designated for subsequent year's expenditures	6,137,307	-	-	-
Unassigned:				
General fund	8,849,946	-	-	-
Total fund balances	19,661,146	-	-	3,157,372
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,540,297	\$ 5,937,759	\$ 335,185	\$ 8,171,993

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

Exhibit 3

Other Restricted Fund	Non-Major Individual Schools Fund	Total Governmental Funds
\$ 93,558	\$ 2,040,573	\$ 24,666,901
-	\$ -	1,110,372
5,244,514	-	20,215,547
-	13,743	52,212
-	-	970,741
-	-	361,849
\$ 5,338,072	\$ 2,054,316	\$ 47,377,622
\$ 283,310	\$ 5,307	\$ 11,672,449
60,455	-	5,798,408
1,110,372	-	1,110,372
-	-	-
1,454,137	5,307	18,581,229
46,398	-	91,329
-	-	970,741
-	-	361,849
-	-	3,341,303
-	-	3,157,372
-	2,049,009	2,049,009
3,837,537	-	3,837,537
-	-	6,137,307
-	-	8,849,946
3,837,537	2,049,009	28,705,064
\$ 5,338,072	\$ 2,054,316	

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

Net OPEB asset	294,769
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	287,450,931
Deferred outflows of resources related to pensions	59,233,954
Deferred outflows of resources related to OPEB	27,646,772
Some liabilities, including compensated absence payable, are not due and payable in the current period and are not reported in the funds	(14,125,417)
Net pension liability	(107,451,975)
Net OPEB liability	(275,784,993)
Deferred inflows of resources related to pensions	(1,222,679)
Deferred inflows of resources related to OPEB	(140,124,458)
Net position of governmental activities	\$ (135,378,032)

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

New Hanover County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Major Funds			
	General Fund	State Public School Fund	Federal Grant Fund	Capital Outlay Fund
Revenues:				
State of North Carolina	\$ -	\$ 159,584,609	\$ -	\$ 2,290,176
New Hanover County				
Local current revenue	78,338,270	-	-	-
Other current revenue	-	-	-	39,759,407
U.S. Government	323,538	-	15,020,542	-
Contributions and donations	-	-	-	-
Other local revenues	4,258,832	-	-	1,486,491
Total revenues	82,920,640	159,584,609	15,020,542	43,536,074
Expenditures:				
Current:				
Instructional services:				
Regular instruction	21,096,834	88,769,888	716,228	-
Special populations	2,855,543	28,209,052	5,159,504	-
Alternative programs	2,626,398	5,998,289	6,362,210	-
School leadership	7,387,570	9,008,789	8,996	-
Co-curricular	1,983,316	-	-	-
School-based support	7,555,529	8,868,412	283,533	-
System-wide support services:				
Support and development	2,267,450	127,132	130,352	-
Special population support and development	233,131	225,125	112,364	-
Alternative program support and development	705,269	242,773	431,778	-
Technology support	4,794,534	688,499	-	-
Operational support	21,253,684	16,080,843	711,321	-
Financial and human resources	5,245,383	170,412	182,096	-
Accountability	392,546	-	-	-
System-wide pupil support	586,634	-	-	-
Policy, leadership and public relations	1,838,179	919,526	-	-
Ancillary services	419,819	287,995	-	-
Non-programmed charges	4,744,014	(12,126)	922,160	-
Debt service:				
Principal	-	-	-	514,920
Capital outlay:				
Real property and buildings	-	-	-	39,221,252
Furniture and equipment	-	-	-	1,922,322
Buses and motor vehicles	-	-	-	55,569
Total expenditures	85,985,833	159,584,609	15,020,542	41,714,063
Revenues over (under) expenditures	(3,065,193)	-	-	1,822,011
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	(55,720)	-	-	-
Total other financing sources (uses)	(55,720)	-	-	-
Net change in fund balances	(3,120,913)	-	-	1,822,011
Fund balances - beginning	22,662,013	-	-	1,335,361
Change in reserve for inventories	120,046	-	-	-
Fund balances - ending	\$ 19,661,146	\$ -	\$ -	\$ 3,157,372

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

Exhibit 4

Other Restricted Fund	Non-Major Individual Schools Fund	Total Governmental Funds
\$ 7,497,544	\$ -	\$ 169,372,329
-	-	78,338,270
487,422	-	40,246,829
3,562,520	-	18,906,600
-	2,682,373	2,682,373
2,481,164	606,458	8,832,945
14,028,650	3,288,831	318,379,346
392,918	-	110,975,868
1,755,936	-	37,980,035
5,204,144	-	20,191,041
38,521	-	16,443,876
-	3,077,016	5,060,332
469,912	-	17,177,386
-	-	2,524,934
275,035	-	845,655
207,640	-	1,587,460
-	-	5,483,033
5,175,086	-	43,220,934
-	-	5,597,891
-	-	392,546
-	-	586,634
12,867	-	2,770,572
72,283	-	780,097
79,982	-	5,734,030
-	-	514,920
-	-	39,221,252
-	-	1,922,322
-	-	55,569
13,684,324	3,077,016	319,066,387
344,326	211,815	(687,041)
-	13,701	13,701
53,154	(66,855)	(69,421)
53,154	(53,154)	(55,720)
397,480	158,661	(742,761)
3,440,057	1,890,348	29,327,779
-	-	120,046
\$ 3,837,537	\$ 2,049,009	\$ 28,705,064

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

New Hanover County Board of Education, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit 5

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

Net change in fund balances-total governmental funds	\$ (742,761)
Change in fund balance due to change in reserve for inventories	120,046
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	17,025,141
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	19,395,956
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	10,116,199
The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	514,920
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 the governmental funds.	
Pension expense	(25,519,915)
OPEB expense	(82,237)
Compensated absences	<u>(1,000,295)</u>
Total changes in net position of governmental activities	<u><u>\$ 19,827,054</u></u>

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

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New Hanover County Board of Education, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General and Annually Budgeted Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

	General Fund			State Public School Fund		
	Budgeted Amounts		Actual	Budgeted Amounts		Actual
	Original	Final	Amounts	Original	Final	Amounts
Revenues:						
State of North Carolina	\$ -	\$ -	\$ -	\$ 151,943,006	\$ 161,297,070	\$ 159,584,609
New Hanover County	78,338,270	78,338,270	78,338,270	-	-	-
U.S. Government	-	-	323,538	-	-	-
Other local revenues	2,200,000	2,932,251	4,258,832	-	-	-
Total revenues	80,538,270	81,270,521	82,920,640	151,943,006	161,297,070	159,584,609
Expenditures:						
Instructional services:						
Regular instruction	21,583,064	22,135,472	21,096,834	87,143,079	90,022,869	88,769,888
Special populations	2,547,856	2,899,709	2,855,543	27,399,340	28,093,853	28,209,052
Alternative programs	2,707,967	2,725,827	2,626,398	4,195,590	6,287,397	5,998,289
School leadership	7,474,052	7,849,978	7,387,570	8,454,327	9,026,493	9,008,789
Co-curricular	2,012,911	2,066,346	1,983,316	-	-	-
School-based support	8,190,915	7,945,484	7,555,529	8,005,585	8,871,011	8,868,412
System-wide support services:						
Support and development	2,252,963	2,341,145	2,267,450	124,705	127,132	127,132
Special population support and development	234,274	237,586	233,131	215,230	225,125	225,125
Alternative program support and development	761,860	800,709	705,269	219,801	242,773	242,773
Technology support	5,162,075	5,056,992	4,794,534	308,000	920,494	688,499
Operational support	17,880,272	26,047,785	21,253,684	14,876,497	16,110,648	16,080,843
Financial and human resource	5,499,818	5,681,552	5,245,383	178,578	170,412	170,412
Accountability	395,821	396,835	392,546	-	-	-
System-wide pupil support	622,076	626,310	586,634	-	-	-
Policy, leadership and public relations	2,153,838	2,217,596	1,838,179	744,363	919,526	919,526
Ancillary services	195,916	421,598	419,819	77,911	287,995	287,995
Non-programmed charges	5,228,136	5,228,136	4,744,014	-	(8,658)	(12,126)
Total expenditures	84,903,814	94,679,060	85,985,833	151,943,006	161,297,070	159,584,609
Revenues over (under) expenditures	(4,365,544)	(13,408,539)	(3,065,193)	-	-	-
Other financing sources (uses):						
Fund balance appropriations	4,365,544	13,464,339	-	-	-	-
Transfer (to) school funds	-	-	-	-	-	-
Transfer to child nutrition fund	-	(55,800)	(55,720)	-	-	-
Total other financing sources (uses)	4,365,544	13,408,539	(55,720)	-	-	-
Net change in fund balances	\$ -	\$ -	(3,120,913)	\$ -	\$ -	-
Fund balances - beginning			22,662,013			-
Change in reserve for inventory			120,046			-
Fund balances - ending			\$ 19,661,146			\$ -

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

Exhibit 6

Federal Grants Fund			Other Restricted Fund		
Budgeted Amounts		Actual	Budgeted Amounts		Actual
Original	Final	Amounts	Original	Final	Amounts
\$ -	\$ -	\$ -	\$ 3,391,693	\$ 7,491,802	\$ 7,497,544
-	-	-	487,422	487,422	487,422
15,395,817	17,194,477	15,020,542	2,333,792	2,667,980	3,562,520
-	-	-	884,550	5,405,981	2,481,164
<u>15,395,817</u>	<u>17,194,477</u>	<u>15,020,542</u>	<u>7,097,457</u>	<u>16,053,185</u>	<u>14,028,650</u>
868,752	938,675	716,228	310,550	1,054,512	392,918
5,248,477	5,341,517	5,159,504	646,800	1,973,579	1,755,936
7,046,903	7,805,345	6,362,210	5,000,621	5,270,862	5,204,144
-	8,476	8,996	55,104	46,161	38,521
-	-	-	650,000	592,616	-
199,016	388,813	283,533	159,263	507,842	469,912
135,065	130,930	130,352	-	400	-
57,241	112,399	112,364	51,200	300,751	275,035
438,267	447,374	431,778	193,542	207,340	207,640
-	-	-	-	-	-
200,000	762,358	711,321	235,877	5,194,787	5,175,086
175,415	182,243	182,096	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	12,867	12,867
-	-	-	74,000	101,944	72,283
1,026,681	1,076,347	922,160	74,500	785,024	79,982
<u>15,395,817</u>	<u>17,194,477</u>	<u>15,020,542</u>	<u>7,451,457</u>	<u>16,048,685</u>	<u>13,684,324</u>
-	-	-	(354,000)	4,500	344,326
-	-	-	354,000	-	-
-	-	-	-	(4,500)	53,154
-	-	-	-	-	-
-	-	-	354,000	(4,500)	53,154
<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	397,480
					3,440,057
					-
		<u>\$ -</u>			<u>\$ 3,837,537</u>

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

New Hanover County Board of Education, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

Exhibit 7

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	Child Nutrition	After School Program	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,333,203	\$ 207,398	\$ 3,540,601
Due from other governments	409,134	-	409,134
Accounts receivable	25,621	-	25,621
OPEB asset	3,635	286	3,921
Inventories	199,602	-	199,602
Total current assets	<u>3,971,195</u>	<u>207,684</u>	<u>4,178,879</u>
Non-current assets:			
Capital assets:			
Equipment	4,830,760	-	4,830,760
Less accumulated depreciation	(4,365,611)	-	(4,365,611)
Net capital assets	<u>465,149</u>	<u>-</u>	<u>465,149</u>
Total non-current assets	<u>465,149</u>	<u>-</u>	<u>465,149</u>
Total assets	<u>4,436,344</u>	<u>207,684</u>	<u>4,644,028</u>
DEFERRED OUTFLOWS OF RESOURCES	1,966,593	177,979	2,144,572
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	164,145	-	164,145
Accrued Salaries and wages payable	41,314	-	41,314
Compensated absences due within one year	285,680	-	285,680
Unearned revenue	178,841	-	178,841
Total current liabilities	<u>669,980</u>	<u>-</u>	<u>669,980</u>
Non-current liabilities:			
Net pension liability	2,675,929	249,281	2,925,210
Net OPEB liability	3,742,940	257,474	4,000,414
Compensated absences	78,875	-	78,875
Total non-current liabilities	<u>6,497,744</u>	<u>506,755</u>	<u>7,004,499</u>
Total liabilities	<u>7,167,724</u>	<u>506,755</u>	<u>7,674,479</u>
DEFERRED INFLOWS OF RESOURCES	2,064,080	138,603	2,202,683
Net position:			
Net Investment in capital assets	465,149	-	465,149
Restricted:			
DIPNC OPEB plan	3,635	286	3,921
Unrestricted	(3,297,651)	(259,981)	(3,557,632)
Total net position	<u>\$ (2,828,867)</u>	<u>\$ (259,695)</u>	<u>\$ (3,088,562)</u>

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

New Hanover County Board of Education, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	Enterprise Funds		Total
	Major Fund	Non-major Fund	
	Child Nutrition	After School Program	
Operating revenues:			
Food sales	\$ 2,509,705	\$ -	\$ 2,509,705
Child care fees	-	595,338	595,338
Total operating revenues	2,509,705	595,338	3,105,043
Operating expenses:			
Food costs	5,421,636	-	5,421,636
Salaries and fringe benefits	5,139,636	494,770	5,634,406
Materials and supplies	528,924	109,706	638,630
Repairs and maintenance	172,133	-	172,133
Depreciation	166,738	-	166,738
Contracted services	43,078	-	43,078
Total operating expenses	11,472,145	604,476	12,076,621
Operating gain (loss)	(8,962,440)	(9,138)	(8,971,578)
Nonoperating revenues (expenses):			
Federal reimbursements	9,215,931	-	9,215,931
State of North Carolina	13,876	-	13,876
County Reimbursements	-	-	-
Interest revenue	10,904	-	10,904
Other revenues	12,894	-	12,894
Proceeds from sale of capital assets	8,354	-	8,354
Insurance Proceeds	58,481	-	58,481
Total nonoperating revenues	9,320,440	-	9,320,440
Gain (loss) before transfers	358,000	(9,138)	348,862
Transfers:			
Transfer in general fund	55,720	-	55,720
Total transfers	55,720	-	55,720
Change in net position	413,720	(9,138)	404,582
Total net position, beginning	(3,242,587)	(250,557)	(3,493,144)
Total net position, ending	\$ (2,828,867)	\$ (259,695)	\$ (3,088,562)

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

New Hanover County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 9

	Enterprise Funds		Total
	Major Child Nutrition	Non-Major After School Program	
Cash flows from operating activities:			
Cash received from customers	\$ 2,412,652	\$ 595,595	\$ 3,008,247
Cash paid for goods and services	(5,431,560)	(113,615)	(5,545,175)
Cash paid to employees for services	(5,139,636)	(494,770)	(5,634,406)
Net cash (used) in operating activities	<u>(8,158,544)</u>	<u>(12,790)</u>	<u>(8,171,334)</u>
Cash flows from noncapital financing activities:			
State reimbursements	13,876	-	13,876
Transfers in	55,720	-	55,720
Transfers out	-	-	-
Pcard rebate	12,894	-	12,894
Insurance Proceeds	58,481	-	58,481
Federal reimbursements	8,448,131	-	8,448,131
Net cash provided by (used in) noncapital financing activities	<u>8,589,102</u>	<u>-</u>	<u>8,589,102</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(47,787)	-	(47,787)
Proceeds from sale of capital assets	8,354	-	8,354
Net cash used in capital and related financing activities	<u>(39,433)</u>	<u>-</u>	<u>(39,433)</u>
Cash flows from investing activities:			
Interest received	10,904	-	10,904
Net cash provided by investing activities	<u>10,904</u>	<u>-</u>	<u>10,904</u>
Net increase (decrease) in cash and cash equivalents	402,029	(12,790)	389,239
Cash and cash equivalents - beginning	<u>2,931,174</u>	<u>220,188</u>	<u>3,151,362</u>
Cash and cash equivalents - ending	<u>\$ 3,333,203</u>	<u>\$ 207,398</u>	<u>\$ 3,540,601</u>
Reconciliation of operating gain (loss) to net cash used in operating activities			
Operating (loss)	\$ (8,962,440)	\$ (9,138)	\$ (8,971,578)
Adjustments to reconcile operating gain (loss) to net cash used in operating activities			
Depreciation expense	166,738	-	166,738
Accumulated Depreciation change due to disposal of assets	1,052	-	1,052
Donated commodities consumed	767,800	-	767,800
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase)Decrease in accounts receivable	(101,515)	-	(101,515)
(Increase)Decrease in net OPEB asset	4,462	257	4,719
(Increase)Decrease in inventory	(47,894)	-	(47,894)
Increase(Decrease) in net pension liability	350,235	20,138	370,373
Increase(Decrease) in net OPEB liability	(653,293)	(37,564)	(690,857)
(Increase) Decrease in deferred outflows of resources for pension plan contributions in current fiscal year	(187,954)	(10,807)	(198,761)
Increase(Decrease) in accounts payable and accrued liabilities and compensated absences	56,394	(215)	56,179
Increase(Decrease) in deferred inflow of resources	426,773	24,539	451,312
Increase(Decrease) in unearned revenue	21,098	-	21,098
Total adjustments	<u>803,896</u>	<u>(3,652)</u>	<u>800,244</u>
Net cash provided by (used) in operating activities	<u>\$ (8,158,544)</u>	<u>\$ (12,790)</u>	<u>\$ (8,171,334)</u>

Noncash investing, capital and financing activities:

The Child Nutrition Fund used donated commodities with a value of \$767,800 during the year ended June 30, 2019. This amount is reflected as an addition to Federal reimbursements and commodities on the previous page.

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

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NOTES TO FINANCIAL STATEMENTS

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NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Summary of Significant Accounting Policies

The accounting policies of the New Hanover 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:

A. Reporting Entity

The New Hanover 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 New Hanover County, North Carolina. The Board receives State, Local, and Federal government funding and must adhere to the legal requirements of each funding entity.

The Board is a primary government with an elected governing body. Because the members of the Board are elected officials of New Hanover County and have the authority to designate management, have the ability to significantly influence operations and are primarily responsible for fiscal matters, the Board is recognized as a separate governmental reporting entity under definition by the Governmental Accounting Standards Board. The Board has limited borrowing authority, cannot levy taxes and is required to maintain accounting records in a uniform state format established by the State's General Assembly.

Generally Accepted Accounting Principles (GAAP) as applied to government units require the financial statements to include those units or entities for which the Board is considered to be financially accountable, in accordance with Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, as amended. The Board has no component units or entities for which it is considered to be financially accountable and is not itself considered to be a component unit of another government unit.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities on revenues and expenses, but internal services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 funds. 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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

The Board reports the following major governmental funds:

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

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

Federal Grant Fund. The Federal Grant Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

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

Other Restricted Fund. The Other Restricted Fund is used to account for certain reimbursements and restricted revenues including: reimbursements of indirect costs, fees for actual costs, sales tax refunds, scholarship donations, gifts and grants that are restricted as to use, and direct state and federal appropriations.

The Board reports the following non-major governmental fund:

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

The Board reports the following major enterprise fund:

Child Nutrition Fund. The Child Nutrition Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

The Board reports the following non-major enterprise fund:

After School Program Fund. The After School Program Fund is an enterprise fund that is used to account for after school care revenues and expenses. The Board offers after school care at 6 elementary schools and at 1 Pre-K Center.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These 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 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.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools' Special Revenue Funds, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at fiscal year-end. Year-end capital outlay project appropriations are re-appropriated in the new fiscal year and related encumbrances are carried forward to the new fiscal year. All budgets, except for the Child Nutrition Proprietary Fund, are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions. The child nutrition proprietary fund budget has been prepared under the accrual basis of accounting. A budget comparison statement is presented for Child Nutrition and the After School Program.

Budgetary control is exercised in all funds except individual school funds. Expenditures may not legally exceed appropriations at the purpose/function total level (the legal level of control) for all annually budgeted funds. A budget comparison statement is presented for the General Fund, State Public School Fund, and Federal Grants Fund which includes a comparison of original budget, final budget, and actual data. Separately, schedules are presented for Capital Outlay Fund, Enterprise Funds and Other Restricted Fund which includes a comparison of final budget and actual data.

As specified in State law [G.S. 115C-433], the Board of Education retains the authority to approve all amendments which would increase the total of any fund. The Chief Financial Officer is authorized to approve transfers within the same function or project, and transfers between functions or projects up to \$50,000 within the same fund. Transfers which change the function in excess of \$50,000 in the aggregate must be reported to the Board at its next regular meeting. Budget amendments, transfers other than the aforementioned types or transfers between funds require prior governing board approval. Amendments which alter the County appropriation or transfer monies to or from the capital project fund also require the approval of the New Hanover County Board of Commissioners. 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.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

1. Deposits and Investments

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

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

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

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

2. Cash and Cash Equivalents

The Board pools monies from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Inventories

Inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources; thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies which are recorded as expenses when consumed. Also included in the inventory figures are unused commodity inventories donated by the federal government.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

4. Prepays

The Board uses the consumption method and recognizes expenditures proportionately over the periods that service is provided.

5. Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1996 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.

Capital assets are reported in the government-wide statement of net position and in a similar statement for proprietary funds. Capital assets are not reported in governmental funds. The capitalization levels for the different type of assets are referenced in the table below. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

New Hanover County (County) holds title to schools located at Veterans Park due to County financing agreements. These schools are reflected as capital assets in the financial statements of the Board. Agreements between the County and the Board give the schools full use of the facilities, full responsibility for maintaining and insuring the facilities, and provide that the County will convey title of the property to the Board, once all restrictions of the financing agreement have been met.

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

<u>Item</u>	<u>Capitalization Level</u>	<u>Useful Lives</u>
Land	All land and easements, regardless of cash value	Land is not depreciated
Land improvements	\$ 10,000	20 years
Buildings	20,000	50 years
Building improvements	20,000	20 years
Mobile classrooms	20,000	20 years
Furnishings and fixtures	5,000	10 years
Vehicles	All	6 years
Buses	All	10 years
Equipment (non-computer)	5,000	5 years
Cafeteria equipment	1,000	12 years
Computer equipment and Software	5,000	3 years

Depreciation for categories that serve multiple purposes cannot be allocated ratably and is therefore reported as "Depreciation expense (unallocated)" on the Statement of Activities.

The Board evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in impairment of a capital asset are netted against the impairment loss.

6. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion - pension and 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 so will not be recognized as revenue until then. The Board has several items that meet this criterion - unearned grant revenue in the General Fund and pension and OPEB related deferrals.

7. Long-term obligations

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

8. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2019 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences has been based on current year usage.

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

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements 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.

Fund Balance

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

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 115C-425(a) prohibits local school administrative units from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in 1975 that were designed to improve and maintain the fiscal health of local school administrative units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 115C-425(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

Restricted for Programs - revenue sources restricted in purpose and not intended for general K-12 expenditures.

Assigned fund balance – portion of fund balance that the Board has appropriated to use for specific purposes.

Designated for subsequent year’s expenditures – portion of fund balance that has been appropriated by the Board of Education in the next year’s budget, either in the budget resolution or amended budget, that is not already classified in restricted. The governing body approved the appropriation; however the budget ordinance authorizes the Chief Financial Officer to approve transfers between functions or projects up to \$50,000 within the same fund.

Unassigned fund balance – the portion fund balance that has not been restricted or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance amount.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

The Board uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

The Board has established a goal of no less than 7% of budgeted operating expenditures in unassigned fund balance, with a preferred target of one month of budgeted operating expenditures (8%).

10. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental funds balance sheet includes reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(164,083,096) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 474,349,228
Less Accumulated Depreciation	<u>186,898,297</u>
Net Capital Assets	287,450,931
Net OPEB Asset	294,769
Pension related deferred outflows of resources:	
Difference between contributions and proportional share of contributions and changes in proportion.	39,837,998
Contributions made to pension plan in the current fiscal year	19,395,956
OPEB related deferred outflows of resources	<u>27,646,772</u>
	86,880,726
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:	
Compensated absences	(13,656,814)
Installment purchase - school buses	(468,603)
Net pension liability	(107,451,975)
Net OPEB liability	(275,784,993)
Deferred inflow of resources related to pension	(1,222,679)
Deferred inflow of resources related to OPEB	<u>(140,124,458)</u>
	<u>(538,709,522)</u>
Total adjustment	<u>\$ (164,083,096)</u>

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$20,569,815 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 30,544,960
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(13,519,819)
	17,025,141
Principal payments on debt owed are recorded as a use of funds on the funds statements but again only affect the statement of net position in the government-wide statements:	
Current Year Debt Payments	514,920
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	19,395,956
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities.	10,116,199
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	(25,519,915)
OPEB expense	(82,237)
Compensated absences	(1,000,295)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	120,046
Total adjustment	\$ 20,569,815

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

11. Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, 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 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. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage level are collateralized with securities held by the Board's agent in the Board'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 Board'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 the adequacy of their pooled collateral covering uninsured deposits to the State Treasurer. The State Treasurer does not confirm this information with the Board or 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, 2019, the Board had deposits with banks and savings and loans with a carrying amount of \$17,330,219 and with the State Treasurer of \$142,457. The bank balances with the financial institutions and the State Treasurer were \$18,847,553 and \$2,180,062, respectively. Of these balances, \$782,926 was covered by federal depository insurance and \$20,244,689 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board had cash on hand of \$340 at June 30, 2019.

2. Investments

At June 30, 2019, the Board's investment balances were as follows:

Investment Type	Valuation		Maturity	Rating
	Measurement Method	Book Value at 6/30/2019		
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 7,626,322	N/A	AAAm
State Treasury Investment Fund	Fair Value Level 1	3,108,163	1.3	Unrated
Total		\$ 10,734,485		

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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For the Fiscal Year Ended June 30, 2019

All investments are measured using the market approach. Debt classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for those securities.

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of 1.3 years as of June 30, 2019.

Credit Risk. The Board's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2019. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The Board has no policy on credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

	Due from other Governments	Accounts Receivable
Governmental Activities:		
General Fund	\$ 1,840,362	\$ 38,469
Other governmental activities	18,375,185	13,743
Total	<u>\$ 20,215,547</u>	<u>\$ 52,212</u>
Business-type activities:		
Child Nutrition	<u>\$ 409,134</u>	<u>\$ 25,621</u>

Due from other governments consists of the following:

		Description
Governmental Activities:		
General Fund	\$ 1,840,362	Miscellaneous revenue from County, State and Federal sources
State Public School Fund	5,800,345	Operating funds from DPI and State sales tax refund
Federal Grant Fund	330,142	Operating funds from DPI and State sales tax refund
Capital Outlay Fund	7,000,184	Operating funds from County and State sales tax refund
Other Restricted Revenue Fund	5,244,514	Grant revenue from various sources and State sales tax refund
Total	<u>\$ 20,215,547</u>	
Business-type activities:		
Child nutrition	<u>\$ 409,134</u>	Federal funds and State sales tax refund

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

4. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 12,173,407	\$ -	\$ -	\$ -	\$ 12,173,407
Non-exhaustible land improvements	11,867,642	-	-	-	11,867,642
Construction in progress	42,057,766	18,023,105	(467,984)	(38,398,450)	21,214,437
Total capital assets, not being depreciated	66,098,815	18,023,105	(467,984)	(38,398,450)	45,255,486
Capital assets, being depreciated:					
Land improvements	13,513,559	-	-	-	13,513,559
Buildings and building improvements	335,637,216	11,551,972	(497,333)	38,254,542	384,946,397
Vehicle fleet	17,437,030	161,602	(207,449)	-	17,391,183
Furniture and equipment	11,922,814	1,443,653	(267,772)	143,908	13,242,603
Total capital assets, being depreciated	378,510,619	13,157,227	(972,554)	38,398,450	429,093,742
Less accumulated depreciation for:					
Land improvements	8,535,443	641,825	-	-	9,177,268
Buildings and building improvements	144,005,946	10,450,350	(298,336)	-	154,157,960
Vehicle fleet	13,142,342	827,922	(207,450)	-	13,762,814
Furniture and equipment	8,499,913	1,599,722	(299,380)	-	9,800,255
Total accumulated depreciation	174,183,644	13,519,819	(805,166)	-	186,898,297
Total capital assets, being depreciated, net	204,326,975	(362,592)	(167,388)	38,398,450	242,195,445
Governmental activities capital assets, net	<u>\$ 270,425,790</u>	<u>\$ 17,660,513</u>	<u>\$ (635,372)</u>	<u>\$ -</u>	<u>\$ 287,450,931</u>
Business-type activities:					
Equipment	\$ 4,791,870	\$ 47,787	\$ (8,897)	\$ -	\$ 4,830,760
Less accumulated depreciation	4,206,718	166,738	(7,845)	-	4,365,611
Business-type activities capital assets, net	<u>\$ 585,152</u>	<u>\$ (118,951)</u>	<u>\$ (1,052)</u>	<u>\$ -</u>	<u>\$ 465,149</u>

Depreciation expense was charged to functions of the Board as follows:

Governmental activities:	
Pupil transportation services	\$ 827,922
Unallocated depreciation	12,691,897
Total	<u>\$ 13,519,819</u>
Business-type activities:	
Child Nutrition	<u>\$ 166,738</u>

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Construction Commitments

The New Hanover County Board of Education has active construction projects as of June 30, 2019. The bond projects in process include: Roland-Grise Middle School Renovations, Noble Middle School Renovations, Trask Middle School Renovations, Myrtle Grove Middle School Renovations, Wrightsville Beach Elementary School Renovations, and Technology Security Cameras. Other capital projects include: Sea Tech School Renovations at Sidbury Road, Wrightsboro Elementary Heat Pump repair and Alderman Elementary HVAC Replacement.

Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. New Hanover County Board of Education has entered into an agreement to purchase 6 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the Board out of funds allocated to the Board. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2019, has been recorded.

The payments due in the fiscal year ended June 30, 2019 are as follows:

Total purchase price, 6 buses	\$	575,698
Total payments due in fiscal year 2019-2020	\$	297,745
Remaining payments in subsequent years	\$	277,953

B. Liabilities

1. Pension Plan and Other Postemployment Obligations
 - a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). 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 (10 years for members joining on or after August 1, 2011). 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2019, was 12.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$19,709,535 for the year ended June 30, 2019.

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 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, 2019, the Board reported a liability of \$110,377,185 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

participating TSERS employers, actuarially determined. At June 30, 2019 and at June 30, 2018, the Board's proportion was 1.11% and 1.10% respectively.

For the year ended June 30, 2019, the Board recognized pension expense of \$25,932,495. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,055,400	\$ 1,107,709
Changes of assumptions	22,149,862	-
Net difference between projected and actual earning on pension plan investments	10,518,965	-
Changes in proportion and difference between Board contributions and proportionate share of contributions	541,864	211,502
Board contributions subsequent to the measurement date	19,709,535	-
Total	<u>\$ 60,975,626</u>	<u>\$ 1,319,211</u>

\$19,709,535 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2020	\$ 23,603,589
2021	14,764,025
2022	1,772,426
2023	(193,160)
Total	<u>\$ 39,946,880</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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For the Fiscal Year Ended June 30, 2019

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term Nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 210,507,998	\$ 110,377,185	\$ 26,357,517

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, 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 CAFR, which can be found at www.osc.nc.gov/public-information/reports.

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

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

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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 6.27% of covered payroll which amounted to \$10,055,231.

At June 30, 2019, Board reported a liability of \$279,785,407 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Board's proportion was .9821%.

\$10,055,231 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (28,676,833)
2021	(28,676,833)
2022	(28,676,833)
2023	(28,646,915)
2024	(10,556,197)
Total	<u>\$ (125,233,611)</u>

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - Medicare advantage	5.00%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018. The discount rate is based on the Bond Buyer 20-year GO index as of June 30, 2018. The Plan does not have a funding policy that covers both the unfunded liability and the Plan is less than 5% funded. As such, a blended discount rate is not applicable

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 (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 330,569,281	\$ 279,785,407	\$ 239,076,683

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost 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 cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00- 7.5%, Pharmacy - 6.00- 8.25%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 230,815,677	\$ 279,785,407	\$ 344,073,069

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

2. Disability Benefits

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

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

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, 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 provided 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, 2019, employers made a statutory contribution of 0.14% of covered payroll which was more than the actuarially required contribution of .13%. Board contributions to the plan were \$224,519 for the year ended June 30, 2019.

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 another postemployment benefit.

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

At June 30, 2019, Board reported a net asset of \$298,690 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. The total OPEB asset was then rolled forward to the

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019, the Board's proportion was .98331%.

\$224,519 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ 186,619
2021	186,591
2022	141,340
2023	108,448
2024	74,976
Thereafter	74,951
	\$ 772,925

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

Inflation	3.00%
Salary increases	3.5-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 228,865	\$ 298,690	\$ 365,673

Common actuarial assumptions for both OPEB plans. The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB asset was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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

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

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

The following is information related to the proportionate share and OPEB expense:

	RHBF	DIPNC	Total
OPEB expense	\$ 77,516	\$ 6,051	\$ 83,567
OPEB liability (asset)	279,785,407	(298,690)	279,486,717
Proportionate share of the net OPEB liability (asset)	0.98211%	0.98331%	
Deferred outflows of resources			
Differences between expected and actual experience	-	521,036	521,036
Changes of assumptions	-	56,403	56,403
Net difference between projected and actual earnings on plan investments	30,089	232,622	262,711
Changes in proportion and differences between Board contributions and proportionate share of contributions	16,929,772	-	16,929,772
Board contributions subsequent to the measurement date	10,055,231	224,519	10,279,750
Deferred inflows of resources			
Differences between expected and actual experience	19,132,960	-	19,132,960
Changes of assumptions	121,209,497	-	121,209,497
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,851,015	37,136	1,888,151

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

3. Accounts Payable

Accounts payable as of June 30, 2019, are as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	\$ 4,961,529	\$ 917,622	\$ 5,879,151
Other governmental activities	6,710,920	4,880,786	11,591,706
Total	<u>\$ 11,672,449</u>	<u>\$ 5,798,408</u>	<u>\$ 17,470,857</u>
Business-type activities:			
Child Nutrition	\$ 164,145	\$ 41,314	\$ 205,459
Total	<u>\$ 164,145</u>	<u>\$ 41,314</u>	<u>\$ 205,459</u>

4. Deferred Outflows and Inflows of Resources

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

	Deferred Inflows of Resources				
	Pension	RHBF	DIPNC	Other	Total Inflows
Change in assumptions	\$ -	\$ 121,209,497	\$ -	\$ -	\$ 121,209,497
Change in proportion and difference between employer contributions and proportionate share of contributions	211,502	1,851,015	37,136	-	2,099,653
Difference between projected and actual earnings in plan investments	-	-	-	-	-
Difference between expected and actual experience	1,107,709	19,132,960	-	-	20,240,669
Board contributions subsequent to the measurement date	-	-	-	-	-
State and Federal Funds Sales Tax Receivable	-	-	-	44,932	44,932
Activity Fees not earned	-	-	-	46,398	46,398
Totals	<u>\$ 1,319,211</u>	<u>142,193,472</u>	<u>\$ 37,136</u>	<u>\$ 91,330</u>	<u>\$ 143,641,149</u>

	Deferred Outflows of Resources			
	Pension	RHBF	DIPNC	Total outflows
Change in assumptions	\$ 22,149,862	\$ -	\$ 56,403	\$ 22,206,265
Change in proportion and difference between employer contributions and proportionate share of contributions	541,864	16,929,772	-	17,471,636
Difference between projected and actual earnings in plan investments	10,518,965	30,089	232,622	10,781,676
Difference between expected and actual experience	8,055,400	-	521,036	8,576,436
Board contributions subsequent to the measurement date	19,709,535	10,055,231	224,519	29,989,285
State and Federal Funds Sales Tax Receivable	-	-	-	-
Activity Fees not earned	-	-	-	-
Totals	<u>\$ 60,975,626</u>	<u>\$ 27,015,092</u>	<u>\$ 1,034,580</u>	<u>\$ 89,025,298</u>

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

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. During fiscal year 2018-19 the Board purchased insurance through private insurers. The Board maintained Commercial General Liability coverage and Errors and Omissions coverage with a limit of \$1 million per occurrence. This policy had an annual aggregate limit for both General Liability and Errors and Omissions of \$3 million. This policy includes coverage for theft, disappearance, and destruction, as well as computer fraud coverage, forgery and alterations coverage, deception fraud coverage, funds transfer coverage, and public employee dishonesty coverage. Each of these theft and fraud related coverages have a per occurrence limit of \$250,000.00. The Board also maintains Commercial Auto coverage through a private insurer, with a \$3 million liability limit, as well as Uninsured Motorist Coverage, comprehensive and collision coverage. In addition, the Board maintains a Commercial Umbrella Liability policy with a coverage limit of \$1 million. The Board also maintained a Specialty Risk Protector policy which has Security and Privacy Liability Insurance with a coverage limit of \$1 million, Event Management insurance with a limit of \$500,000.00, and Cyber extortion insurance with a coverage limit of \$1 million. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from federal or local funds. Workers' Compensation coverage is also provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays 95% of the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board provides for a blanket crime policy to cover all treasurers, officers, employees and agents who have custody of public money with a single loss limit of \$250,000. The Chief Financial Officer is bonded for \$250,000.

There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years

5. Contingent Liabilities

At June 30, 2019 the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate outcome of the legal matters are not able to be estimated or to conclude if they will have a material adverse effect on the Board's financial position.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

6. Long-Term Obligations

a. Installment Purchase

The Board is authorized to finance the purchase of school buses under State law [G.S. 115C-528(a)]. Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to State law [G.S. 115C-528]. The State has accepted the bid to purchase buses through a special third party financing arrangement by Banc of America Public Capital Corporation at total payments less than the purchase price. The buses are pledged as collateral for the debt while the debt is outstanding. The direct placement installment purchase contracts balance at June 30, 2019 requires a principal payment of \$401,026 for the 2020 fiscal year.

The future minimum payments of the direct placement installment purchase as of June 30, 2019 are as follows:

<u>Year ended June 30:</u>	<u>Governmental Activities</u>	
	Principal	
2020	\$	401,026
2021		67,577
Total	\$	<u>468,603</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental activities:					
Direct placement installment purchases	\$ 983,523	\$ -	\$ 514,920	\$ 468,603	\$ 401,026
Net pension liability	84,543,109	22,908,866	-	107,451,975	-
Net OPEB liability	318,516,898	-	42,731,905	275,784,993	-
Compensated absences	12,656,519	8,372,429	7,372,134	13,656,814	7,372,134
Total	<u>\$ 416,700,049</u>	<u>\$ 31,281,295</u>	<u>\$ 50,618,959</u>	<u>\$ 397,362,385</u>	<u>\$ 7,773,160</u>
Business-type activities:					
Net pension liability	\$ 2,554,837	\$ 370,373	\$ -	\$ 2,925,210	\$ -
Net OPEB liability	4,691,271	-	690,857	4,000,414	-
Compensated Absences	364,555	285,680	285,680	364,555	285,680
Total	<u>\$ 7,610,663</u>	<u>\$ 656,053</u>	<u>\$ 976,537</u>	<u>\$ 7,290,179</u>	<u>\$ 285,680</u>

Every type of Governmental fund has been used in prior years to liquidate net pension liability and compensated absences.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019 consist of the following:

	<u>Amount</u>
From Individual Schools Fund to Other Restricted Fund for driver's education fee charged to students	\$ 66,855
From Other Restricted Fund to Individual School Fund for central fundraising activities	\$ 13,701
From General Fund to Child Nutrition Fund to cover loss on uncollectible accounts	\$ 55,720

D. Fund Balance

The Board has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Chief Financial Officer will use resources in the following hierarchy: federal funds, state funds, local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the Board.

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	\$ 19,661,146
Less:	
Inventories	970,741
Prepays	361,849
Stabilization by State Statute	3,341,303
Appropriated fund balance in 2020 budget	6,137,307
Remaining fund balance	\$ 8,849,946

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

General Fund	Capital Outlay Fund	Non-Major Funds
\$ 352,100	\$ 16,351,563	\$ -

Note 3. Jointly Governed Organization

The Board of Trustees of Cape Fear Community College is comprised of thirteen members. New Hanover County Board of Education appoints four trustees, the Board of County Commissioners appoints four trustees, the Governor appoints four trustees, and the President of the student body is an ex officio nonvoting member of the Board.

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 4. Summary Disclosure of Significant Commitments and 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 statement for the refund of grant moneys.

Note 5. Change in Accounting Principles/Restatement

The beginning Net Position of Governmental Activities combined the June 30, 2018 Net Position of Governmental Activities Fund of \$(155,294,278) with the June 30, 2018 Net Position of the Fiduciary Fund of \$89,192. Scholarship funds were previously reported as a Private Purpose Trust Fund but are now presented as part of Non Major Governmental Funds for financial statement purposes. This change in presentation was made after review of GASB Statement No 84, *Fiduciary Activities*.

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REQUIRED
SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY
SCHEDULE OF CONTRIBUTIONS

New Hanover County Board of Education, North Carolina
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees'

Last Six Fiscal Years *
 June 30, 2019

	Fiscal Year		
	2019	2018	2017
Board's proportion of the net pension liability (asset)	1.11%	1.10%	1.07%
Board's proportionate share of the net pension liability (asset)	\$ 110,377,185	\$ 87,097,946	\$ 98,394,604
Board's covered payroll	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.97%	57.84%	69.64%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%

	Fiscal Year		
	2016	2015	2014
Board's proportion of the net pension liability (asset)	1.05%	1.02%	1.00%
Board's proportionate share of the net pension liability (asset)	\$ 38,600,965	\$ 12,015,205	\$ 11,636,083
Board's covered payroll	\$ 142,551,650	\$ 134,685,791	\$ 130,444,388
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.08%	8.92%	8.64%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

* Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2023.

New Hanover County Board of Education, North Carolina
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Six Fiscal Years
June 30, 2019

	Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 19,709,535	\$ 16,791,180	\$ 15,063,570
Contributions in relation to the contractually required contribution	19,709,535	16,791,180	15,063,570
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149
Contributions as a percentage of covered payroll	12.29%	10.80%	10.00%

	Fiscal Year		
	2016	2015	2014
Contractually required contribution	\$ 12,965,164	\$ 12,901,153	\$ 11,636,083
Contributions in relation to the contractually required contribution	12,965,164	12,901,153	11,636,083
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 141,295,463	\$ 142,551,650	\$ 134,685,791
Contributions as a percentage of covered payroll	9.18%	9.05%	8.64%

* Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2023.

New Hanover County Board of Education, North Carolina
Schedule of Required Supplementary Information
Schedule of the Board's Proportionate Share of Net OPEB Liability
Retiree Health Benefit Fund
Last Three Fiscal Year *
June 30, 2019

	Fiscal Years		
	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.9821%	0.9858%	0.9260%
Board's proportionate share of the net OPEB liability (asset)	\$ 279,785,407	\$ 323,208,169	\$ 402,845,548
Board's covered payroll	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	179.90%	214.62%	285.11%
Plan Fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

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

* Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2028.

New Hanover County Board of Education, North Carolina
Schedule of Board Contributions
Retiree Health Benefit Fund
 Last Ten Fiscal Years
 June 30, 2019

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,055,231	\$ 9,409,245	\$ 8,749,520	\$ 7,912,546	\$ 7,826,086
Contributions in relation to the contractually required contribution	10,055,231	9,409,245	8,749,520	7,912,546	7,826,086
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463	\$ 142,551,650
Contributions as a percentage of the covered payroll	6.27%	6.05%	5.81%	5.60%	5.49%

	Fiscal Year				
	2014	2013	2012	2011	2010
Contractually required contribution	\$ 7,273,033	\$ 6,281,745	\$ 5,215,034	\$ 4,497,445	\$ 3,634,670
Contributions in relation to the contractually required contribution	7,273,033	6,281,745	5,215,034	4,497,445	3,634,670
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 134,685,791	\$ 118,523,496	\$ 104,300,677	\$ 91,784,595	\$ 80,770,444
Contributions as a percentage of the covered payroll	5.40%	5.30%	5.00%	4.90%	4.50%

New Hanover County Board of Education, North Carolina
Schedule of Required Supplementary Information
Schedule of Proportionate Share of Net OPEB Asset
Disability Income Plan of North Carolina
 Last Three Fiscal Years *
 June 30, 2019

	Fiscal Years		
	2019	2018	2017
Board's proportion of the net OPEB asset	0.98331%	0.97397%	0.95696%
Board's proportionate share of the net OPEB asset	\$ 298,690	\$ 595,290	\$ 594,272
Board's covered payroll	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.1921%	0.3953%	0.4206%
Plan Fiduciary net position as a percentage of the total OPEB asset	108.47%	116.23%	116.06%

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

* Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2028.

New Hanover County Board of Education, North Carolina
Schedule of Contributions
Disability Income Plan of North Carolina
Last Ten Fiscal Years
June 30, 2019

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 224,519	\$ 217,735	\$ 572,250	\$ 579,311	\$ 584,462
Contributions in relation to the contractually required contribution	224,519	217,735	572,250	579,311	584,462
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463	\$ 142,551,650
Contributions as a percentage of the covered payroll	0.14%	0.14%	0.38%	0.41%	0.41%

	Fiscal Year				
	2014	2013	2012	2011	2010
Contractually required contribution	\$ 592,617	\$ 574,839	\$ 658,974	\$ 639,205	\$ 620,029
Contributions in relation to the contractually required contribution	592,617	574,839	658,974	639,205	620,029
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 134,685,791	\$ 130,645,217	\$ 126,725,861	\$ 122,924,085	\$ 119,236,362
Contributions as a percentage of the covered payroll	0.44%	0.44%	0.52%	0.52%	0.52%

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THE GENERAL FUND

The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
New Hanover County:			
Appropriations from general revenues	\$ 78,338,270	\$ 78,338,270	\$ -
Other local revenues:			
Fines and forfeitures	1,900,000	1,653,236	(246,764)
Interest earned on investments	185,000	329,177	144,177
Rental of school property	-	110,556	110,556
Disposition of school property	-	-	-
Insurance Proceeds	684,634	1,919,728	1,235,094
Miscellaneous revenue	162,617	246,135	83,518
Total other local revenue	<u>2,932,251</u>	<u>4,258,832</u>	<u>1,326,581</u>
U.S. Government:			
Impact area grants	-	15,481	15,481
FEMA revenue	-	308,057	308,057
Total U.S. Government	<u>-</u>	<u>323,538</u>	<u>323,538</u>
Total revenues	<u>81,270,521</u>	<u>82,920,640</u>	<u>1,650,119</u>

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Expenditures:			
Instructional services:			
Regular instruction	\$ 22,135,472	\$ 21,096,834	\$ 1,038,638
Special populations	2,899,709	2,855,543	44,166
Alternative programs	2,725,827	2,626,398	99,429
School leadership	7,849,978	7,387,570	462,408
Co-curricular	2,066,346	1,983,316	83,030
School-based support	7,945,484	7,555,529	389,955
System-wide support services:			
Support and development	2,341,145	2,267,450	73,695
Special population support and development	237,586	233,131	4,455
Alternative program support and development	800,709	705,269	95,440
Technology support	5,056,992	4,794,534	262,458
Operational support	26,047,785	21,253,684	4,794,101
Financial and human resources	5,681,552	5,245,383	436,169
Accountability	396,835	392,546	4,289
System-wide pupil support	626,310	586,634	39,676
Policy, leadership and public relations	2,217,596	1,838,179	379,417
Ancillary services	421,598	419,819	1,779
Non-programmed charges	5,228,136	4,744,014	484,122
Total expenditures	<u>94,679,060</u>	<u>85,985,833</u>	<u>8,693,227</u>
Revenues over (under) expenditures	(13,408,539)	(3,065,193)	10,343,346
Other financing sources (uses):			
Fund balance appropriations	13,464,339	-	(13,464,339)
Transfer out to child nutrition fund	(55,800)	(55,720)	80
Total other financing sources (uses)	<u>13,408,539</u>	<u>(55,720)</u>	<u>(13,464,259)</u>
Net change in fund balances	<u>\$ -</u>	<u>(3,120,913)</u>	<u>\$ (3,120,913)</u>
Fund balances - beginning		22,662,013	
Change in reserve for inventory		120,046	
Fund balances - ending		<u>\$ 19,661,146</u>	

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Budgeted Individual Fund Descriptions

The Federal Grants Fund accounts for funds received from various federal grant programs which pass through the Department of Public Instruction and must also be accounted for according to the provisions of G. S. 115C-438.

The Other Restricted Fund accounts for funds received for specific purposes as authorized by G.S. 115C-426.

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Federal Grants Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
U.S. Government	\$ 17,194,477	\$ 15,020,542	\$ (2,173,935)
Total revenues	<u>17,194,477</u>	<u>15,020,542</u>	<u>(2,173,935)</u>
Expenditures:			
Instructional services:			
Regular instruction	938,675	716,228	222,447
Special populations	5,341,517	5,159,504	182,013
Alternative programs	7,805,345	6,362,210	1,443,135
School leadership services	8,476	8,996	(520)
School-based support	388,813	283,533	105,280
System-wide support services:			
Support and development	130,930	130,352	578
Special population support and development	112,399	112,364	35
Alternative program support and development	447,374	431,778	15,596
Technology support	-	-	-
Operational support	762,358	711,321	51,037
Financial and human resource	182,243	182,096	147
Non-programmed charges	1,076,347	922,160	154,187
Total expenditures	<u>17,194,477</u>	<u>15,020,542</u>	<u>2,173,935</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning		-	
Fund balances - ending		<u>\$ -</u>	

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Other Restricted Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
State of North Carolina	\$ 7,491,802	\$ 7,497,544	\$ 5,742
U.S. Government	2,667,980	3,562,520	894,540
New Hanover County	487,422	487,422	-
Other local revenues	5,405,981	2,481,164	(2,924,817)
Total revenues	<u>16,053,185</u>	<u>14,028,650</u>	<u>(2,024,535)</u>
Expenditures:			
Instructional services:			
Regular instruction	1,054,512	392,918	661,594
Special populations	1,973,579	1,755,936	217,643
Alternative programs	5,270,862	5,204,144	66,718
School leadership	46,161	38,521	7,640
Co-curricular	592,616	-	592,616
School-based support	507,842	469,912	37,930
System-wide support services:			
Support and development	400	-	400
Special population support and development	300,751	275,035	25,716
Alternative program support and development	207,340	207,640	(300)
Technology support	-	-	-
Operational support	5,194,787	5,175,086	19,701
Financial and human resource	-	-	-
System-wide pupil support	-	-	-
Policy, leadership and public relations	12,867	12,867	-
Ancillary services	101,944	72,283	29,661
Non-programmed charges	785,024	79,982	705,042
Total expenditures	<u>16,048,685</u>	<u>13,684,324</u>	<u>2,364,361</u>
Revenues over (under) expenditures	4,500	344,326	339,826
Other financing sources:			
Fund balance appropriations	-	-	-
Transfer in from the After School Program Fund	-	-	-
Transfer (to) from School Funds	(4,500)	53,154	57,654
Total other financing sources	<u>(4,500)</u>	<u>53,154</u>	<u>57,654</u>
Net change in fund balances	<u>\$ -</u>	397,480	<u>\$ 397,480</u>
Fund balances - beginning		3,440,057	
Fund balances - ending		<u>\$ 3,837,537</u>	

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THE CAPITAL OUTLAY FUND

The Capital Outlay Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

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New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Outlay Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
State of North Carolina:			
Public school capital fund - lottery	\$ 3,908,639	\$ 1,775,256	\$ (2,133,383)
DPI bus leases	1,559,220	514,920	(1,044,300)
Total State of North Carolina	<u>5,467,859</u>	<u>2,290,176</u>	<u>(3,177,683)</u>
New Hanover County:			
Appropriations from county	3,696,000	3,696,000	-
2014 county bond	76,111,243	36,063,407	(40,047,836)
Total New Hanover County	<u>79,807,243</u>	<u>39,759,407</u>	<u>(40,047,836)</u>
Other local revenues:			
Sales tax refund	643,091	271,868	(371,223)
Insurance Proceeds	-	1,123,548	1,123,548
Miscellaneous revenue	-	91,075	91,075
Total other local revenues	<u>643,091</u>	<u>1,486,491</u>	<u>843,400</u>
Total revenues	<u>85,918,193</u>	<u>43,536,074</u>	<u>(42,382,119)</u>
Expenditures:			
Capital outlay:			
Real property and buildings	83,024,015	39,221,252	43,802,763
Furniture and equipment	2,543,284	1,922,322	620,962
Buses and motor vehicles	56,770	55,569	1,201
Debt service: principal	1,559,220	514,920	1,044,300
Total expenditures	<u>87,183,289</u>	<u>41,714,063</u>	<u>45,469,226</u>
Revenues over (under) expenditures	<u>(1,265,096)</u>	<u>1,822,011</u>	<u>3,087,107</u>
Other financing sources (uses):			
Fund balance appropriations	1,265,096	-	1,265,096
Total other financing sources (uses)	<u>1,265,096</u>	<u>-</u>	<u>1,265,096</u>
Net change in fund balances	<u>\$ -</u>	<u>1,822,011</u>	<u>\$ 1,822,011</u>
Fund balances - beginning		1,335,361	
Fund balances - ending		<u>\$ 3,157,372</u>	

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ENTERPRISE FUND

The Enterprise fund is used to account for the Board's child nutrition operations and after school program.

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Accrual Basis) and Actual
Enterprise Fund - Child Nutrition
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Operating revenues:			
Food sales	\$ 2,942,700	\$ 2,509,705	\$ (432,995)
Operating expenses:			
Food costs	6,009,801	5,421,636	588,165
Salaries and fringe benefits	5,965,148	5,139,636	825,512
Materials and supplies	605,000	528,924	76,076
Repairs and maintenance	160,000	172,133	(12,133)
Depreciation	178,000	166,738	11,262
Contracted services	53,100	43,078	10,022
Total operating expenses	<u>12,971,049</u>	<u>11,472,145</u>	<u>1,498,904</u>
Revenues under expenses	<u>(10,028,349)</u>	<u>(8,962,440)</u>	<u>1,065,909</u>
Nonoperating revenues (expenses):			
Federal reimbursements	9,695,049	9,215,931	(479,118)
State of North Carolina	17,700	13,876	(3,824)
Interest revenue	7,000	10,904	3,904
Other revenues	99,000	12,894	(86,106)
Gain on disposal of capital assets	4,500	8,354	3,854
Insurance Proceeds	-	58,481	58,481
Total nonoperating revenues	<u>9,823,249</u>	<u>9,320,440</u>	<u>(502,809)</u>
Gain before transfers	<u>(205,100)</u>	<u>358,000</u>	<u>563,100</u>
Appropriation and transfer:			
Net position appropriation	125,100	-	(125,100)
Transfer from capital outlay fund	-	-	-
Transfer from general fund	80,000	55,720	(24,280)
Total appropriation and transfer	<u>205,100</u>	<u>55,720</u>	<u>(149,380)</u>
Change in net position	<u>\$ -</u>	<u>\$ 413,720</u>	<u>\$ 413,720</u>

New Hanover County Board of Education, North Carolina
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Accrual Basis) and Actual
Enterprise Fund - After School Program
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Operating revenues:			
Child care fees	\$ 721,150	\$ 595,338	\$ (125,812)
Operating expenses:			
Salaries and fringe benefits	384,227	494,770	(110,543)
Materials and supplies	336,923	109,706	227,217
Total operating expenses	<u>721,150</u>	<u>604,476</u>	<u>116,674</u>
Revenues over (under) expenses	<u>-</u>	<u>(9,138)</u>	<u>(9,138)</u>
 Gain before transfers	 <u>-</u>	 <u>(9,138)</u>	 <u>(9,138)</u>
Transfers:			
Transfer out other restricted fund	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
 Change in net position	 <u>\$ -</u>	 <u>\$ (9,138)</u>	 <u>\$ (9,138)</u>

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STATISTICAL SECTION

This part of the Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the Board's most significant local revenue source, New Hanover County property and sales tax.

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Debt Capacity

Since the Board's construction funding is primarily provided by New Hanover County, these schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the Board's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and all the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

New Hanover County Board of Education, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities:					
Net investment in capital assets	\$ 250,868,031	\$ 242,870,060	\$ 236,374,198	\$ 229,120,122	\$ 221,027,615
Restricted:					
Stabilization by state statute	202,396	239,575	171,781	709,816	656,370
School capital outlay	2,874,193	2,661,293	2,635,363	1,934,072	2,447,748
DIPNC OPEB plan	-	-	-	-	-
Individual schools	1,223,211	1,148,300	1,287,706	1,283,546	1,435,666
Programs	1,152,368	1,611,729	2,424,032	3,210,203	3,195,447
Unrestricted	3,092,163	11,767,802	16,330,052	16,056,297	14,405,674
Total governmental activities net position	\$ 259,412,362	\$ 260,298,759	\$ 259,223,132	\$ 252,314,056	\$ 243,168,520
Business-type activities:					
Net investment in capital assets	\$ 1,831,824	\$ 1,665,243	\$ 1,464,251	\$ 1,252,624	\$ 1,138,900
Restricted:					
DIPNC OPEB plan	-	-	-	-	-
Unrestricted	1,104,251	1,886,986	1,895,873	1,901,078	1,809,817
Total business-type activities net position	\$ 2,936,075	\$ 3,552,229	\$ 3,360,124	\$ 3,153,702	\$ 2,948,717
Primary government:					
Net investment in capital assets	\$ 252,699,855	\$ 244,535,303	\$ 237,838,449	\$ 230,372,746	\$ 222,166,515
Restricted:					
Stabilization by state statute	202,396	239,575	171,781	709,816	656,370
School capital outlay	2,874,193	2,661,293	2,635,363	1,934,072	2,447,748
DIPNC OPEB plan	-	-	-	-	-
Individual schools	1,223,211	1,148,300	1,287,706	1,283,546	1,435,666
Programs	1,152,368	1,611,729	2,424,032	3,210,203	3,195,447
Unrestricted	4,196,414	13,654,788	18,225,925	17,957,375	16,215,491
Total primary government net position	\$ 262,348,437	\$ 263,850,988	\$ 262,583,256	\$ 255,467,758	\$ 246,117,237

New Hanover County Board of Education, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Governmental activities:					
Net investment in capital assets	\$ 218,292,760	\$ 220,096,542	\$ 249,726,226	\$ 269,442,267	\$ 286,982,328
Restricted:					
Stabilization by state statute	762,877	671,486	583,255	852,127	3,341,303
School capital outlay	1,431,940	1,695,237	1,939,664	1,335,361	3,157,372
DIPNC OPEB plan	-	-	-	586,650	294,769
Individual schools	1,508,408	1,632,435	1,665,324	1,890,348	2,049,009
Programs	4,095,893	4,534,057	4,421,300	3,350,865	3,837,537
Unrestricted	(25,652,960)	(15,252,285)	(23,014,789)	(432,751,896)	(435,040,350)
Total governmental activities net position	\$ 200,438,918	\$ 213,377,472	\$ 235,320,980	\$ (155,294,278)	\$ (135,378,032)
Business-type activities:					
Net investment in capital assets	\$ 1,042,417	\$ 902,387	\$ 735,006	\$ 585,152	\$ 465,149
Restricted:					
DIPNC OPEB plan	-	-	-	8,640	3,921
Unrestricted	437,583	600,161	1,336,046	(4,086,936)	(3,557,632)
Total business-type activities net position	\$ 1,480,000	\$ 1,502,548	\$ 2,071,052	\$ (3,493,144)	\$ (3,088,562)
Primary government:					
Net investment in capital assets	\$ 219,335,177	\$ 220,998,929	\$ 250,461,232	\$ 270,027,419	\$ 287,447,477
Restricted:					
Stabilization by state statute	762,877	671,486	583,255	852,127	3,341,303
School capital outlay	1,431,940	1,695,237	1,939,664	1,335,361	3,157,372
DIPNC OPEB plan	-	-	-	595,290	298,690
Individual schools	1,508,408	1,632,435	1,665,324	1,890,348	2,049,009
Programs	4,095,893	4,534,057	4,421,300	3,350,865	3,837,537
Unrestricted	(25,215,377)	(14,652,124)	(21,678,743)	(436,838,832)	(438,597,982)
Total primary government net position	\$ 201,918,918	\$ 214,880,020	\$ 237,392,032	\$ (158,787,422)	\$ (138,466,594)

New Hanover County Board of Education, North Carolina
Expenses, Program Revenues, and Net (Expenses) Revenue
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses:					
Governmental activities:					
Instructional services:					
Regular instruction	\$ 84,055,107	\$ 84,988,304	\$ 86,928,600	\$ 92,101,076	\$ 93,000,559
Special populations	29,733,720	29,324,468	28,053,651	29,107,523	29,941,941
Alternative programs	15,350,321	15,702,861	12,733,769	15,529,556	15,103,691
School leadership	11,973,189	11,983,290	11,698,445	12,725,768	13,110,930
Co-curricular	4,992,278	5,171,842	5,188,769	5,666,883	5,356,770
School-based support	14,095,192	13,875,224	13,264,180	14,261,727	14,575,323
System-wide support services:					
Support and development	2,026,241	1,953,418	2,100,143	1,921,265	2,159,468
Special population support and development	560,921	553,873	642,854	824,746	609,143
Alternative program support and development	921,894	871,889	794,599	972,761	1,007,099
Technology support	3,287,368	3,576,818	4,226,644	5,323,190	4,794,404
Operational support	36,655,370	37,999,779	36,683,442	34,270,021	36,109,631
Financial and human resources	4,826,738	4,585,161	4,582,451	4,451,951	4,946,271
Accountability	133,834	108,697	182,168	186,139	207,485
System-wide pupil support	448,309	466,983	429,542	454,775	592,869
Policy, leadership and public relations	2,086,602	2,149,882	2,039,191	2,250,535	2,297,121
Ancillary services	294,819	261,248	277,394	339,947	323,794
Non-programmed charges	1,307,579	1,149,297	1,614,397	1,703,644	2,302,626
Interest on long-term debt	7,367	2,119	8,146	9,253	5,657
Depreciation expense (unallocated)	8,756,688	10,150,133	9,353,815	10,345,777	10,104,185
Total governmental activities expenses	221,513,537	224,875,286	220,802,200	232,446,537	236,548,967
Business-type activities:					
Child nutrition	10,065,111	10,198,486	11,151,568	11,529,555	11,442,334
After school program	620,468	433,136	482,098	492,098	571,525
Total business-type activities expenses	10,685,579	10,631,622	11,633,666	12,021,653	12,013,859
Total primary government expenses	\$ 232,199,116	\$ 235,506,908	\$ 232,435,866	\$ 244,468,190	\$ 248,562,826

New Hanover County Board of Education, North Carolina
Expenses, Program Revenues, and Net (Expenses) Revenue
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses:					
Governmental activities:					
Instructional services:					
Regular instruction	\$ 93,677,375	\$ 94,723,498	\$ 108,069,162	\$ 116,745,120	\$ 109,620,605
Special populations	29,628,721	30,377,607	34,901,684	39,079,959	37,513,231
Alternative programs	17,451,628	16,811,698	17,729,373	19,908,577	19,975,014
School leadership	12,627,664	13,354,379	15,043,364	16,921,552	16,235,470
Co-curricular	5,275,895	5,497,985	5,434,759	5,590,369	5,033,973
School-based support	15,218,280	15,666,386	18,252,310	18,729,223	17,008,218
System-wide support services:					
Support and development	2,182,721	2,209,390	2,590,993	2,710,074	2,495,101
Special population support and development	711,487	855,641	864,298	734,542	838,967
Alternative program support and development	1,207,014	1,130,736	1,393,456	1,551,305	1,567,941
Technology support	4,059,913	3,944,068	8,385,166	6,057,938	5,443,827
Operational support	36,926,556	37,837,934	36,874,380	40,826,969	54,314,413
Financial and human resources	4,452,985	5,078,348	5,101,332	5,644,006	5,543,886
Accountability	212,847	330,680	385,340	407,052	388,467
System-wide pupil support	506,342	528,526	602,189	584,240	580,119
Policy, leadership and public relations	2,249,654	2,223,137	2,432,736	2,554,852	2,740,397
Ancillary services	316,782	293,841	401,715	408,756	779,844
Non-programmed charges	2,809,760	2,790,652	3,588,767	4,809,144	5,725,202
Interest on long-term debt	112	3,083	-	-	-
Depreciation expense (unallocated)	9,602,233	9,772,312	9,998,140	11,591,715	12,691,897
Total governmental activities expenses	239,117,969	243,429,901	272,049,164	294,855,393	298,496,572
Business-type activities:					
Child nutrition	11,814,476	12,045,125	11,648,400	12,052,622	11,472,145
After school program	591,685	644,066	629,756	669,826	604,476
Total business-type activities expenses	12,406,161	12,689,191	12,278,156	12,722,448	12,076,621
Total primary government expenses	\$ 251,524,130	\$ 256,119,092	\$ 284,327,320	\$ 307,577,841	\$ 310,573,193

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New Hanover County Board of Education, North Carolina
Expenses, Program Revenues, and Net (Expenses) Revenue
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Program Revenues:					
Governmental activities:					
Charges for service:					
Regular instruction	\$ 40,960	\$ 31,170	\$ 60,040	\$ -	\$ -
Co-curricular	-	-	-	-	-
Technology support	367	-	-	-	-
Ancillary services	168,829	221,069	303,147	-	-
Operational support	-	-	-	123,112	162,486
Operating grants and contributions:					
Regular instruction	74,322,525	78,066,448	78,272,854	74,196,692	76,901,576
Special populations	22,959,139	23,672,278	24,365,152	25,526,308	27,064,157
Alternative programs	14,702,070	14,917,075	10,943,600	14,651,711	10,966,685
School leadership	7,518,628	7,545,506	5,167,658	5,382,903	7,929,859
Co-curricular	-	-	-	-	2,819,178
School-based support	10,406,395	10,365,282	9,348,250	11,720,718	9,389,354
Support and development	936,740	824,219	982,552	764,111	638,621
Special population support and development	37,948	4,860	111,650	218,929	64,888
Alternative program support and development	635,574	586,817	511,957	594,850	733,747
Technology support	730,352	1,251,735	1,068,117	1,745,192	697,291
Operational support	9,513,704	11,449,941	10,895,998	13,312,904	14,329,382
Financial and human resources	134,540	121,072	194,395	206,643	412,201
Accountability	-	-	-	-	-
System-wide pupil support	-	2,000	1,000	-	-
Policy, leadership and public relations	521,643	573,136	538,896	576,780	742,617
Ancillary services	98,602	117,386	165,297	178,942	91,480
Non-programmed charges	1,171,085	1,027,778	426,926	499,583	492,816
Capital grants and contributions:					
Co-curricular	-	-	-	2,876,596	-
Operational support	161,520	474,011	156,246	1,920,025	-
Total governmental activities program revenues	144,060,621	151,251,783	143,513,735	154,495,999	153,436,338
Business-type activities:					
Charges for service:					
Child nutrition	4,487,965	4,239,848	3,954,476	3,722,067	3,558,541
After school program	755,855	501,167	522,636	614,912	622,991
Operating grants and contributions:					
Child nutrition	5,898,511	6,348,796	6,788,139	7,270,807	7,508,882
Total business-type activities program revenues	11,142,331	11,089,811	11,265,251	11,607,786	11,690,414
Total primary government program revenues	\$ 155,202,952	\$ 162,341,594	\$ 154,778,986	\$ 166,103,785	\$ 165,126,752
Net (Expense)/Revenue					
Governmental activities	\$ (77,452,916)	\$ (73,623,503)	\$ (77,288,465)	\$ (77,950,538)	\$ (82,939,213)
Business-type activities	456,752	458,189	(368,415)	(413,867)	(317,790)
Total primary government net expense	\$ (76,996,164)	\$ (73,165,314)	\$ (77,656,880)	\$ (78,364,405)	\$ (83,257,003)

New Hanover County Board of Education, North Carolina
Expenses, Program Revenues, and Net (Expenses) Revenue
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Program Revenues:					
Governmental activities:					
Charges for service:					
Regular instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Co-curricular	-	-	-	-	-
Technology support	-	-	-	-	-
Ancillary services	-	-	-	-	-
Operational support	262,972	247,761	185,123	134,892	111,387
Operating grants and contributions:					
Regular instruction	85,262,553	84,760,062	89,999,827	91,801,067	100,869,718
Special populations	27,272,416	29,599,114	31,589,176	32,439,648	33,368,556
Alternative programs	11,138,717	10,936,005	10,727,401	11,175,131	12,360,499
School leadership	8,012,176	8,381,476	8,497,034	8,765,130	9,017,785
Co-curricular	2,414,534	2,405,002	2,863,731	2,998,831	2,682,373
School-based support	8,886,046	7,866,894	8,749,923	9,139,697	9,151,945
Support and development	623,904	506,935	388,729	256,323	257,484
Special population support and development	137,868	468,590	411,723	376,698	337,489
Alternative program support and development	814,150	637,821	594,859	591,020	674,551
Technology support	712,993	707,106	1,273,212	810,526	688,499
Operational support	15,399,292	15,126,281	15,008,641	15,747,194	16,792,164
Financial and human resources	362,673	443,034	435,858	416,027	352,508
Accountability	-	-	-	-	-
System-wide pupil support	-	-	-	-	-
Policy, leadership and public relations	705,643	730,674	750,940	733,912	919,526
Ancillary services	74,098	87,261	75,962	85,052	287,995
Non-programmed charges	790,759	635,896	445,586	508,470	910,034
Capital grants and contributions:					
Co-curricular	-	-	-	-	-
Operational support	-	-	-	-	-
Total governmental activities program revenues	162,870,794	163,539,912	171,997,725	175,979,618	188,782,513
Business-type activities:					
Charges for service:					
Child nutrition	2,834,072	2,766,576	2,816,031	2,889,354	2,509,705
After school program	688,072	724,990	699,937	626,378	595,338
Operating grants and contributions:					
Child nutrition	8,749,403	9,078,798	9,248,540	9,276,337	9,229,807
Total business-type activities program revenues	12,271,547	12,570,364	12,764,508	12,792,069	12,334,850
Total primary government program revenues	\$ 175,142,341	\$ 176,110,276	\$ 184,762,233	\$ 188,771,687	\$ 201,117,363
Net (Expense)/Revenue					
Governmental activities	\$ (76,247,175)	\$ (79,889,989)	\$ (100,051,439)	\$ (118,875,775)	\$ (109,714,059)
Business-type activities	(134,614)	(118,826)	486,352	69,621	258,229
Total primary government net expense	\$ (76,381,789)	\$ (80,008,815)	\$ (99,565,087)	\$ (118,806,154)	\$ (109,455,830)

New Hanover County Board of Education, North Carolina
 General Revenues and Total Change in Net Position
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Net (Expense)/Revenue					
Governmental activities	\$ (77,452,916)	\$ (73,623,503)	\$ (77,288,465)	\$ (77,950,538)	\$ (82,939,213)
Business-type activities	456,752	458,189	(368,415)	(413,867)	(317,790)
Total primary government net expense	\$ (76,996,164)	\$ (73,165,314)	\$ (77,656,880)	\$ (78,364,405)	\$ (83,257,003)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Unrestricted county appropriations - operating	\$ 64,242,753	\$ 63,715,103	\$ 63,834,031	\$ 61,437,450	\$ 64,740,640
Unrestricted county appropriations - capital	16,440,716	5,948,073	6,179,420	1,832,027	2,339,262
Unrestricted state appropriations - capital	5,788,993	855,082	2,148,360	3,230,310	2,254,749
Investment earnings, unrestricted	629,636	267,755	120,429	75,311	70,580
Miscellaneous, unrestricted	3,627,363	3,808,753	3,976,989	4,551,853	4,394,789
Transfers	(705,623)	(84,866)	(46,391)	(85,489)	(6,343)
Total governmental activities	90,023,838	74,509,900	76,212,838	71,041,462	73,793,677
Business-type activities:					
Investment earnings, unrestricted	-	-	-	-	3,488
Miscellaneous, unrestricted	60,520	73,099	129,919	121,956	102,974
Transfers	705,623	84,866	46,391	85,489	6,343
Total business-type activities	766,143	157,965	176,310	207,445	112,805
Total primary government	\$ 90,789,981	\$ 74,667,865	\$ 76,389,148	\$ 71,248,907	\$ 73,906,482
Change in Net Position					
Governmental activities	\$ 12,570,922	\$ 886,397	\$ (1,075,627)	\$ (6,909,076)	\$ (9,145,536)
Business-type activities	1,222,895	616,154	(192,105)	(206,422)	(204,985)
Total primary government	\$ 13,793,817	\$ 1,502,551	\$ (1,267,732)	\$ (7,115,498)	\$ (9,350,521)

New Hanover County Board of Education, North Carolina
 General Revenues and Total Change in Net Position
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Net (expense)/revenue					
Governmental activities	\$ (76,247,175)	\$ (79,889,989)	\$ (100,051,439)	\$ (118,875,775)	\$ (109,714,059)
Business-type activities	(134,614)	(118,826)	486,352	69,621	258,229
Total primary government net expense	\$ (76,381,789)	\$ (80,008,815)	\$ (99,565,087)	\$ (118,806,154)	\$ (109,455,830)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Unrestricted county appropriations - operating	\$ 67,879,109	\$ 70,610,100	\$ 72,855,604	\$ 75,141,652	\$ 78,338,270
Unrestricted county appropriations - capital	5,278,660	16,365,003	40,188,543	33,815,148	39,759,407
Unrestricted state appropriations - capital	3,689,539	1,452,061	4,531,585	2,495,521	2,290,176
Investment earnings, unrestricted	79,936	130,749	212,981	299,796	329,177
Miscellaneous, unrestricted	3,962,671	4,319,503	4,236,516	3,771,059	8,879,803
Transfers	(2,063)	(48,873)	(30,282)	(38,246)	(55,720)
Total governmental activities	80,887,852	92,828,543	121,994,947	115,484,930	129,541,113
Business-type activities:					
Investment earnings, unrestricted	2,863	3,775	20,267	7,078	10,904
Miscellaneous, unrestricted	55,177	88,726	31,603	24,087	79,729
Transfers	2,063	48,873	30,282	38,246	55,720
Total business-type activities	60,103	141,374	82,152	69,411	146,353
Total primary government	\$ 80,947,955	\$ 92,969,917	\$ 122,077,099	\$ 115,554,341	\$ 129,687,466
Change in Net Position					
Governmental activities	\$ 4,640,677	\$ 12,938,554	\$ 21,943,508	\$ (3,390,845)	\$ 19,827,054
Business-type activities	(74,511)	22,548	568,504	139,032	404,582
Total primary government	\$ 4,566,166	\$ 12,961,102	\$ 22,512,012	\$ (3,251,813)	\$ 20,231,636

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New Hanover County Board of Education, North Carolina
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund:					
Nonspendable	\$ 1,328,512	\$ 1,408,189	\$ 1,212,182	\$ 1,564,576	\$ 2,352,136
Restricted	202,396	239,575	171,781	709,816	656,370
Assigned	12,505	5,656,244	3,454,516	7,922,486	8,162,046
Unassigned	11,447,378	14,429,504	21,242,780	17,939,095	15,971,003
Total general fund	\$ 12,990,791	\$ 21,733,512	\$ 26,081,259	\$ 28,135,973	\$ 27,141,555
All Other Governmental Funds:					
Restricted:					
Capital outlay fund	\$ 2,874,193	\$ 2,661,293	\$ 2,635,363	\$ 1,934,072	\$ 2,447,748
Individual schools	1,223,211	1,148,300	1,287,706	1,283,546	1,435,666
Programs	1,152,368	1,611,729	2,424,032	3,210,203	3,195,447
Total all other governmental funds	\$ 5,249,772	\$ 5,421,322	\$ 6,347,101	\$ 6,427,821	\$ 7,078,861

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund:					
Nonspendable	\$ 2,027,473	\$ 2,106,782	\$ 2,154,751	\$ 1,310,712	\$ 1,332,590
Restricted	762,877	671,486	583,255	852,127	3,341,303
Assigned	2,670,235	8,295,872	6,395,837	13,464,339	6,137,307
Unassigned	21,556,429	17,223,140	15,509,260	7,034,835	8,849,946
Total general fund	\$ 27,017,014	\$ 28,297,280	\$ 24,643,103	\$ 22,662,013	\$ 19,661,146
All Other Governmental Funds:					
Restricted:					
Capital outlay fund	\$ 1,431,940	\$ 1,695,237	\$ 1,939,664	\$ 1,335,361	\$ 3,157,372
Individual schools	1,508,408	1,632,435	1,665,324	1,890,348	2,049,009
Programs	4,095,893	4,534,057	4,421,300	3,350,865	3,837,537
Total all other governmental funds	\$ 7,036,241	\$ 7,861,729	\$ 8,026,288	\$ 6,576,574	\$ 9,043,918

New Hanover County Board of Education, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues:					
State of North Carolina	\$ 125,147,772	\$ 122,452,657	\$ 129,351,126	\$ 135,062,379	\$ 135,907,704
New Hanover County	78,349,156	67,756,513	67,987,860	63,269,477	67,079,902
U.S. Government	24,457,298	28,260,232	13,984,950	17,744,197	16,801,719
Contributions and donations	3,117,459	3,030,860	2,944,493	2,876,596	2,819,178
Other revenues	4,902,487	5,496,207	6,056,249	4,750,276	4,801,271
Total revenues	235,974,172	226,996,469	220,324,678	223,702,925	227,409,774
Expenditures:					
Instructional services:					
Regular instruction	84,207,562	85,148,210	87,100,957	89,639,407	92,670,423
Special populations	29,748,533	29,327,684	28,062,422	28,843,825	29,837,495
Alternative programs	15,358,616	15,700,678	12,742,185	15,410,133	15,055,950
School leadership	11,982,366	11,981,264	11,708,350	12,605,070	13,063,375
Co-curricular	4,993,239	5,171,616	5,189,940	5,649,479	5,349,826
School-based support	14,103,447	13,873,388	13,273,018	14,152,118	14,533,852
System-wide support services:					
Support and development	2,027,792	1,953,096	2,101,897	1,903,714	2,151,843
Special population support and development	561,225	553,805	643,165	820,774	607,891
Alternative program support and development	922,533	871,742	795,268	963,536	1,003,479
Technology support	3,372,878	3,566,052	3,441,193	5,305,245	4,787,031
Operational support	31,200,377	32,028,385	31,302,951	30,814,869	32,199,105
Financial and human resources	4,829,739	4,584,552	4,585,209	4,420,090	4,932,425
Accountability	133,898	108,687	182,249	185,195	207,072
System-wide pupil support	448,602	466,916	429,844	451,206	591,369
Policy, leadership and public relations	2,090,562	2,149,597	2,040,615	2,233,312	2,290,059
Ancillary services	294,966	261,204	277,600	287,477	304,032
Non-programmed charges	2,491,668	2,209,522	2,047,024	1,703,644	2,302,625
Debt service:					
Principal	222,610	528,940	239,219	1,215,808	583,158
Interest and other charges	7,367	2,119	8,146	9,253	5,657
Capital outlay:					
Real property and buildings	22,306,221	6,952,716	7,651,735	3,540,625	3,678,757
Furniture and equipment	329,346	401,988	1,271,839	1,446,774	1,449,124
Buses and motor vehicles	17,299	858,799	141,717	2,090,041	165,408
Total expenditures	231,650,846	218,700,960	215,236,543	223,691,595	227,769,956
Excess of revenues over (under) expenditures	4,323,326	8,295,509	5,088,135	11,330	(360,182)
Other financing sources (uses):					
Capital lease debt issued	-	-	369,004	-	-
Installment purchase obligations issued	-	624,978	-	1,920,025	-
Payment to New Hanover County	-	-	-	-	-
Transfers in	1,123,803	267,013	45,281	40,555	1,619,331
Transfers out	(1,829,426)	(351,879)	(91,672)	(126,044)	(1,625,674)
Total other financing sources (uses)	(705,623)	540,112	322,613	1,834,536	(6,343)
Change in fund balance	\$ 3,617,703	\$ 8,835,621	\$ 5,410,748	\$ 1,845,866	\$ (366,525)
Debt service as a percentage of noncapital expenditures	0.11%	0.25%	0.12%	0.57%	0.26%

New Hanover County Board of Education, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Revenues:					
State of North Carolina	\$ 144,089,539	\$ 145,161,504	\$ 154,648,099	\$ 156,609,373	\$ 169,372,329
New Hanover County	73,157,769	86,975,103	113,044,147	108,956,800	118,585,099
U.S. Government	19,793,288	16,895,445	17,319,224	18,461,738	18,906,600
Contributions and donations	2,414,534	2,405,002	2,863,731	2,998,831	2,682,373
Other revenues	4,305,579	4,698,015	4,634,620	4,205,747	8,832,945
Total revenues	243,760,709	256,135,069	292,509,821	291,232,489	318,379,346
Expenditures:					
Instructional services:					
Regular instruction	96,637,463	98,614,636	104,626,101	107,199,301	110,975,868
Special populations	30,719,796	31,700,964	34,265,338	36,048,174	37,980,035
Alternative programs	18,027,682	17,456,658	17,443,820	18,562,388	20,191,041
School leadership	13,117,450	13,959,896	14,760,522	15,570,694	16,443,876
Co-curricular	5,352,754	5,589,566	5,396,498	5,408,634	5,060,332
School-based support	15,678,176	16,209,128	17,984,500	17,556,592	17,177,386
System-wide support services:					
Support and development	2,261,923	2,303,852	2,544,689	2,511,291	2,524,934
Special population support and development	725,256	874,220	855,731	698,684	845,655
Alternative program support and development	1,249,735	1,181,255	1,367,464	1,430,032	1,587,460
Technology support	4,141,184	4,037,815	8,340,926	5,799,729	5,483,033
Operational support	31,236,516	32,222,739	32,236,439	33,733,854	43,220,934
Financial and human resources	4,580,757	5,254,553	5,027,233	5,295,121	5,597,891
Accountability	217,160	341,563	379,825	380,740	392,546
System-wide pupil support	522,760	548,840	592,862	544,623	586,634
Policy, leadership and public relations	2,322,868	2,312,138	2,392,392	2,372,676	2,770,572
Ancillary services	326,896	309,273	394,976	321,145	780,097
Non-programmed charges	3,005,201	3,010,997	3,477,328	4,341,842	5,734,030
Debt service:					
Principal	820,261	139,244	708,022	785,225	514,920
Interest and other charges	112	3,083	-	-	-
Capital outlay:					
Real property and buildings	10,903,989	16,134,963	42,866,218	35,223,059	39,221,252
Furniture and equipment	1,726,512	1,597,114	18,501	984,675	1,922,322
Buses and motor vehicles	245,655	500,267	1,565,817	53,023	55,569
Total expenditures	243,820,106	254,302,764	297,245,202	294,821,502	319,066,387
Excess of revenues over (under) expenditures	(59,397)	1,832,305	(4,735,381)	(3,589,013)	(687,041)
Other financing sources (uses):					
Capital lease debt issued	-	-	-	-	-
Installment purchase obligations issued	-	282,261	1,513,133	270,305	-
Payment to New Hanover County	-	-	-	-	-
Transfers in	3,640,762	714,795	123,753	60,997	13,701
Transfers out	(3,642,825)	(763,668)	(154,035)	(99,243)	(69,421)
Total other financing sources (uses)	(2,063)	233,388	1,482,851	232,059	(55,720)
Change in fund balance	\$ (61,460)	\$ 2,065,693	\$ (3,252,530)	\$ (3,356,954)	\$ (742,761)
Debt service as a percentage of noncapital expenditures	0.36%	0.06%	0.28%	0.30%	0.19%

New Hanover County Board of Education, North Carolina
 Revenue Capacity - Proprietary Funds
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Business-type activities:					
Operating revenues					
Food sales	\$ 4,487,965	\$ 4,239,848	\$ 3,954,476	\$ 3,722,067	\$ 3,558,541
Child care fees	755,855	501,167	522,636	614,912	622,991
Total operating revenues	\$ 5,243,820	\$ 4,741,015	\$ 4,477,112	\$ 4,336,979	\$ 4,181,532

	Fiscal Year				
	2015	2016	2017	2018	2019
Business-type activities:					
Operating revenues					
Food sales	\$ 2,834,072	\$ 2,766,576	\$ 2,816,031	\$ 2,889,354	\$ 2,509,705
Child care fees	688,072	724,990	699,937	626,378	595,338
Total operating revenues	\$ 3,522,144	\$ 3,491,566	\$ 3,515,968	\$ 3,515,732	\$ 3,105,043

New Hanover County Board of Education, North Carolina
 Property Tax Rates-Direct and All Overlapping Governments of New Hanover County
 Last Ten Fiscal Years
 (Per \$100.00 of Assessed Value)
 (Unaudited)

Fiscal Year Ended June 30	New Hanover County	Special Fire District	City of Wilmington	Wrightsville Beach	Carolina Beach	Kure Beach
2010	0.453	0.060	0.333	0.080	0.175	0.135
2011	0.466	0.060	0.370	0.099	0.175	0.135
2012	0.466	0.068	0.370	0.099	0.175	0.163
2013	0.554	0.079	0.450	0.133	0.235	0.262
2014	0.554	0.079	0.450	0.133	0.235	0.262
2015	0.554	0.079	0.460	0.133	0.235	0.262
2016	0.574	0.070	0.485	0.133	0.235	0.262
2017	0.623	0.070	0.485	0.133	0.235	0.285
2018	0.570	0.078	0.483	0.128	0.225	0.285
2019	0.555	0.078	0.498	0.128	0.225	0.330

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Principal Property Taxpayers of New Hanover County
Current Year and Ten Years Ago
(Unaudited)

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Duke Energy Progress, Inc.	\$ 497,511,820	1	1.44%	\$ 281,650,480	1	0.84%
Corning, Inc.	248,052,813	2	0.72%	192,588,394	3	0.57%
General Electric Company	232,000,207	3	0.67%	216,948,212	2	0.65%
Bedrock Holdings II LLC	119,888,800	4	0.35%	--	--	--
Fortron Industries	90,579,882	5	0.26%	54,831,526	5	0.16%
River Ventures	74,933,400	6	0.22%	--	--	--
Mayfaire Town Center LP	69,755,785	7	0.20%	--	--	--
GF Management Company	69,499,633	8	0.20%	49,774,352	8	0.15%
Global Nuclear Fuel Americas	51,728,288	9	0.15%	44,595,778	10	0.13%
Bell South	41,392,252	10	0.12%	79,942,143	4	0.24%
Arteva Specialities	--	--	--	51,716,618	6	0.15%
Centro Independence LLC	--	--	--	50,436,737	7	0.15%
Pharmaceutical Product Development	--	--	--	48,361,234	9	0.14%
Total	<u>\$ 1,495,342,880</u>		<u>4.33%</u>	<u>\$ 1,070,845,474</u>		<u>3.18%</u>
Total taxable assessed value	<u>\$ 34,555,093,669</u>			<u>\$ 33,674,505,469</u>		

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Property Tax Levies and Collections of New Hanover County
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Property Taxes Collected Within the Fiscal Year of the Levy		Property Tax Collections In Subsequent Years	Property Tax Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 152,793,146	\$ 150,719,243	98.64%	\$ 1,763,311	\$ 152,482,554	99.80%
2011	158,470,084	155,710,692	98.25%	1,566,776	157,277,468	99.25%
2012	159,752,984	157,409,935	98.53%	2,451,860	159,861,795	100.07%
2013	159,719,773	157,265,840	98.47%	1,817,256	159,083,096	99.60%
2014	164,878,765	162,687,043	98.68%	2,136,274	164,823,317	99.97%
2015	165,254,585	163,605,339	99.00%	1,147,072	164,752,411	99.70%
2016	173,584,355	171,936,776	99.05%	1,220,013	173,156,789	99.75%
2017	192,309,354	191,650,934	99.15%	856,676	192,507,610	100.10%
2018	193,338,644	191,954,631	99.28%	1,384,013	193,338,644	100.00%
2019	192,254,086	191,022,582	99.36%	1,231,504	192,254,086	100.00%

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Assessed Value and Actual Value of Taxable Property of New Hanover County
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Property	Total Direct Tax Rate
2010	\$ 30,090,822,904	\$ 3,122,851,620	\$ 460,830,945	\$ 33,674,505,469	0.453
2011	30,261,859,704	3,114,706,992	429,491,376	33,806,058,072	0.466
2012	30,442,282,655	3,313,128,898	435,115,395	34,190,526,948	0.466
2013	24,960,307,036	3,408,471,354	510,818,217	28,879,596,607	0.554
2014	25,182,059,055	4,074,186,222	458,389,351	29,714,634,628	0.554
2015	25,492,331,491	3,672,975,235	580,429,717	29,745,736,443	0.554
2016	25,904,897,551	3,652,542,644	639,868,628	30,197,308,823	0.574
2017	26,319,887,074	3,858,561,067	638,149,144	30,816,597,285	0.623
2018	28,921,465,616	4,141,051,570	673,709,962	33,736,227,148	0.570
2019	29,446,336,633	4,426,560,993	682,196,043	34,555,093,669	0.056

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
 Outstanding Debt by Type
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Per Capita
	Capital Leases	Installment Purchase	Total Primary Government		
2010	\$ 54,929	\$ 161,520	\$ 216,449	N/A	1.07
2011	-	312,487	312,487	N/A	1.51
2012	286,031	156,241	442,272	N/A	2.11
2013	186,476	960,013	1,146,489	N/A	5.40
2014	83,324	480,007	563,331	N/A	2.61
2015	114,617	165,393	280,010	N/A	1.28
2016	58,069	364,958	423,027	N/A	1.89
2017	-	1,228,138	1,228,138	N/A	5.42
2018	-	983,523	983,523	N/A	4.26
2019	-	468,603	468,603	N/A	1.97

(1) N/A = Information not available from New Hanover County

New Hanover County Board of Education, North Carolina
Ratios of Outstanding Debt by Type for New Hanover County
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Participation	Other Installment Debt	General Obligation Bonds	Certificates of Participation	Other Installment Debt			
2010	\$ 334,069,997	\$ 62,898,500	\$ 49,416,186	\$ 175,000	\$ 241,500	\$ 1,154,399	\$ 447,955,582	6.37%	2,213.10
2011	315,039,997	56,820,000	50,443,221	-	215,000	899,921	423,418,139	5.71%	2,050.90
2012	292,639,997	50,697,400	45,899,037	-	187,600	1,716,322	391,140,356	5.19%	1,867.30
2013	340,716,687	27,012,659	62,229,209	-	151,071	1,218,679	431,328,305	5.52%	2,054.30
2014	308,179,997	22,505,400	70,512,563	-	129,600	1,836,370	403,163,930	4.77%	1,870.86
2015	283,589,997	17,741,000	66,813,433	-	99,000	1,136,410	369,379,840	4.14%	1,690.45
2016	337,694,997	12,932,700	70,451,886	-	67,300	681,632	421,828,515	N/A	1,889.40
2017	332,733,063	8,053,896	69,428,987	-	34,300	230,879	410,481,125	N/A	1,813.00
2018	337,428,140	3,151,949	73,127,948	-	-	172,813	413,880,850	N/A	1,792.00
2019	375,266,069	-	70,722,172	-	-	116,204	446,104,445	N/A	1,877.00

Source: New Hanover County, North Carolina, Annual Financial Report for the year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Ratios of General Bond Debt Outstanding for New Hanover County
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property*	Per Capita**
2010	\$ 334,069,997	0.99%	1,650.45
2011	315,039,997	0.93%	1,525.95
2012	292,639,997	0.86%	1,397.06
2013	340,716,687	1.18%	1,622.74
2014	308,179,997	1.04%	1,430.09
2015	283,589,997	0.95%	1,297.84
2016	337,694,997	1.12%	1,512.56
2017	332,733,063	1.08%	1,469.60
2018	337,428,140	1.00%	1,461.24
2019	375,266,069	1.09%	1,578.81

Source: New Hanover County, North Carolina, Annual Financial Report for the year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Direct and Overlapping Governmental Activities Debt for New Hanover County
As of June 30, 2019
(Unaudited)

(Note 1)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County direct debt	\$ 419,336,726	100.00%	\$ 419,336,726
City of Wilmington debt	155,867,405	100.00%	155,867,405
Town of Wrightsville Beach debt	2,142,855	100.00%	2,142,855
Town of Carolina Beach debt	4,128,897	100.00%	4,128,897
Town of Kure Beach debt	5,654,885	100.00%	5,654,885
Subtotal, overlapping debt			167,794,042
Total direct and overlapping debt:			\$ 587,130,768

Source: New Hanover County, City of Wilmington, Town of Wrightsville Beach, Town of Carolina Beach, Town of Kure Beach and NC Department of State Treasurer (LGC)

Note 1: Schools in North Carolina are not allowed to issue debt. We rely upon the County for debt issuance and therefore this schedule is representative of the debt that the County holds and not New Hanover County Schools.

New Hanover County Board of Education, North Carolina
 Legal Debt Margin Information for New Hanover County
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	\$ 2,693,960,438	\$ 2,704,484,646	\$ 2,735,242,156	\$ 2,310,367,729	\$ 2,377,170,770
Total net debt applicable to limit	491,384,997	476,879,881	437,524,997	392,163,053	385,619,330
Legal debt margin	\$ 2,202,575,441	\$ 2,227,604,765	\$ 2,297,717,159	\$ 1,918,204,676	\$ 1,991,551,440
Total net debt applicable to the limit as a percentage of debt limit	18.24%	17.63%	16.00%	16.97%	16.22%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt limit	\$ 2,379,658,915	\$ 2,415,784,706	\$ 2,465,327,783	\$ 2,698,898,172	\$ 2,764,407,494
Total net debt applicable to limit	350,107,072	408,148,717	371,926,370	378,307,851	410,571,726
Legal debt margin	\$ 2,029,551,843	\$ 2,007,635,989	\$ 2,093,401,413	\$ 2,320,590,321	\$ 2,353,835,768
Total net debt applicable to the limit as a percentage of debt limit	14.71%	16.90%	15.09%	14.02%	14.85%

Legal Debt Margin Calculation for June 30, 2019

Total assessed value	\$ 34,555,093,669
Debt limit (8% of assessed value)	2,764,407,494
Debt applicable to limit:	
General obligation bonds	350,444,997
Certificates of participation	-
Installment	68,891,729
Authorized but unissued debt	12,760,000
Less:	
Water Sewer	(8,765,000)
Authorized but unissued debt	(12,760,000)
Total net applicable to limit	410,571,726
Legal debt margin	\$ 2,353,835,768

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

New Hanover County Board of Education, North Carolina
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Population	Personal Income (000's) (1)	Per Capita Personal Income (1)	Median Age	School Enrollment (2)	Unemployment Rate
2010	202,411	\$ 7,031,719	\$ 24,588	37.3	23,722	9.7%
2011	206,455	7,419,000	36,020	37.5	24,060	9.9%
2012	209,468	7,543,199	36,054	37.6	24,464	9.2%
2013	212,484	7,819,052	36,653	37.8	25,088	8.3%
2014	215,497	8,454,467	39,035	38.1	25,299	6.0%
2015	218,510	8,921,731	40,487	38.2	25,667	5.3%
2016	223,260	N/A	N/A	38.4	25,901	4.7%
2017	226,410	N/A	N/A	38.8	26,096	3.9%
2018	230,919	N/A	N/A	39.0	25,994	3.6%
2019	237,689	N/A	N/A	39.2	25,512	4.1%

(1) N/A = Information not available from New Hanover County

(2) School enrollment numbers are based on Final Average and Last Day Membership as published by DPI.

Source: New Hanover County, North Carolina, Annual Financial Report for year ended June 30, 2019.

**New Hanover County Board of Education, North Carolina
Principal Employers in New Hanover County
Current Year and Ten Years Ago
(Unaudited)**

Employer (Top Ten)	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
New Hanover Regional Medical Center	7,138	1	5.86%	4,890	1	5.17%
New Hanover County Schools	4,240	2	3.48%	4,130	2	4.37%
General Electric Company	2,800	3	2.30%	3,000	3	3.17%
Wal-Mart Stores	2,414	4	1.98%	--	--	--
University of NC at Wilmington	2,024	5	1.66%	1,810	4	1.91%
New Hanover County Government	1,813	6	1.49%	1,670	6	1.77%
PPD, Inc.	1,500	7	1.23%	1,800	5	1.90%
Duke Energy Progress	1,375	8	1.13%	--	--	--
Verizon Wireless	1,167	9	0.96%	1,200	9	1.27%
City of Wilmington	1,077	10	0.88%	1,200	8	1.27%
Cape Fear Community College	--	--	--	1,260	7	1.33%
Corning, Inc.	--	--	--	1,000	10	1.06%
Total New Hanover County Employment	<u>121,911</u>			<u>94,585</u>		

Sources: Greater Wilmington Business Journal 2019 Book on Business, NC State Demographics Web Site, and New Hanover County

New Hanover County Board of Education, North Carolina
Full-Time Equivalent District, Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Instructional programs:					
Regular instruction	1,481.0	1,431.6	1,495.0	1,540.0	1,561.5
Special populations	519.5	545.3	520.5	523.5	526.0
Alternative programs	263.3	245.8	203.3	196.3	267.3
School leadership	187.5	185.0	181.0	182.0	183.5
Co-curricular	7.0	27.7	28.7	28.7	28.7
School-based support	180.5	179.0	178.5	181.5	190.0
Total instructional programs	2,638.8	2,614.4	2,607.0	2,652.0	2,757.0
Support services:					
Support and development	19.9	23.9	21.8	21.8	22.1
Special population support and development	5.0	6.5	5.0	5.0	5.0
Alternative program support and development	18.6	15.9	12.6	12.1	14.1
Technology support	32.5	27.5	26.5	26.5	29.5
Operational support	497.5	492.2	508.5	509.5	517.5
Financial and human resources	56.5	53.0	39.0	39.0	42.0
Accountability	3.0	3.0	2.0	2.0	2.0
System-wide pupil support	0.5	6.5	5.5	5.5	5.5
Policy, leadership and public relations	14.0	15.0	15.0	15.0	17.0
Nutrition	172.0	180.0	216.0	232.5	233.5
Program Management	-	-	-	-	-
Total support services	819.5	823.5	851.9	868.9	888.2
Total	3,458.3	3,437.9	3,458.9	3,520.9	3,645.2

Source: New Hanover County Schools Annual Budget.

2012 - 2019 includes Part-time and Full-time positions.

New Hanover County Board of Education, North Carolina
Full-Time Equivalent District, Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Instructional programs:					
Regular instruction	1,541.5	1,519.4	1,540.0	1,535.5	1,532.5
Special populations	526.0	550.0	596.5	623.2	624.6
Alternative programs	295.8	293.5	282.1	301.0	282.9
School leadership	188.0	190.5	196.5	200.0	198.5
Co-curricular	30.0	37.0	38.0	37.0	37.0
School-based support	205.1	207.6	227.1	211.9	193.4
Total instructional programs	2,786.4	2,798.0	2,880.2	2,908.5	2,868.9
Support services:					
Support and development	23.9	24.7	25.2	27.2	23.2
Special population support and development	5.0	6.0	6.0	6.0	7.0
Alternative program support and development	15.6	15.8	17.2	17.2	17.8
Technology support	30.5	30.5	31.5	42.5	42.5
Operational support	522.5	532.5	527.5	522.5	512.5
Financial and human resources	43.0	45.0	45.0	45.0	45.0
Accountability	2.0	3.0	4.0	4.0	4.0
System-wide pupil support	8.0	7.0	7.0	7.0	7.0
Policy, leadership and public relations	16.0	15.8	15.8	16.3	17.3
Nutrition	238.5	238.5	235.5	231.5	227.5
Program Management	-	2.0	3.0	3.0	3.0
Total support services	905.0	920.8	917.7	922.2	906.8
Total	3,691.4	3,718.8	3,797.9	3,830.7	3,775.7

Source: New Hanover County Schools Annual Budget.

2012 - 2019 includes Part-time and Full-time positions.

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New Hanover County Board of Education, North Carolina
 Operating Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Enrollment	Fund Operating Expenditures (1)	Cost per Pupil	Percentage Change	Statement of Activities Expenses	Cost per Pupil	Percentage Change	*Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced Price Meals
2010	23,722	\$ 207,526,074	\$ 8,748	-3.783%	\$ 221,513,537	\$ 9,338	-1.906%	1,633	15	52.90%
2011	24,060	208,853,962	8,681	-0.774%	224,875,286	9,346	0.091%	1,600	15	46.85%
2012	24,464	204,394,908	8,355	-3.751%	220,802,200	9,026	-3.433%	1,632	15	51.60%
2013	25,088	214,320,049	8,543	2.248%	232,446,537	9,265	2.655%	1,671	15	51.13%
2014	25,299	220,186,852	8,703	1.881%	236,375,551	9,343	0.842%	1,712	15	50.02%
2015	25,667	228,240,712	8,892	2.172%	239,117,969	9,316	-0.290%	1,690	15	45.58%
2016	25,901	233,673,066	9,022	1.455%	243,429,901	9,398	0.884%	1,727	15	44.01%
2017	26,096	249,179,456	9,549	5.839%	272,049,164	10,425	10.922%	1,748	15	44.52%
2018	25,994	254,067,414	9,774	2.362%	294,855,393	11,343	8.808%	1,762	15	40.50%
2019	25,512	270,159,758	10,590	8.343%	298,496,572	11,700	3.148%	1,731	15	40.71%

Notes:

(1) Fund Operating Expenditures included General Fund, State Public School Fund, Federal Grants Fund, Other Restricted Fund, Individual Schools Fund and excludes funds distributed to Charter Schools.

Source: North Carolina Department of Public Instruction final average daily membership.

New Hanover County Board of Education, North Carolina
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2010	2011	2012	2013	2014
Elementary:					
Alderman (year built 1963)					
Square feet	37,640	37,640	37,640	37,640	37,640
Capacity	372	372	372	292	292
Enrollment	279	276	281	276	259
Anderson (year built 2006)					
Square feet	69,372	69,372	69,372	69,372	69,372
Capacity	570	585	585	585	585
Enrollment	611	639	652	681	651
Bellamy (year built 1984)					
Square feet	47,926	47,926	47,926	47,926	47,926
Capacity	549	589	589	589	589
Enrollment	608	636	642	671	698
Blair (year built 1969)					
Square feet (Building demolished)	48,936	48,936	48,936	48,936	48,936
Square feet (Temporary location at Porter's Neck)	-	-	-	-	-
Capacity	580	580	580	580	580
Enrollment	610	612	608	592	558
Bradley Creek (year built 1985)					
Square feet	51,545	51,545	51,545	51,545	51,545
Capacity	360	360	340	365	365
Enrollment	339	395	425	439	465
Carolina Beach (year built 1938)					
Square feet	43,431	43,431	43,431	43,431	43,431
Capacity	378	378	378	378	378
Enrollment	428	447	480	467	441
Castle Hayne (year built 2009)					
Square feet	84,023	84,023	84,023	84,023	84,023
Capacity	570	585	585	585	535
Enrollment	415	459	482	503	496
Codington (year built 1996)					
Square feet	60,395	60,395	60,395	60,395	60,395
Capacity	441	501	501	501	501
Enrollment	528	514	532	538	551
College Park (year built 1964)					
Square feet (Building demolished)	48,598	48,598	48,598	48,598	48,598
Square feet (Temporary location at Sidbury Rd)	-	-	-	-	-
Capacity	484	484	484	484	484
Enrollment	380	453	520	553	480
Eaton (year built 1996)					
Square feet	60,395	60,395	60,395	60,395	60,395
Capacity	501	501	501	501	501
Enrollment	576	581	566	568	564
Forest Hills (year built 1936)					
Square feet	60,430	60,430	60,430	60,430	60,430
Capacity	403	443	443	443	443
Enrollment	462	459	441	465	446
Freeman (year built 1999)					
Square feet	62,884	62,844	62,844	62,844	62,844
Capacity	466	466	476	476	416
Enrollment	348	326	316	300	377
Gregory (year built 1937)					
Square feet	103,056	103,056	103,056	103,056	103,056
Capacity	681	681	681	681	681
Enrollment	396	409	367	370	391

New Hanover County Board of Education, North Carolina
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2015	2016	2017	2018	2019
Elementary:					
Alderman (year built 1963)					
Square feet	37,640	37,640	37,640	37,640	37,640
Capacity	317	317	278	278	302
Enrollment	262	263	298	290	282
Anderson (year built 2006)					
Square feet	69,372	69,372	69,372	69,372	69,372
Capacity	610	610	559	559	563
Enrollment	650	651	656	687	667
Bellamy (year built 1984)					
Square feet	47,926	47,926	47,926	47,926	47,926
Capacity	589	589	524	524	516
Enrollment	608	632	650	660	606
Blair (year built 1969)					
Square feet (Building demolished)	48,936	48,936	48,936	-	-
Square feet (Temporary location at Porter's Neck)	-	-	-	81,201	81,201
Capacity	555	555	529	559	534
Enrollment	575	555	571	575	576
Bradley Creek (year built 1985)					
Square feet	51,545	51,545	51,545	51,545	51,545
Capacity	380	380	338	338	398
Enrollment	448	446	430	420	404
Carolina Beach (year built 1938)					
Square feet	43,431	43,431	43,431	43,431	43,431
Capacity	403	403	367	367	382
Enrollment	442	469	447	456	458
Castle Hayne (year built 2008)					
Square feet	84,023	84,023	84,023	84,023	84,023
Capacity	535	535	509	509	517
Enrollment	522	598	591	569	542
Codington (year built 1996)					
Square feet	60,395	60,395	60,395	60,395	60,395
Capacity	526	526	481	481	474
Enrollment	573	571	592	545	526
College Park (year built 1964)					
Square feet (Building demolished)	48,598	48,598	48,598	-	-
Square feet (Temporary location at Sidbury Rd)	-	-	-	49,058	49,058
Capacity	459	459	411	411	501
Enrollment	493	485	484	430	447
Eaton (year built 1996)					
Square feet	60,395	60,395	60,395	60,395	60,395
Capacity	526	526	466	466	489
Enrollment	572	577	563	539	522
Forest Hills (year built 1936)					
Square feet	60,430	60,430	60,430	60,430	60,430
Capacity	468	468	432	432	486
Enrollment	459	510	339	406	372
Freeman (year built 1999)					
Square feet	62,844	62,844	62,844	62,844	62,884
Capacity	441	441	396	396	389
Enrollment	368	343	278	255	251
Gregory (year built 1937)					
Square feet	103,056	103,056	103,056	103,056	103,056
Capacity	706	706	649	649	720
Enrollment	410	386	544	498	502

continued on following page

New Hanover County Board of Education, North Carolina
 School Building Information
 Last Ten Fiscal Years
 (Unaudited)

School	Fiscal Year				
	2010	2011	2012	2013	2014
Elementary: (continued)					
Holly Tree (year built 1998)					
Square feet	64,488	64,488	64,488	64,488	64,488
Capacity	441	441	441	441	441
Enrollment	489	491	495	508	510
Lake Forest Academy (Year Built 2007)					
Square feet	15,699	15,699	15,699	15,699	15,699
Capacity	47	56	88	88	88
Enrollment	37	54	50	50	44
Murrayville (year built 2005)					
Square feet	69,372	69,372	69,372	69,372	69,372
Capacity	585	585	585	585	585
Enrollment	627	624	639	676	719
Ogden (year built 2007)					
Square feet	76,009	76,009	76,009	76,009	76,009
Capacity	645	645	645	625	645
Enrollment	666	675	664	692	683
Parsley (year built 2001)					
Square feet	68,508	68,508	68,508	68,508	68,508
Capacity	546	566	566	566	566
Enrollment	602	596	561	579	588
Pine Valley (year built 1969)					
Square feet	42,436	42,436	42,436	42,436	42,436
Capacity	561	561	561	561	561
Enrollment	553	553	522	548	556
Snipes (year built 2010)					
Square feet	89,055	89,055	89,055	89,055	89,055
Capacity	564	585	564	564	564
Enrollment	491	478	506	516	485
Sunset Park (year built 1954)					
Square feet	51,865	51,865	51,865	51,865	51,865
Capacity	501	345	345	345	345
Enrollment	306	335	363	423	462
Williams (year built 1976)					
Square feet	41,493	41,493	41,493	41,493	41,493
Capacity	479	479	479	439	429
Enrollment	400	421	433	438	449
Winter Park (year built 1912)					
Square feet	36,944	36,944	36,944	36,944	36,944
Capacity	345	369	369	369	369
Enrollment	336	356	381	361	368
Wrightsboro (year built 1926)					
Square feet	65,110	65,110	65,110	65,110	65,110
Capacity	599	599	599	599	549
Enrollment	470	465	474	489	518
Wrightsville Beach (year built 1953)					
Square feet	13,800	13,800	13,800	13,800	13,800
Capacity	247	247	247	247	247
Enrollment	320	307	318	349	349

New Hanover County Board of Education, North Carolina
 School Building Information
 Last Ten Fiscal Years
 (Unaudited)

School	Fiscal Year				
	2015	2016	2017	2018	2019
Elementary: (continued)					
Holly Tree (year built 1998)					
Square feet	64,488	64,488	64,488	64,488	64,488
Capacity	466	466	421	421	429
Enrollment	528	513	523	534	509
Lake Forest Academy (Year Built 2007)					
Square feet	15,699	15,699	15,699	15,699	15,699
Capacity	88	88	88	88	65
Enrollment	48	33	33	50	41
Murrayville (year built 2005)					
Square feet	69,372	69,372	69,372	69,372	69,372
Capacity	650	650	619	619	678
Enrollment	705	705	743	691	663
Ogden (year built 2007)					
Square feet	76,009	76,009	76,009	76,009	76,009
Capacity	650	650	599	599	592
Enrollment	694	695	709	698	694
Parsley (year built 2001)					
Square feet	68,508	68,508	68,508	68,508	68,508
Capacity	591	591	546	546	579
Enrollment	628	665	696	706	679
Pine Valley (year built 1969)					
Square feet	42,436	42,436	42,436	42,436	42,436
Capacity	536	536	507	507	500
Enrollment	548	589	593	612	598
Snipes (year built 2010)					
Square feet	89,055	89,055	89,055	89,055	89,055
Capacity	589	589	541	541	544
Enrollment	473	467	409	403	405
Sunset Park (year built 1954)					
Square feet	51,865	51,865	51,865	51,865	51,865
Capacity	360	360	471	471	511
Enrollment	458	392	395	411	350
Williams (year built 1976)					
Square feet	41,493	41,493	41,493	41,493	41,493
Capacity	404	454	406	406	409
Enrollment	462	491	486	475	454
Winter Park (year built 1912)					
Square feet	36,944	36,944	36,944	36,944	36,944
Capacity	344	344	364	364	357
Enrollment	351	371	340	328	303
Wrightsboro (year built 1926)					
Square feet	65,110	65,110	65,110	65,110	65,110
Capacity	549	549	526	526	577
Enrollment	521	545	558	576	558
Wrightsville Beach (year built 1953)					
Square feet	13,800	13,800	13,800	13,800	13,800
Capacity	312	312	282	282	306
Enrollment	349	357	356	336	311

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New Hanover County Board of Education, North Carolina
 School Building Information
 Last Ten Fiscal Years
 (Unaudited)

School	Fiscal Year				
	2010	2011	2012	2013	2014
Middle:					
Holly Shelter (year built 2010)					
Square feet	139,176	139,176	139,176	139,176	139,176
Capacity	-	918	918	918	918
Enrollment	-	601	693	727	754
Murray (year built 2001)					
Square feet	120,948	120,948	120,948	120,948	120,948
Capacity	752	752	752	752	752
Enrollment	843	799	801	857	849
Myrtle Grove (year built 1988)					
Square feet	90,742	90,742	90,742	90,742	90,742
Capacity	674	674	674	674	674
Enrollment	962	758	785	765	819
Noble (year built 1970)					
Square feet	86,111	86,111	86,111	86,111	86,111
Capacity	640	640	640	640	640
Enrollment	887	650	718	766	786
Roland Grise (year built 1960)					
Square feet	92,315	92,315	92,315	92,315	92,315
Capacity	789	789	769	769	769
Enrollment	763	854	862	860	831
Trask (year built 1976)					
Square feet	100,095	100,095	100,095	100,095	100,095
Capacity	662	662	662	662	662
Enrollment	850	683	833	803	780
Virgo (year built 1964)					
Square feet	79,514	79,514	79,514	79,514	79,514
Capacity	499	499	-	499	499
Enrollment	285	189	-	117	218
Williston (year built 1937)					
Square feet	130,543	130,543	130,543	130,543	130,543
Capacity	830	814	736	736	736
Enrollment	600	737	784	798	754
High:					
Ashley (year built 2001)					
Square feet	265,073	265,073	265,073	265,073	265,073
Capacity	1,540	1,540	1,540	1,540	1,540
Enrollment	1,591	1,621	1,690	1,702	1,715
J. C. Roe Center (year built 1955)					
Square feet	23,237	23,237	23,237	23,237	23,237
Capacity	239	239	239	239	239
***Enrollment	-	-	-	-	-
Hoggard (year built 1967)					
Square feet	188,836	188,836	188,836	188,836	188,836
Capacity	1,600	1,590	1,610	1,590	1,590
Enrollment	1,832	1,741	1,658	1,594	1,608
Isaac Bear Early College High School **(Housed within UNCW Campus)					
Square feet	-	-	-	-	-
Capacity	258	258	230	230	230
Enrollment	240	223	217	236	232

New Hanover County Board of Education, North Carolina
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2015	2016	2017	2018	2019
Middle:					
Holly Shelter (year built 2010)					
Square feet	139,176	139,176	139,176	139,176	139,176
Capacity	944	944	918	918	918
Enrollment	725	675	652	627	693
Murray (year built 2001)					
Square feet	120,948	120,948	120,948	120,948	120,948
Capacity	778	778	752	752	768
Enrollment	892	849	890	958	1,091
Myrtle Grove (year built 1988)					
Square feet	90,742	90,742	90,742	90,742	90,742
Capacity	674	674	674	738	738
Enrollment	797	756	736	718	726
Noble (year built 1970)					
Square feet	86,111	86,111	86,111	86,111	86,111
Capacity	666	666	640	640	680
Enrollment	776	819	858	884	922
Roland Grise (year built 1960)					
Square feet	92,315	92,315	92,315	92,315	92,315
Capacity	769	769	785	785	810
Enrollment	802	794	836	836	899
Trask (year built 1976)					
Square feet	100,095	100,095	100,095	100,829	100,095
Capacity	688	688	662	662	662
Enrollment	728	726	744	731	754
Virgo (year built 1964)					
Square feet	79,514	79,514	79,514	79,514	79,514
Capacity	525	525	499	499	525
Enrollment	256	183	169	147	-
Williston (year built 1937)					
Square feet	130,543	130,543	130,543	130,543	130,543
Capacity	736	736	736	736	736
Enrollment	724	709	657	653	660
High:					
Ashley (year built 2001)					
Square feet	265,073	265,073	265,073	265,073	265,073
Capacity	1,540	1,540	1,786	1,786	1,786
Enrollment	1,789	1,881	1,906	1,933	1,855
J. C. Roe Center (year built 1955)					
Square feet	23,237	23,237	23,237	23,237	23,237
Capacity	239	239	183	183	241
***Enrollment	-	-	83	49	57
Hoggard (year built 1967)					
Square feet	188,836	188,836	188,836	227,036	227,036
Capacity	1,590	1,590	1,834	1,834	1,882
Enrollment	1,737	1,746	1,811	1,810	1,831
Isaac Bear Early College High School **(Housed within UNCW Campus)					
Square feet	-	-	-	-	-
Capacity	230	230	270	270	270
Enrollment	228	222	226	224	231

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New Hanover County Board of Education, North Carolina
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2010	2011	2012	2013	2014
High: (continued)					
Laney (year built 1976)					
Square feet	182,584	182,584	182,584	182,584	182,584
Capacity	1,495	1,495	1,495	1,495	1,495
Enrollment	1,777	1,792	1,841	1,926	1,939
Mosley (year built 1951)					
Square feet	30,122	30,122	30,122	30,122	30,122
Capacity	164	164	300	320	320
***Enrollment	140	128	150	135	111
New Hanover (year built 1920)					
Square feet	341,414	341,414	341,414	341,414	341,414
Capacity	1,450	1,450	1,450	1,450	1,450
Enrollment	1,548	1,540	1,505	1,556	1,595
SEA-Tech					
** (Housed within CFCC Campus)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Wilmington Early College High School					
** (Housed within CFCC Campus)					
Square feet	-	-	-	-	-
Capacity	141	141	190	190	190
Enrollment	127	183	209	194	200
Pre-K:					
College Road Early Childhood Center (Purchased 2006)					
Square feet	12,133	12,133	12,133	12,133	12,133
Capacity	180	180	180	180	180
****Enrollment	-	-	-	-	-
Howe Pre-K Center (year built 1963)					
Square feet	27,924	27,924	27,924	27,924	27,924
Capacity	216	216	216	216	216
****Enrollment	-	-	-	-	-
Johnson Pre-K Center (year built 1955)					
Square feet	51,545	51,545	51,545	51,545	51,545
Capacity	379	379	379	379	379
****Enrollment	-	-	-	-	-

New Hanover County Board of Education, North Carolina
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2015	2016	2017	2018	2019
High: (continued)					
Laney (year built 1976)					
Square feet	182,584	182,584	182,584	214,144	214,144
Capacity	1,495	1,495	1,733	1,733	1,923
Enrollment	2,086	2,180	2,229	2,260	2,116
Mosley (year built 1951)					
Square feet	30,122	30,122	30,122	30,122	30,122
Capacity	340	340	197	197	292
****Enrollment	104	115	82	106	111
New Hanover (year built 1920)					
Square feet	341,414	341,414	341,414	341,414	341,414
Capacity	1,450	1,450	1,688	1,688	1,688
Enrollment	1,586	1,614	1,589	1,501	1,396
SEA-Tech					
** (Housed within CFCC Campus)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	96
Enrollment	-	-	-	44	81
Wilmington Early College High School					
** (Housed within CFCC Campus)					
Square feet	-	-	-	-	-
Capacity	190	190	222	222	222
Enrollment	187	197	228	242	244
Pre-K:					
College Road Early Childhood Center (Purchased 2006)					
Square feet	12,133	12,133	12,133	12,133	12,133
Capacity	146	130	115	115	108
Enrollment	103	126	116	121	125
Howe Pre-K Center (year built 1963)					
Square feet	27,924	27,924	27,924	27,924	27,924
Capacity	216	216	216	216	216
****Enrollment	-	-	-	-	-
Johnson Pre-K Center (year built 1955)					
Square feet	51,545	51,545	51,545	51,545	51,545
Capacity	379	379	379	379	379
****Enrollment	-	-	-	-	-

Notes:

(1) Enrollment numbers are based on ADM as published by DPI.

(2) N/A = Building not used as a school during these years.

* Elementary school changed to a Pre-K Centers.

** New Hanover County Schools does not own this building.

*** Mosley High School PLC and Lakeside Alternative High School were located in same facility and relocated in 2010.

Beginning in the 2016-2017 school year only Mosley resides in this facility. Lakeside is now J.C. Roe Center.

**** Pre-K enrollment numbers are not included in ADM published by DPI.

College Road Early Childhood Center kindergarten enrollment is included.

Source: New Hanover County Schools Board of Education Operations Department Building Design Report for year ended June 30, 2019.

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**Report of Independent Auditor 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 Board of Education
New Hanover County Board of Education
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hanover County Board of Education (the "Board") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Channing R. Ricketts LLP

Raleigh, North Carolina
October 31, 2019

**Report of Independent Auditor on Compliance for Each Major Federal Program and
on Internal Control over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

To the Board of Education
New Hanover County Board of Education
Wilmington, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the New Hanover County Board of Education's (the "Board") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2019. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Channing Roubert LLP

Raleigh, North Carolina
October 31, 2019

**Report of Independent Auditor on Compliance for Each Major State Program and
on Internal Control Over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

To the Board of Education
New Hanover County Board of Education
Wilmington, North Carolina

Report on Compliance for Each Major State Program

We have audited the New Hanover County Board of Education's (the "Board") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major state programs for the year ended June 30, 2019. The Board's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

 LLP

Raleigh, North Carolina
October 31, 2019

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements are prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Dollar threshold used to distinguish
between Type A and Type B Programs \$805,816

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major state programs:

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

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

Any audit findings disclosed that are required
to be reported in accordance with the state
Single Audit Implementation Act yes X no

Identification of major state programs:

Program Name

State Public School Fund
Vocational Education – State Months of Employment
Vocational Education – Program Support Funds
Textbooks & Digital Supplies
Hurricane Florence Disaster Recovery

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

NEW HANOVER COUNTY BOARD OF EDUCATION, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**New Hanover County Board of Education
Schedule of Expenditures for Federal and State Awards
For the Year Ended June 30, 2019**

Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	State Pass-through/ Entity Identifying Number	Expenditures
Federal Grants:			
Cash Assistance:			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individual with Disabilities Education Act (IDEA)			
- Title VI-B Handicapped State Grants	84.027A	60	\$ 4,456,399
- Children With Disabilities - Risk Pool	84.027A	114	200,110
- IDEA VI-B Targeted Assistance	84.027A	118	68,912
- IDEA VI-B Preschool Targeted Assistance	84.173A	119	1,150
- IDEA Title VI-B Preschool	84.173A	49	112,502
- Coordinated Early Intervening Services (CEIS)	84.173A	70	779,563
Total Special Education Cluster			5,618,636
Title I, Grants to Local Educational Agencies:			
- ESEA Title I	84.010A	50	7,060,458
- ESEA Title I - School Improvement	84.010A	105	83,521
- ESEA Title I	84.010A	115	815
Total Title I Cluster			7,144,794
Career and Technical Education Grants - Basic Grants to States	84.048A	17	426,848
Education for Homeless Children and Youth	84.196A	26	121,506
Educational Technology State Grants - Cluster	84.318	108	344,416
IDEA VI-B State Improvement - Special Education - State Personnel Developpr	84.323A	82	5,307
Improving America School Act of 1994 (IASA)			
Project SERV - Hurricane Florence Recovery	84.184S	161	481,287
Supporting Effective Instruction State Grants	84.367A	103	704,281
English Language Acquisition State Grants	84.365A	104 & 111	173,467
Direct Federal Grants:			
Impact Aid	84.041	308	15,480
Total U.S. Department of Education			15,036,022

(Continued)

**New Hanover County Board of Education
Schedule of Expenditures for Federal and State Awards
For the Year Ended June 30, 2019**

Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	State Pass-through/ Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	35	767,802
Non-Cash Assistance			<u>767,802</u>
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	35	1,783,242
National School Lunch Program	10.555	35	6,322,405
Summer Food Service Program for Children	10.559	35	125,344
Total Cash Assistance			<u>8,230,991</u>
Total Child Nutrition Cluster:			8,998,793
Child Nutrition Discretionary Grants Limited Availability			
Fresh Fruit & Vegetable Program	10.582	35	217,139
Total U.S. Department of Agriculture - Child Nutrition			<u>9,215,932</u>
Other Federal Cash Assistance:			
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC Program	12.U01	301	261,400
<u>U.S. Department of Homeland Security</u>			
Disaster Grants - Public Assistance	97.036	318	308,057
Federal Non-Cash Assistance:			
<u>U.S. Department of Health & Human Services</u>			
Head Start	93.600	309	2,039,122
Total Federal Assistance			<u>\$ 26,860,533</u>

(Continued)

**New Hanover County Board of Education
Schedule of Expenditures for Federal and State Awards
For the Year Ended June 30, 2019**

Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	State Pass-through/ Entity Identifying Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund		Various	\$ 148,632,114
Driver Training - SPSF		12	492,955
School Technology Fund - SPSF		15	564,510
Hurricane Florence Disaster Recovery		426	4,000,000
Vocational Education			
- State Months of Employment		13	8,036,612
- Program Support Funds		14	596,883
Passed-through New Hanover County:			
Public School Building Capital Fund-Lottery		76	1,775,257
 <u>N. C. Department of Health and Human Services:</u>			
Division of Child Development and Early Education:			
Smart Start		401	37,624
NC Pre-Kindergarten Program		413	3,242,621
 <u>U.S. Department of Agriculture</u>			
Passed-through the N. C. Department of Public Instruction			
- Kindergarten Grant		35	5,102
- Hurricane Florence Relief - CN		152	234,259
 Non-Cash State Assistance:			
<u>N.C. Department of Public Instruction</u>			
Textbooks & Digital Supplies		131	1,027,276
Total State Assistance			\$ 168,645,213

New Hanover County Board of Education

Notes to the Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards represents the activity of all Federal and State award programs of New Hanover County Board of Education (the Board), North Carolina. All Federal and State awards received directly or indirectly (flow through) from federal and state awarding agencies are included on the schedule. The information in the schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 220, 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 New Hanover County Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of New Hanover County Schools.

Note 2. Summary of Significant Accounting Policies

The accompanying schedule has been prepared on the modified accrual basis. Under this method of accounting, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Relationship to Basic Financial Statements – Fund Statements

Amounts reported in the accompanying schedule for the U.S. Department of Agriculture are accounted for in the Board's Child Nutrition Enterprise Fund. All other Federal and State financial award programs are accounted for in the Board's Governmental Funds.

Note 4. Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program.