

HERTFORD COUNTY BOARD OF EDUCATION
FINANCIAL REPORT
June 30, 2022

Hertford County Board of Education
TABLE OF CONTENTS
June 30, 2022

<u>Exhibit</u>		<u>Page (s)</u>
FINANCIAL SECTION		
	Independent Auditors' Report	1 - 4
	Management's Discussion and Analysis	5-10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
3a	Reconciliation of the Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
4a	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Major Special Revenue Funds	17-18
6	Statement of Net Position - Proprietary Fund	19
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	20
8	Statement of Cash Flows - Proprietary Fund	21-22
	Notes to the Financial Statements	23-45

Required Supplementary Information

A-1	Schedule of the Proportionate Share of the Net Pension Liability - Teachers' and State Employees' Retirement System	46
A-2	Schedule of Contributions - Teachers' and State Employees' Retirement System	47
A-3	Schedule of the Proportionate Share of the Net OPEB Liability - Retiree Health Benefit Fund	48
A-4	Schedule of Board Contributions - Retiree Health Benefit Fund	49
A-5	Schedule of the Proportionate Share of the Net OPEB Asset - Disability Income Plan of North Carolina	50
A-6	Schedule of Contributions - Disability Income Plan of North Carolina	51

Combining and Individual Fund Financial and Schedules:

B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	52-54
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - State Public School Fund	55-56
B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Other Restricted Funds	57-59
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	60
B-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Federal Grants Fund	61-63

Nonmajor Governmental Funds:

C-1	Combining Balance Sheet	64
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	65
C-3	Combining Balance Sheet - Individual Schools	66
C-4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Individual Schools	67
D-1	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Food Service Fund	68

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Report on Compliance With Requirements Applicable To Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	71-73
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With the Uniform Guidance and the State Single Audit Implementation Act	74-76
Schedule of Findings and Questioned Costs	77-78
Corrective Action Plan	79
Schedule of Prior Year Findings	80
Schedule of Expenditures of Federal and State Awards	81-83

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

To the Hertford County Board of Education
Winton, 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 the Hertford County Board of Education, North Carolina, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hertford County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hertford County Board of Education, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, 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.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 10 and the Schedule of the Proportionate Share of the Net Pension Liability and OPEB Liabilities and the Schedule of Board Contributions on pages 46 through 51, respectively 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hertford County Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying 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, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2023 on our consideration of Hertford County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Hertford County Board of Education's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

March 15, 2023

Management's Discussion and Analysis

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

Financial Highlights

- The Board experienced a decrease in enrollment of 165 students from the previous year. The Board is working diligently with the Hertford County Board of Commissioners to find ways to fund increases required for the continuing improvement of educational services for Hertford County students.
- At the close of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$9,352,227 an increase of \$24,293 in comparison with the prior year.

Overview of the Financial Statements

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

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

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

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

Government-wide Statements

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

The two government-wide statements report the board's net position and how it has changed. Net position – the difference between the board's assets and the total of liabilities and deferred inflows – is one way to measure the unit's financial health or position.

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

The 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. School food service is included here.

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

Fund Financial Statements

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

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

Hertford County Board of Education has two types of funds:

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

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Hertford County Board of Education has one proprietary fund, an enterprise fund, the School Food Service Fund.

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources \$18,133,856 as of June 30, 2022, as a result of the implementation of GASB 75. The largest component of net position is investment in capital assets, of \$14,921,999. It comprises 82.29% of total net position.

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021	June 30 2022	June 30 2021
Current assets	\$ 10,274,403	\$ 11,300,056	\$ 1,136,231	\$ 717,073	\$ 11,410,634	\$ 12,017,129
Right to Use & Capital assets, net	14,861,379	15,552,422	247,261	264,916	15,108,640	15,817,338
Total assets	<u>25,135,782</u>	<u>26,852,478</u>	<u>1,383,492</u>	<u>981,989</u>	<u>26,519,274</u>	<u>27,834,467</u>
Deferred outflows of resources	8,694,957	7,765,350	229,109	176,815	8,924,066	7,942,165
Current liabilities	387,992	1,393,235	29,107	16,726	417,099	1,409,961
Long-term liabilities	33,563,345	41,224,273	1,045,737	1,252,225	34,609,082	42,476,498
Total liabilities	<u>33,951,337</u>	<u>42,617,508</u>	<u>1,074,844</u>	<u>1,268,951</u>	<u>35,026,181</u>	<u>43,886,459</u>
Deferred inflows of resources	18,014,378	14,957,293	536,637	442,490	18,551,015	15,399,783
Net investment in capital assets	14,674,738	15,139,612	247,261	264,916	14,921,999	15,404,528
Restricted net position	1,217,674	1,610,025	442	-	1,218,116	1,610,025
Unrestricted net position	<u>(34,027,388)</u>	<u>(39,706,610)</u>	<u>(246,583)</u>	<u>(817,553)</u>	<u>(34,273,971)</u>	<u>(40,524,163)</u>
Total net assets	<u>\$ (18,134,976)</u>	<u>\$ (22,956,973)</u>	<u>\$ 1,120</u>	<u>\$ (552,637)</u>	<u>\$ (18,133,856)</u>	<u>\$ (23,509,610)</u>

Note that net position increased by 22.87% from the previous year. The increase in net position was due largely to decreases in liabilities.

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

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/21</u>
Revenues:						
Program revenues:						
Charges for services	\$ 746,902	\$ 301,373	\$ 56,726	\$ 6,066	\$ 803,628	\$ 307,439
Operating grants and contributions	29,640,279	27,352,362	1,941,035	477,713	31,581,314	27,830,075
Capital grants and contributions	558,170	412,810	-	-	558,170	412,810
General revenues:						
Other revenues	4,774,673	4,768,417	80	311	4,774,753	4,768,728
Total revenues	<u>35,720,024</u>	<u>32,834,962</u>	<u>1,997,841</u>	<u>484,090</u>	<u>37,717,865</u>	<u>33,319,052</u>
Expenses:						
Governmental activities:						
Instructional programs	21,315,941	21,936,799	-	-	21,315,941	21,936,799
System-wide Support	8,047,022	6,857,100	-	-	8,047,022	6,857,100
Ancillary services	119,419	496,731	-	-	119,419	496,731
Non-programmed charges	349,737	189,587	-	-	349,737	189,587
Interest on long-term debt	-	-	-	-	-	-
Unallocated Depreciation	1,065,908	1,051,103	-	-	1,065,908	1,051,103
Business-type activities:						
Food service	-	-	1,444,084	718,313	1,444,084	718,313
Total expenses	<u>30,898,027</u>	<u>30,531,320</u>	<u>1,444,084</u>	<u>718,313</u>	<u>32,342,111</u>	<u>31,249,633</u>
Increase (decrease) in net position	4,821,997	2,303,642	553,757	(234,223)	5,375,754	2,069,419
Net position, beginning	(22,956,973)	(25,260,615)	(552,637)	(318,414)	(23,509,610)	(25,579,029)
Net position, ending	<u>\$ (18,134,976)</u>	<u>\$ (22,956,973)</u>	<u>\$ 1,120</u>	<u>\$ (552,637)</u>	<u>\$ (18,133,856)</u>	<u>\$ (23,509,610)</u>

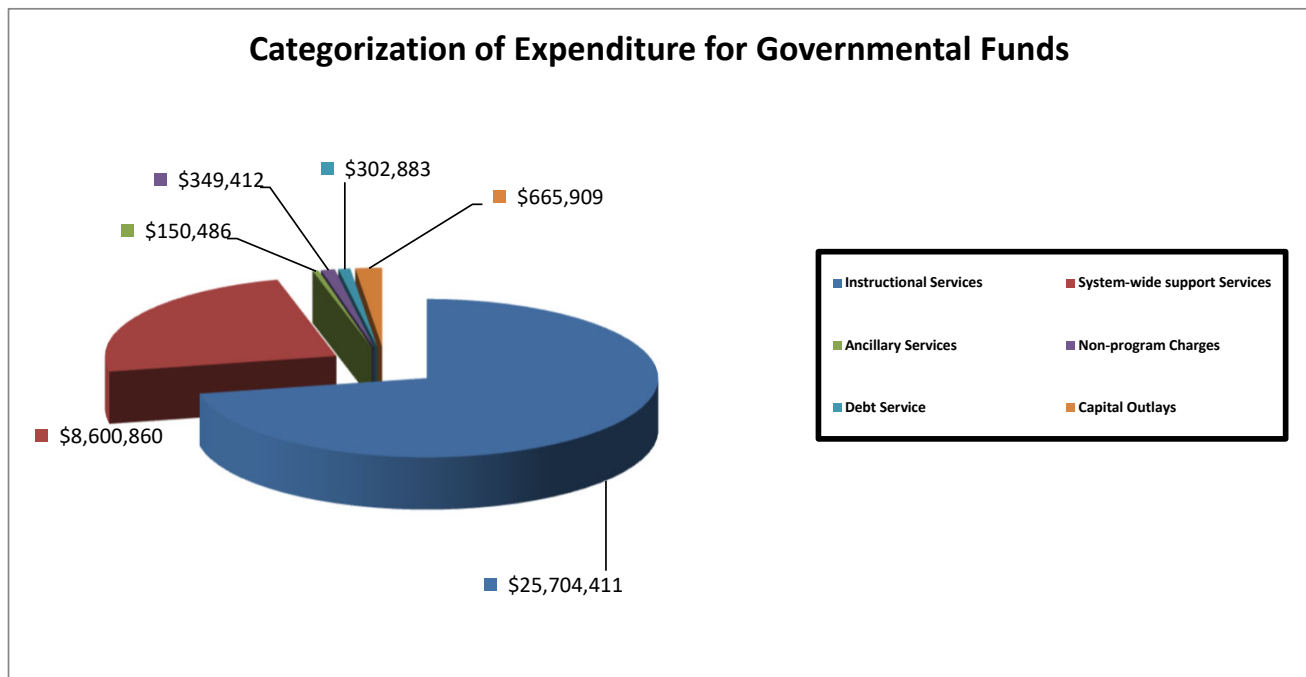
Total governmental activities generated revenues of \$35,720,024 while expenses in this category totaled \$30,898,027. Comparatively, revenues were \$32,834,962 and expenses totaled \$30,531,320, for the year ended June 30, 2021. The increase in net position stands at \$4,821,997, compared to an increase of \$2,303,642, in 2021. Instructional services comprised 68.99% of total governmental-type expenses while system-wide support services made up 26.04% of those expenses for 2022. County funding comprised 13.05% of total governmental revenue. In 2021, County funding was 14.12%. Much of the remaining 86.96% of total governmental revenue for 2022 consists of restricted State and Federal money. Business-type activities generated revenue of \$1,997,841 and had expenses of \$1,444,084. Net position increased in the business-type activities by \$553,757.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$9,352,227, a \$24,293 increase over the prior year. The Other Restricted Fund, Capital Outlay Fund, and Individual School Funds had revenues in excess of expenditures of \$299,871, \$20,144, and \$15,032, respectively. The General Fund had expenditures in excess of revenues of \$310,660. Expenditures increased from the prior year, and included \$671,545 in capitalizable assets.

Proprietary Funds: The Board's School Food Service Fund reflected an increase in net position from last year. Revenues increased significantly due to returning to normal operations from COVID-19 and additional federal funding.



Expenditures presented on modified accrual basis of accounting.

General Fund Budgetary Highlights

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

Capital Assets

Capital assets decreased by \$732,755 from the previous year. Total capital assets decreased as a result of depreciation expense exceeding acquisitions for the year and disposals of old buses, vehicles and equipment. Major asset purchases included technology equipment, vehicles and a building improvements.

The following is a summary of the capital assets, net of depreciation at year-end.

Table 3
Summary of Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Land	\$ 488,902	\$ 488,902	\$ -	\$ -	\$ 488,902	\$ 488,902
Construction in progress	-	-	-	-	-	-
Buildings	40,892,834	40,852,227	-	-	40,892,834	40,852,227
Equipment and furniture	11,150,534	11,195,314	680,693	659,845	11,831,227	11,855,159
Less accumulated depreciation	(37,694,948)	(36,984,021)	(433,432)	(394,929)	(38,128,380)	(37,378,950)
Total	<u>\$ 14,837,322</u>	<u>\$ 15,552,422</u>	<u>\$ 247,261</u>	<u>\$ 264,916</u>	<u>\$ 15,084,583</u>	<u>\$ 15,817,338</u>

Debt Outstanding

During the year, the Board's outstanding debt decreased by \$226,169, as a result of debt payments on school buses and GASB 87 Lease implementation. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used.

Economic Factors

The Board anticipates enrollment will decrease slightly next year and will need a relatively steady or increasing stream of income in order to maintain existing facilities and equipment and to update and improve instructional efforts. County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following economic factors must be considered when viewing the County's ability to provide the required level of funding.

- The County's unemployment rate of 5.8% was higher than the state average of 4.1%.

Requests for Information

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

Lori Merritt, Interim Finance Director
Hertford County Board of Education
701 N. Martin Street
Winton, NC 27986

BASIC FINANCIAL STATEMENTS

Hertford County Board of Education
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,606,527	\$ 1,073,291	\$ 10,679,818
Due from other governments	474,735	31,110	505,845
Receivables (net)	14,582	90	14,672
Net OPEB asset	14,419	442	14,861
Internal balances	42,595	(42,595)	-
Inventories	-	73,893	73,893
Prepayments	121,545	-	121,545
Right to use assets, net	24,057	-	24,057
Capital assets (Note 1)			
Land, improvements, and construction in progress	488,902	-	488,902
Other capital assets, net of depreciation	14,348,420	247,261	14,595,681
Total capital assets	<u>14,837,322</u>	<u>247,261</u>	<u>15,084,583</u>
Total assets	<u>25,135,782</u>	<u>1,383,492</u>	<u>26,519,274</u>
DEFERRED OUTFLOWS OF RESOURCES	8,694,957	229,109	8,924,066
LIABILITIES			
Accounts payable and accrued liabilities	287,872	26,384	314,256
Accrued salaries and wages payable	100,120	-	100,120
Prepaid meals	-	2,723	2,723
Long-term liabilities:			
Due within one year	176,408	-	176,408
Due in more than one year	33,386,937	1,045,737	34,432,674
Total liabilities	<u>33,951,337</u>	<u>1,074,844</u>	<u>35,026,181</u>
DEFERRED INFLOWS OF RESOURCES	18,014,378	536,637	18,551,015
NET POSITION			
Net investment in capital assets	14,674,738	247,261	14,921,999
Restricted:			
Individual Schools	101,197	-	101,197
Stabilization by State Statute	13,481	-	13,481
School Capital Outlay	1,088,577	-	1,088,577
DIPNC OPEB plan	14,419	442	14,861
Unrestricted	<u>(34,027,388)</u>	<u>(246,583)</u>	<u>(34,273,971)</u>
Total net position	<u>\$ (18,134,976)</u>	<u>\$ 1,120</u>	<u>\$ (18,133,856)</u>

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

**Hertford County Board of Education
Statement of Activities
For the Year Ended June 30, 2022**

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental Activities:							
Instructional programs:							
Regular	\$ 11,553,810	\$ -	\$ 13,577,186	\$ -	\$ 2,023,376	\$ -	\$ 2,023,376
Special	2,678,352	-	3,047,222	-	368,870	-	368,870
Alternative programs	2,706,967	-	2,974,730	-	267,763	-	267,763
School leadership	2,152,294	-	2,430,818	-	278,524	-	278,524
Co-curricular	372,591	353,905	-	-	(18,686)	-	(18,686)
School-based support	1,851,927	-	2,040,380	-	188,453	-	188,453
System-wide support services:							
Support and development	503,455	-	521,516	-	18,061	-	18,061
Special populations	60,287	-	83,374	-	23,087	-	23,087
Alternative programs	3,331	-	3,331	-	-	-	-
Technology support	580,678	-	358,783	-	(221,895)	-	(221,895)
Operational support	5,063,669	392,997	3,115,935	558,170	(996,567)	-	(996,567)
Financial and human resource	996,759	-	652,277	-	(344,482)	-	(344,482)
Policy, leadership, and public relations	838,843	-	415,010	-	(423,833)	-	(423,833)
Ancillary services	119,419	-	117,463	-	(1,956)	-	(1,956)
Non-programmed charges	349,737	-	302,254	-	(47,483)	-	(47,483)
Unallocated depreciation expense	1,065,908	-	-	-	(1,065,908)	-	(1,065,908)
Total Governmental activities	<u>30,898,027</u>	<u>746,902</u>	<u>29,640,279</u>	<u>558,170</u>	<u>47,324</u>	<u>-</u>	<u>47,324</u>
Business-type activities:							
School Food service	1,444,084	56,726	1,941,035	-	-	553,677	553,677
Total business-type activities	<u>1,444,084</u>	<u>56,726</u>	<u>1,941,035</u>	<u>-</u>	<u>-</u>	<u>553,677</u>	<u>553,677</u>
Total primary government	<u>\$ 32,342,111</u>	<u>\$ 803,628</u>	<u>\$ 31,581,314</u>	<u>\$ 558,170</u>	<u>47,324</u>	<u>553,677</u>	<u>601,001</u>
General revenues:							
Unrestricted county appropriations - operating					4,290,818	-	4,290,818
Unrestricted county appropriations - capital					371,417	-	371,417
Miscellaneous, unrestricted					106,256	-	106,256
Gain(loss) on disposal					5,176	-	5,176
Investment earnings, unrestricted					1,006	80	1,086
Total general revenues and transfers					<u>4,774,673</u>	<u>80</u>	<u>4,774,753</u>
Change in net position					4,821,997	553,757	5,375,754
Net position, beginning					(22,956,973)	(552,637)	(23,509,610)
Net position, ending					<u>\$ (18,134,976)</u>	<u>\$ 1,120</u>	<u>\$ (18,133,856)</u>

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

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

Exhibit 3

	Major Funds					Non-Major Governmental Fund	
	General Fund	State Public School Fund	Capital Outlay Fund	Federal Grant Fund	Other Restricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,044,978	\$ -	\$ 1,103,191	\$ -	\$ 5,357,161	\$ 101,197	\$ 9,606,527
Due from other governments	9,425	94	425,227	7,432	28,461	4,096	474,735
Accounts receivable	4,056	-	-	-	10,526	-	14,582
Due from other funds	-	-	-	-	42,595	-	42,595
Prepayments	121,545	-	-	-	-	-	121,545
Total assets	<u>\$ 3,180,004</u>	<u>\$ 94</u>	<u>\$ 1,528,418</u>	<u>\$ 7,432</u>	<u>\$ 5,438,743</u>	<u>\$ 105,293</u>	<u>\$ 10,259,984</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 257,138	\$ -	\$ 30,734	\$ -	\$ -	\$ -	\$ 287,872
Accrued salaries and benefits	100,120	-	-	-	-	-	100,120
Total liabilities	<u>357,258</u>	<u>-</u>	<u>30,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,992</u>
Deferred inflows of resources	-	94	409,107	7,432	99,036	4,096	519,765
Fund balances:							
Nonspendable							
Prepays	121,545	-	-	-	-	-	121,545
Restricted							
Stabilization by State Statute	13,481	-	-	-	-	-	13,481
School Capital Outlay	-	-	1,088,577	-	-	-	1,088,577
Individual Schools	-	-	-	-	-	101,197	101,197
Committed							
Other Restricted Funds	-	-	-	-	5,339,707	-	5,339,707
Assigned							
Subsequent Year's Expenditures	1,839,000	-	-	-	-	-	1,839,000
Unassigned	848,720	-	-	-	-	-	848,720
Total fund balances	<u>2,822,746</u>	<u>-</u>	<u>1,088,577</u>	<u>-</u>	<u>5,339,707</u>	<u>101,197</u>	<u>9,352,227</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,180,004</u>	<u>\$ 94</u>	<u>\$ 1,528,418</u>	<u>\$ 7,432</u>	<u>\$ 5,438,743</u>	<u>\$ 105,293</u>	<u>\$ 10,259,984</u>

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

Hertford County Board of Education
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2022

Exhibit 3a

Total fund balance, governmental funds	\$ 9,352,227
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	14,837,322
Right to use assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	24,057
Net OPEB Asset	14,419
Deferred outflows of resources related to pensions	5,052,737
Deferred outflows of resources related to OPEB	3,642,220
Some liabilities, (such as Installment Payables and Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Position.	(1,838,530)
Net Pension liability	(4,694,530)
Net OPEB liability	(27,030,285)
Deferred inflows of resources related to pensions	(6,601,603)
Deferred inflows of resources related to OPEB	(10,893,010)
Net Position of governmental activities	<u>\$ (18,134,976)</u>

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

Hertford County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds					Non-Major Governmental Funds	
	General Fund	State Public School Fund	Capital Outlay Fund	Federal Grant Fund	Other Restricted Funds	Other Governmental Funds	Total Governmental Funds
REVENUES							
State of North Carolina	\$ -	\$ 24,493,124	\$ 558,170	\$ -	\$ 899,803	\$ -	\$ 25,951,097
U.S. Government	-	-	-	4,041,568	205,654	-	4,247,222
Hertford County	4,290,818	-	371,417	-	-	-	4,662,235
Other	90,263	-	-	-	410,126	353,905	854,294
Total	<u>4,381,081</u>	<u>24,493,124</u>	<u>929,587</u>	<u>4,041,568</u>	<u>1,515,583</u>	<u>353,905</u>	<u>35,714,848</u>
EXPENDITURES							
Current:							
Instructional							
Regular Instructional	547,388	12,827,037	-	694,711	61,072	-	14,130,208
Special Populations	162,338	2,418,480	-	624,015	5,200	-	3,210,033
Alternative Programs	82,142	495,318	-	1,606,456	960,018	-	3,143,934
School Leadership	193,366	2,363,371	-	61,654	6,371	-	2,624,762
Co-Curricular	-	-	-	-	-	372,591	372,591
School-Based Support	165,983	1,666,468	-	208,270	182,162	-	2,222,883
System-wide support services							
Support and Development	87,211	391,974	-	129,542	-	-	608,727
Special Populations Support and Development	1,968	77,988	-	5,386	-	-	85,342
Alternative programs and Services Support	-	-	-	3,331	-	-	3,331
Technology Support	378,755	208,132	-	150,518	-	-	737,405
Operational Support	1,958,120	3,047,945	-	67,988	-	-	5,074,053
Financial and Human Resources	485,156	512,568	-	139,709	-	-	1,137,433
Policy, Leadership, and Public Relations	539,495	399,972	-	14,376	726	-	954,569
Ancillary services	33,023	89,759	-	27,704	-	-	150,486
Non-Program Charges	47,135	(5,888)	-	307,908	257	-	349,412
Debt Service							
Principal	52,007	-	250,551	-	-	-	302,558
Interest	325	-	-	-	-	-	325
Capital outlay							
Real Property and Buildings	-	-	290,625	-	-	-	290,625
Furniture and Equipment	-	-	75,544	-	-	-	75,544
Buses and Motor Vehicles	-	-	299,740	-	-	-	299,740
Total Expenditures	<u>4,734,412</u>	<u>24,493,124</u>	<u>916,460</u>	<u>4,041,568</u>	<u>1,215,806</u>	<u>372,591</u>	<u>35,773,961</u>
Excess (deficiency) of revenues over expenditures	<u>(353,331)</u>	<u>-</u>	<u>13,127</u>	<u>-</u>	<u>299,777</u>	<u>(18,686)</u>	<u>(59,113)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(33,718)	-	-	-	-	33,718	-
Sale of Assets	-	-	7,017	-	-	-	7,017
Lease Proceeds	76,389	-	-	-	-	-	76,389
Total other financing sources and (uses)	<u>42,671</u>	<u>-</u>	<u>7,017</u>	<u>-</u>	<u>-</u>	<u>33,718</u>	<u>83,406</u>
Net change in fund balances	(310,660)	-	20,144	-	299,777	15,032	24,293
Fund balances - beginning	3,133,406	-	1,068,433	-	5,039,930	86,165	9,327,934
Fund balances - ending	<u>\$ 2,822,746</u>	<u>\$ -</u>	<u>\$ 1,088,577</u>	<u>\$ -</u>	<u>\$ 5,339,707</u>	<u>\$ 101,197</u>	<u>\$ 9,352,227</u>

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

Hertford County Board of Education
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Exhibit 4a

Net change in fund balances - total governmental funds:	\$ 24,293
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.	(715,100)
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	24,057
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. Difference in accrued investment income and income reported in fund statements.	3,027,882
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	1,171,909
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	226,169
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Pension expense	(1,013,386)
Net OPEB Expense	2,054,780
Compensated absences	21,393
Change in net position of governmental activities	\$ 4,821,997

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

Hertford County Board of Education
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2022

	General Fund				State Public School Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 23,300,000	\$ 26,514,682	\$ 24,493,124	\$ (2,021,558)
U.S. Government	-	-	-	-	-	-	-	-
Hertford County	4,290,818	4,290,818	4,290,818	-	-	-	-	-
Other	53,182	53,182	90,263	37,081	-	-	-	-
Total revenues	4,344,000	4,344,000	4,381,081	37,081	23,300,000	26,514,682	24,493,124	(2,021,558)
EXPENDITURES								
Current:								
Instructional								
Regular	1,423,829	802,494	547,388	255,106	12,289,033	14,206,745	12,827,037	1,379,708
Special Populations	81,730	184,902	162,338	22,564	2,073,579	2,606,112	2,418,480	187,632
Alternative programs	12,027	89,070	82,142	6,928	218,219	501,644	495,318	6,326
School leadership	136,379	221,345	193,366	27,979	2,208,598	2,444,631	2,363,371	81,260
Co-curricular	-	-	-	-	-	-	-	-
School-based support	211,070	181,853	165,983	15,870	1,901,475	1,767,705	1,666,468	101,237
System-wide support services:								
Support and development	564,778	192,755	87,211	105,544	538,597	567,422	391,974	175,448
Special populations	1,000	2,936	1,968	968	94,371	77,988	77,988	-
Alternative programs	-	-	-	-	-	-	-	-
Technology support	370,866	382,768	378,755	4,013	232,433	228,999	208,132	20,867
Operational support	2,351,330	2,746,534	1,958,120	788,414	2,655,169	3,047,947	3,047,945	2
Financial and human resources	341,845	531,114	485,156	45,958	572,986	512,568	512,568	-
Policy, leadership, and public relations	536,295	640,007	539,495	100,512	402,592	399,973	399,972	1
Ancillary services								
Nutrition	32,851	33,222	33,023	199	112,948	152,948	89,759	63,189
Non-programmed charges	30,000	85,000	47,135	37,865	-	-	(5,888)	5,888
Debt Service	55,000	55,000	52,332	2,668	-	-	-	-
Total Expenditures	6,149,000	6,149,000	4,734,412	1,414,588	23,300,000	26,514,682	24,493,124	2,021,558
Revenues over (under) expenditures	(1,805,000)	(1,805,000)	(353,331)	1,451,669	-	-	-	-
OTHER FINANCING SOURCES								
Fund balance appropriated	1,839,000	1,839,000	-	(1,839,000)	-	-	-	-
Transfers out	(34,000)	(34,000)	(33,718)	282	-	-	-	-
Lease Proceeds	-	-	76,389	76,389	-	-	-	-
Total other financing sources and (uses)	1,805,000	1,805,000	42,671	(1,762,329)	-	-	-	-
Net change in fund balances	\$ -	\$ -	(310,660)	\$ (310,660)	\$ -	\$ -	-	\$ -
Fund balances, beginning			3,133,406				-	
Fund balances, ending			<u>\$ 2,822,746</u>				<u>\$ -</u>	

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

Hertford County Board of Education
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2022

	Federal Grant Fund				Other Restricted Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 924,845	\$ 1,024,845	\$ 899,803	\$ (125,042)
U.S. Government	18,295,920	18,165,250	4,041,568	(14,123,682)	130,000	414,352	205,654	(208,698)
Hertford County	-	-	-	-	-	-	-	-
Other	-	-	-	-	228,348	228,349	410,126	181,777
Total revenues	18,295,920	18,165,250	4,041,568	(14,123,682)	1,283,193	1,667,546	1,515,583	(151,963)
EXPENDITURES								
Current:								
Instructional								
Regular	3,275,631	3,296,674	694,711	2,601,963	820,621	820,622	61,072	759,550
Special Populations	1,867,610	1,894,653	624,015	1,270,638	-	-	5,200	(5,200)
Alternative programs	7,005,374	7,011,654	1,606,456	5,405,198	1,006,274	1,006,274	960,018	46,256
School leadership	184,218	184,218	61,654	122,564	50,982	50,982	6,371	44,611
Co-curricular	0	-	-	-	-	-	-	-
School-based support	993,471	977,245	208,270	768,975	239,930	611,230	182,162	429,068
System-wide support services:								
Support and development	293,692	291,992	129,542	162,450	-	-	-	-
Special populations	6,924	6,924	5,386	1,538	-	-	-	-
Alternative programs	168,724	168,724	3,331	165,393	-	-	-	-
Technology support	635,690	642,631	150,518	492,113	88,651	88,651	-	88,651
Operational support	1,096,568	676,568	67,988	608,580	10,000	10,000	-	10,000
Financial and human resources	542,559	539,559	139,709	399,850	14,735	14,735	-	14,735
Policy, leadership, and public relations	273,210	273,210	14,376	258,834	2,000	2,000	726	1,274
Ancillary services								
Nutrition	544,387	357,677	27,704	329,973	-	-	-	-
Non-programmed charges	1,407,862	1,843,521	307,908	1,535,613	-	13,052	257	12,795
Debt Service	-	-	-	-	-	-	-	-
Total Expenditures	18,295,920	18,165,250	4,041,568	14,123,682	2,233,193	2,617,546	1,215,806	1,401,740
Revenues over (under) expenditures	-	-	-	-	(950,000)	(950,000)	299,777	1,249,777
OTHER FINANCING SOURCES								
Fund balance appropriated	-	-	-	-	950,000	950,000	-	(950,000)
Transfers out	-	-	-	-	-	-	-	-
Lease Proceeds	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	950,000	950,000	-	(950,000)
Net change in fund balances	\$ -	\$ -	-	\$ -	\$ -	\$ -	299,777	\$ 299,777
Fund balances, beginning			-				5,039,930	
Fund balances, ending			\$ -				\$ 5,339,707	

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

Hertford County Board of Education
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,073,291
Due from other governments	31,110
Receivables (net)	90
OPEB asset	442
Inventories	73,893
Total current assets	<u>1,178,826</u>
Non-current assets:	
Capital Assets:	
Equipment	680,693
Less accumulated depreciation	<u>(433,432)</u>
Total non-current assets	<u>247,261</u>
Total assets	<u>1,426,087</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>229,109</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	26,384
Due to other funds	42,595
Prepaid Meals	2,723
Total current liabilities	<u>71,702</u>
Non-current liabilities:	
Net Pension liability	144,002
Net OPEB liability	829,138
Compensated absences	72,597
Total non-current liabilities	<u>1,045,737</u>
Total liabilities	<u>1,117,439</u>
DEFERRED INFLOWS OF RESOURCES	<u>536,637</u>
NET POSITION	
Net investment in capital assets	247,261
DIPNC OPEB plan	442
Unrestricted	<u>(246,583)</u>
Total net position	<u>\$ 1,120</u>

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

Hertford County Board of Education
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES:	
Food sales	\$ 55,328
Miscellaneous local revenues	1,398
Total operating revenues	<u>56,726</u>
OPERATING EXPENDITURES:	
Purchase of food	421,864
Donated commodities	156,290
Salaries and benefits	654,203
Indirect cost	68,133
Materials and supplies	68,083
Repairs and maintenance	7,276
Contracted services	9,682
Depreciation	38,503
Capital outlay	11,927
Other	8,123
Total operating expenditures	<u>1,444,084</u>
Operating income (loss)	(1,387,358)
NON-OPERATING REVENUES (EXPENSES):	
Federal reimbursements	1,765,070
Federal commodities used	175,965
Investment earnings	80
Total non-operating revenues (expenses)	<u>1,941,115</u>
Change in net position	553,757
Total net position, beginning	(552,637)
Total net position, ending	<u><u>\$ 1,120</u></u>

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

**Hertford County Board of Education
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

Exhibit 8
Page 1 of 2

Enterprise Fund

Major Fund

**School Food
Service**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 55,626
Cash paid for goods and services	(568,641)
Cash paid to employees for services	(817,839)
Other operating revenues	1,398
Net cash used by operating activities	<u>(1,329,456)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal reimbursements	1,789,860
Due to / from other funds	137,556
Total cash provided by noncapital financing activities	<u>1,927,416</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(20,848)
Total cash provided by capital and related financing activities	<u>(20,848)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>80</u>
-------------------------	-----------

Net increase/(decrease) in cash and cash equivalents 577,192

Cash and cash equivalents, July 1	496,099
Cash and cash equivalents, June 30	<u>\$ 1,073,291</u>

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (1,387,358)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	38,503
Donated commodities consumed	156,290
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	(90)
(Increase)/decrease in net OPEB asset	999
(Increase)/decrease in inventory	14,454
Increase/(decrease) in accounts payable	11,993
Increase/(decrease) in prepaid meals	388
Increase/(decrease) in net pension liability	(260,883)
Increase/(decrease) in net OPEB liability	33,482
(Increase)/decrease in deferred outflows	(52,294)
Increase/(decrease) in deferred inflows	94,147
Increase/(decrease) in compensated absences	20,913
Total adjustments	<u>57,902</u>
Net cash used by operating activities	<u>\$ (1,329,456)</u>

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

**Hertford County Board of Education
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

Exhibit 8
Page 2 of 2

Non-cash operating and non capital financing activities:

The School Food Service Fund received donated commodities with a value of \$175,965 during the fiscal year. The receipt of the commodities is recognized as a non-operating revenue. The Fund recorded the consumption of \$156,920 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

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

Hertford County Board of Education
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

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

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 upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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 Grants Fund. The Federal Grants Fund is used to account for various programs and grants which the federal government provided to the local administrative unit.

Capital Outlay Fund. The Capital Outlay fund is used to account for capital purchases and projects of the public school system.

Other Restricted Fund. The Other Restricted Grants Fund is used to account for various restricted funds that are not required to be in the State Public School Fund or the Federal Grants Fund.

The Board reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under 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. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose code level for all annually budgeted funds. The Superintendent is authorized by the governing Board to transfer amounts within individual funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The board had no inventories in the General Fund. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks, are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	Years
Buildings	10 - 40
Equipment and furniture	5 - 12
Vehicles	10

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

5. Right to use assets

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

6. Deferred outflows and inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion - grants receivable in the general fund, sales tax receivable in the Special Revenue funds, 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 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. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis.

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation is G.S. 159-8(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.* 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 these 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.

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.

Committed Fund Balance - portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Assigned fund balance - portion of fund balance that Hertford County Board of Education intends to use for specific purposes.

Subsequent year's expenditures - portion of total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Hertford County Board of Education has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

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 fund balance sheet includes a reconciliation between 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 (\$27,487,203) 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)	\$ 52,532,270
Less Accumulated Depreciation	<u>(37,694,948)</u>
Net Capital Assets	14,837,322
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	76,389
Amortization Expense for Leased Assets	<u>(52,332)</u>
Net Right to Use Assets	24,057
Net OPEB Asset	14,419
Pension related deferred outflows of resources	5,052,737
OPEB related deferred outflows of resources	3,642,220
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment Purchases	(162,259)
Compensated absences	(1,651,889)
Lease liability	(24,382)
Net Pension liability	(4,694,530)
Net OPEB liability	(27,030,285)
Deferred inflows of resources related to pensions	(6,601,603)
Deferred inflows of resources related to OPEB	<u>(10,893,010)</u>
Total Adjustment	\$ <u><u>(27,487,203)</u></u>

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 \$4,797,704 as follows:

Description	Amount
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.	\$ (1,384,804)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	671,545
Amount by which retirement of asset cost exceeded accumulated depreciation.	(1,841)
Net Capital Assets	(715,100)
Lease agreements were recorded on the fund statements as revenues, but is included as a long-term liability on the government-wide statements.	(76,389)
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to Use Assets - Leased Assets	76,389
Amortization Expense for Leased Assets	(52,332)
	24,057
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements.	302,558
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,027,882
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,171,909
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	(1,013,386)
OPEB expense	2,054,780
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	21,393
Total Adjustment	\$ 4,797,704

11. Defined Benefit Pension Plans and OPEB Plans

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

II. Stewardship, Compliance, and Accountability

Timeliness of Audit

The audit report was issued approximately 4 months after the required due date of October 31, 2022. The finance department experienced turnover in the finance officer position at year end which caused delays in finalizing the trial balance and reconciling to subsidiary ledgers

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2022, the Board had deposits with financial institutions with a carrying amount of \$10,679,818 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$10,977,431 and \$167,794, respectively. Of these balances, \$573,076 was covered by federal depository insurance and \$10,572,149 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Accounts Receivable.

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

	Due from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ -	\$ 9,425	\$ 4,056
Other governmental activities	42,595	465,310	10,526
Total	<u>\$ 42,595</u>	<u>\$ 474,735</u>	<u>\$ 14,582</u>
Business-type activities:			
School Food Service	\$ (42,595)	\$ 31,110	\$ 90
Total	<u>\$ (42,595)</u>	<u>\$ 31,110</u>	<u>\$ 90</u>
Due from other governments consists of the following:			
Governmental Activities:			
General Fund	\$ 9,425	County - Fines & Forfeitures	
State Public School Fund	94	Sales tax refund receivable	
Federal Grants Fund	7,432	Sales tax refund receivable	
Capital Outlay Fund	28,387	Sales tax refund receivable	
Capital Outlay Fund	396,840	County - Capital Outlay	
Other Restricted Funds	3,118	JROTC	
Other Restricted Funds	2,165	Medicaid FFS	
Other Restricted Funds	23,002	Sales tax refund receivable	
Other Restricted Funds	176	NCDHHS Covid Testing	
Individual Schools	4,096	Sales tax refund receivable	
Total	<u>\$ 474,735</u>		
Business-type activities:			
School Food Service Fund	\$ 30,312	USDA Reimbursement Claim	
School Food Service Fund	798	Sales tax refund receivable	
Total	<u>\$ 31,110</u>		

3. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 488,902	\$ -	\$ -	\$ 488,902
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>488,902</u>	<u>-</u>	<u>-</u>	<u>488,902</u>
Capital assets being depreciated:				
Buildings and Improvements	40,852,227	40,607	-	40,892,834
Equipment, furniture, and Vehicles	11,195,314	630,938	(675,718)	11,150,534
Total capital assets being depreciated	<u>52,047,541</u>	<u>671,545</u>	<u>(675,718)</u>	<u>52,043,368</u>
Less accumulated depreciation for:				
Buildings and Improvements	27,350,244	889,905	-	28,240,149
Equipment, furniture, and Vehicles	9,633,777	494,899	(673,877)	9,454,799
Total accumulated depreciation	<u>36,984,021</u>	<u>\$ 1,384,804</u>	<u>\$ (673,877)</u>	<u>37,694,948</u>
Total capital assets being depreciated, net	<u>15,063,520</u>			<u>14,348,420</u>
Governmental activity capital assets, net	<u>\$ 15,552,422</u>			<u>\$ 14,837,322</u>
Depreciation was charged to governmental functions as follows:				
Unallocated depreciation	\$	1,065,908		
Operational support services		318,896		
Total	\$	<u>1,384,804</u>		
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 659,845	\$ 20,848	\$ -	\$ 680,693
Total capital assets being depreciated	<u>659,845</u>	<u>20,848</u>	<u>-</u>	<u>680,693</u>
Less accumulated depreciation for:				
Furniture and office equipment	394,929	38,503	-	433,432
Total accumulated depreciation	<u>394,929</u>	<u>\$ 38,503</u>	<u>\$ -</u>	<u>433,432</u>
Business-type activity capital assets, net	<u>\$ 264,916</u>			<u>\$ 247,261</u>

Construction Commitments

Hertford County Schools has no outstanding construction projects at June 30, 2022.

Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Hertford County Board of Education has entered into an agreement to purchase 3 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 County Board of Education out of funds allocated to the County Board of Education. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2022, has been recorded.

The payments due in the fiscal year ended June 30, 2022 are as follows:

Total purchase price, 3 buses	\$	314,426
Total payments due in 2022-23	\$	157,213
Remaining payments in subsequent years	\$	157,213

4. Right to Use Leased Asset

The Board has recorded 7 right to use leased assets. The assets are right to use assets for leased postage machines and bus GPS units. The related leases are discussed in the Leases subsection of the Long-term obligations section of these notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Right to use assets:				
Leased Equipment	\$ -	\$ 23,281	\$ -	\$ 23,281
Leased Vehicles	-	53,108	-	53,108
Total right to use assets	-	76,389	-	76,389
Less accumulated amortization for:				
Leased Equipment	-	6,811	-	6,811
Leased Vehicles	-	45,521	-	45,521
Total accumulated amortization	-	\$ 52,332	\$ -	52,332
Right to use assets, net	\$ -			\$ 24,057

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 12 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 serves as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO 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 six percent of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contributions rate for the year ended June 30, 2022, was 16.44% 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 \$3,093,545 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$4,838,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2022, the Board's proportion was .1126% and .1033%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$1,002,195. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 271,980	\$ 109,888
Changes of assumptions	1,814,985	-
Net difference between projected and actual earnings on pension plan investments	-	5,995,001
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	699,214
Board contributions subsequent to the measurement date	3,093,545	-
Total	<u>\$ 5,180,510</u>	<u>\$ 6,804,103</u>

\$3,093,545 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ (896,642)
2024	(946,020)
2025	(1,035,833)
2026	(1,838,643)
2027	-
Thereafter	-

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

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields 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, 2020 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%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
<i>Total</i>	<i>100.0%</i>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 6.50%. 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 County's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 16,230,258	\$ 4,838,532	\$ (4,630,849)

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

b. Other Post-employment Benefits

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

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

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

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

Section 35.21 (c) and (d) of Session Law 2018-57 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 increase.

Contributions. By General Statutes, 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 \$1,180,537.

At June 30, 2022, Board reported a liability of \$30,987,806 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability use to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022 and June 30, 2021, the Board's proportion was 0.0901% and 0.0964%, respectively.

\$1,180,537 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 net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2023	\$ 4,268,155
2024	2,267,719
2025	1,122,340
2026	1,004,104
2027	68,449
Thereafter	-

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

Inflation	3.00%
Salary increases	3.50-7.55%, 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	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Healthcare cost trend rate - prescription drug	9.50% grading down to 5.00% by 2028
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, the municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability and is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 33,138,379	\$ 27,859,423	\$ 23,584,063

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (medical, prescription drug, administrative) that is 1-percentage-point lower (4.00-56.50%, 4.00-8.50%, and 2.00% respectively) or 1-percentage-point higher (6.00-7.50%, 6.00-10.50%, and 4.00% respectively) than the current healthcare cost trend rates:

	1% decrease in Trend Rates	Healthcare Trend Rates (MA and Non- MA - 6.50%, Pharmacy - 9.50%, Administrative - 3.00%)	1% Increase in Trend Rates
Net OPEB liability	\$ 22,561,434	\$ 27,859,423	\$ 34,887,693

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

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 ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits 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, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$16,933 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported an asset of \$14,861 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2022, the Board's proportion was 0.0910%.

\$16,933 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 asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2023	\$	11,937
2024		8,842
2025		10,809
2026		6,124
2027		3,506
Thereafter		8,486

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

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

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 9,383	\$ 14,861	\$ 19,928

Common actuarial assumptions for both OPEB plans. The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial assumptions, applied to all periods of 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, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on established 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 study prepared as of December 31, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.2%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

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

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

	RHBF	DIPNC	Total
OPEB Expense	\$ 2,171,807	\$ (34,891)	\$ 2,136,916
OPEB Liability (Asset)	27,859,423	(14,861)	27,844,562
Proportionate share of the net OPEB liability (asset)	0.0901%	0.0910%	

Deferred Outflows of Resources

Differences between expected and actual experience	164,478	37,890	202,368
Changes of assumptions	2,278,661	2,609	2,281,270
Net difference between projected and actual earning on plan investments	-	1,450	1,450
Changes in proportion and differences between Board contributions and proportionate share of contributions	47,847	13,152	60,999
Board contributions subsequent to the measurement date	1,180,537	16,933	1,197,470

Deferred Inflows of Resources

Differences between expected and actual experience	518,594	-	518,594
Changes of assumptions	6,770,445	5,395	6,775,840
Net difference between projected and actual earning on plan investments	14,251	-	14,251
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,918,462	-	3,918,462

2. Accounts Payable

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

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 257,138	\$ 100,120	\$ 357,258
Other Governmental	30,734	-	30,734
Total governmental activities	\$ 287,872	\$ 100,120	\$ 387,992
Business-type Activities			
School Food Service	\$ 26,384	\$ -	\$ 26,384
Total business-type activities	\$ 26,384	\$ -	\$ 26,384

3. Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Grants not yet earned (Other Restricted Funds)	\$ -	\$ 99,036
Sales tax refunds receivable (State Public School)	-	94
Sales tax refunds receivable (Federal Grants)	-	7,432
Sales tax refunds receivable (Individual Schools)	-	4,096
Insurance proceeds not yet earned	-	409,107
Change in proportion and difference between employer contributions and proportionate share of contributions	60,999	4,617,676
Changes in assumptions	4,096,255	6,775,840
Employer contributions subsequent to the measurement date	4,291,015	-
Difference between projected and actual earnings on plan investments	1,450	6,009,252
Difference between expected and actual experience	474,347	628,482
Totals	\$ 8,924,066	\$ 18,551,015

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$600,000 per claim. The Trust has an annual aggregate limit for general liability and errors and omissions claims of \$2,550,000. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from Federal or local funds. Worker's compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk-financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the fund in the event of a catastrophic event. The fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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 up to a \$5 million lifetime limit. In addition, employees had the option of receiving health care benefits through one of the health maintenance organizations (HMOs) offering coverage to teachers and State employees. Effective October 1, 2001, HMOs were no longer offered to Board employees. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$75,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

5. Contingent Liabilities

At June 30, 2022, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

6. Long-Term Obligations

Leases

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 27 month lease as Lessee for the use of Pitney Bowes Postage Machine at HCMS. An initial lease liability was recorded in the amount of \$1,579. As of 06/30/2022, the value of the lease liability is \$949. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$159. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of \$1,579 with accumulated amortization of \$678 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 54 month lease as Lessee for the use of Pitney Bowes Postage Machine at the Central Office. An initial lease liability was recorded in the amount of \$15,384. As of 06/30/2022, the value of the lease liability is \$12,034. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$879. The lease has an interest rate of 1.1770%. The value of the right to use asset as of 06/30/2022 of \$15,384 with accumulated amortization of \$3,419 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 27 month lease as Lessee for the use of Pitney Bowes Postage Machine at AES. An initial lease liability was recorded in the amount of \$1,579. As of 06/30/2022, the value of the lease liability is \$949. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$159. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of \$1,579 with accumulated amortization of \$678 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 27 month lease as Lessee for the use of Pitney Bowes Postage Machine at RES. An initial lease liability was recorded in the amount of \$1,579. As of 06/30/2022, the value of the lease liability is \$949. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$159. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of \$1,579 with accumulated amortization of \$678 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 27 month lease as Lessee for the use of Pitney Bowes Postage Machine at HCHS. An initial lease liability was recorded in the amount of \$1,579. As of 06/30/2022, the value of the lease liability is \$949. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$159. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of \$1,579 with accumulated amortization of \$678 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 27 month lease as Lessee for the use of Pitney Bowes Postage Machine at BPS. An initial lease liability was recorded in the amount of \$1,579. As of 06/30/2022, the value of the lease liability is \$949. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$159. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of \$1,579 with accumulated amortization of \$678 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 14 month lease as Lessee for the use of Bus GPS Units. An initial lease liability was recorded in the amount of \$53,108. As of 06/30/2022, the value of the lease liability is \$7,602. Hertford County Public Schools, NC is required to make monthly fixed payments of \$3,803. The lease has an interest rate of 0.4660%. The value of the right to use asset as of 06/30/2022 of \$53,108 with accumulated amortization of \$45,521 is included with Vehicles on the Lease Class activities table found below.

Amount of lease assets by major classes of underlying assets:

Asset class:	As of Fiscal Year-End		
	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Equipment	\$ 23,281	\$ 6,811	\$ 16,470
Vehicles	53,108	45,521	7,587
Total Leases	<u>\$ 76,389</u>	<u>\$ 52,332</u>	<u>\$ 24,057</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 14,149	\$ 152	\$ 14,301
2024	5,015	90	5,105
2025	3,468	46	3,514
2026	1,750	8	1,758
	<u>\$ 24,382</u>	<u>\$ 296</u>	<u>\$ 24,678</u>

Installment Purchase

The State has accepted the bid to purchase buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. In June 2019, the Board entered into a direct placement installment purchase contract to finance the purchase of four school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires finance payments of \$91,327 due upon receipt of the buses and then at November 15 each contract year. This debt was paid in full as of June 30, 2022.

The State has accepted the bid to purchase buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. In March 2020, the Board entered into a direct placement installment purchase contract to finance the purchase of seven school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires finance payments of \$165,731 due upon receipt of the buses and then at November 15 each contract year.

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 162,259	\$ 3,472
2024	-	-
Total	<u>\$ 162,259</u>	<u>\$ 3,472</u>

Long-Term Obligation Activity

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

	Balance July 01, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Governmental activities:					
Direct placement installment purchase	\$ 412,810	\$ -	\$ 250,551	\$ 162,259	\$ 162,259
Lease Liability	-	76,389	52,007	24,382	14,149
Net Pension Liability	13,199,444	-	8,504,914	4,694,530	-
Net OPEB liability	25,938,737	1,091,548	-	27,030,285	-
Compensated absences	1,673,282	-	21,393	1,651,889	-
Total	\$ 41,224,273	\$ 1,167,937	\$ 8,828,865	\$ 33,563,345	\$ 176,408
Business-type activities:					
Net Pension Liability	\$ 404,885	\$ -	\$ 260,883	\$ 144,002	\$ -
Net OPEB liability	795,656	33,482	-	829,138	-
Compensated absences	51,684	20,913	-	72,597	-
Total	\$ 1,252,225	\$ 54,395	\$ 260,883	\$ 1,045,737	\$ -

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

C. Interfund Balances and Activity

Transfers

Transfers from the General Operating Fund to Hertford County High School for athletic purchases	\$ 33,718
	<u>\$ 33,718</u>

Due to/from balances

From the School Food Service Fund to the Other Restricted Fund for Indirect Cost	\$ 42,595
Total interfund balances	<u>\$ 42,595</u>

Fund Balance

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: 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

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	\$ 2,822,746
Less:	
Prepays	121,545
Stabilization by State Statute	13,481
Appropriated Fund Balance in 2023 Budget	1,839,000
Remaining Fund Balance	<u>\$ 848,720</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

The Board entered into an agreement with DPI to purchased 3 school buses March 14, 2022 for \$314,426. The buses were not received until January 31, 2023 so the related debt and assets will not be recorded until FY22/23.

Fines, Forfeitures and Supplemental School Tax

Hertford County Board of Education has paid all amounts due to Charter Schools for years prior to June 30, 2022 as of the report date. Currently, there are 24 students from Hertford County attending charter schools.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Schedule of Proportionate Share of Net Pension Liability -
Teachers' and State Employees' Retirement System

Schedule of Board Contributions - Teachers' and State
Employees' Retirement System

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

Schedule of Board Contributions - Retiree Health Benefit Fund

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

Schedule of Board Contributions - Disability Income Plan of
North Carolina

**Hertford County Board of Education
Schedules of Required Supplementary Information**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net pension liability (asset)	0.103%	0.113%	0.115%	0.121%	0.122%
Board's proportionate share of the net pension liability (asset)	\$ 4,838,532	\$ 13,604,329	\$ 11,937,551	\$ 12,036,912	\$ 9,653,041
Board's covered payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.22%	76.31%	64.78%	66.33%	54.02%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Board's proportion of the net pension liability (asset)	0.122%	0.124%	0.128%	0.133%	
Board's proportionate share of the net pension liability (asset)	\$ 11,174,458	\$ 4,582,912	\$ 1,499,644	\$ 1,551,631	
Board's covered payroll	\$ 17,338,709	\$ 17,837,027	\$ 17,837,027	\$ 18,353,800	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.45%	25.69%	8.41%	8.45%	
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%	

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

**Hertford County Board of Education
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Nine Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 3,093,545	\$ 2,627,639	\$ 2,312,202	\$ 2,264,834	\$ 1,956,236
Contributions in relation to the contractually required contribution	<u>3,093,545</u>	<u>2,627,639</u>	<u>2,312,202</u>	<u>2,264,834</u>	<u>1,956,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,814,150	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900
Contributions as a percentage of covered payroll	16.44%	14.78%	12.97%	12.29%	10.78%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 1,783,287	\$ 1,590,125	\$ 1,616,715	\$ 1,546,811	
Contributions in relation to the contractually required contribution	<u>1,783,287</u>	<u>1,590,125</u>	<u>1,616,715</u>	<u>1,546,811</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered payroll	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	
Contributions as a percentage of covered payroll	9.98%	9.17%	9.14%	8.67%	

Hertford County Board of Education
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Retiree Health Benefit Fund
Last Six Fiscal Years*

	2022	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability	0.0901%	0.0964%	0.0979%	0.1034%	0.1064%	0.1058%
Board's proportionate share of the net OPEB liability	\$ 27,859,423	\$ 26,734,393	\$ 30,987,806	\$ 29,462,825	\$ 34,897,842	\$ 46,045,142
Board's covered-employee payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	156.70%	149.96%	168.15%	162.36%	195.30%	265.56%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	4.40%	3.52%	2.41%

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

**Hertford County Board of Education
Schedule of Board Contributions
Retire Health Benefit Fund
Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,180,537	\$ 1,187,593	\$ 1,153,427	\$ 1,155,452	\$ 1,097,887
Contributions in relation to the contractually required contribution	<u>1,180,537</u>	<u>1,187,593</u>	<u>1,153,427</u>	<u>1,155,452</u>	<u>1,097,887</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,814,150	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900
Contributions as a percentage of covered payroll	6.27%	6.68%	6.47%	6.27%	6.05%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,038,751	\$ 973,191	\$ 970,029	\$ 961,195	\$ 972,752
Contributions in relation to the contractually required contribution	<u>1,038,751</u>	<u>973,191</u>	<u>970,029</u>	<u>961,195</u>	<u>972,752</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800
Contributions as a percentage of covered payroll	5.81%	5.61%	5.49%	5.39%	5.30%

Hertford County Board of Education
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
Disability Income Plan of North Carolina
Last Six Fiscal Years*

	2022	2021	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.091%	0.098%	0.101%	0.106%	0.107%	0.108%
Board's proportionate share of the net OPEB asset	\$ 14,861	\$ 48,412	\$ 43,724	\$ 32,135	\$ 65,160	\$ 66,770
Board's covered payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.08%	0.27%	0.24%	0.18%	0.36%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	116.23%	116.06%

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

**Hertford County Board of Education
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 16,933	\$ 16,001	\$ 17,827	\$ 25,800	\$ 25,406
Contributions in relation to the contractually required contribution	16,933	16,001	17,827	25,800	25,406
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 18,814,150	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 67,901	\$ 71,251	\$ 72,443	\$ 78,320	\$ 80,757
Contributions in relation to the contractually required contribution	67,901	71,251	72,443	78,320	80,757
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800
Contributions as a percentage of covered payroll	0.38%	0.41%	0.41%	0.44%	0.44%

**Combining and Individual Fund
Financial Statements Section**

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-1

	2022		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
Hertford County Appropriation	\$ 4,290,818	\$ 4,290,818	\$ -
Other			
Fines and Forfeitures	51,000	89,257	38,257
Interest earned on investments	2,182	1,006	(1,176)
Total	53,182	90,263	37,081
Total revenues	4,344,000	4,381,081	37,081
EXPENDITURES			
Instructional services:			
Regular instructional services::			
Regular curricular services		471,113	
CTE curricular services		3,645	
Program enhancement services		72,630	
Total	802,494	547,388	255,106
Special populations services:			
Children with disabilities		129,261	
Pre-K Children with Disabilities		931	
Speech and language pathology		28,077	
Academically gifted		2,541	
Limited English proficiency		1,528	
Total	184,902	162,338	22,564
Alternative Programs and services:			
Alternative instructional		5,991	
Attendance and social work		27,560	
Remedial and supplemental		21,253	
Pre-K readiness		24,170	
Extended day / year instructional		1,591	
School extension learning		1,577	
Total	89,070	82,142	6,928
School leadership services	221,345	193,366	27,979

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-1

	2022		
	Budget	Actual	Positive (Negative) Variance
School-based support services:			
Educational Media services		8,685	
Guidance services		29,308	
Health services		35,297	
Safety and security		90,847	
Staff development		1,846	
Total	181,853	165,983	15,870
System-wide support services:			
Support and development services:			
Regular curricular		87,144	
CTE curricular		67	
Total	192,755	87,211	105,544
Special population support and development	2,936	1,968	968
Technology support services	382,768	378,755	4,013
Operational support services:			
Communication services		131,214	
Public Utility and Energy		712,923	
Custodial / Housekeeping		198,687	
Transportation services		559,768	
Maintenance		355,528	
Total	2,746,534	1,958,120	788,414
Financial and human resource services:			
Financial services		428,565	
Human resource services		56,591	
Total	531,114	485,156	45,958

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-1

	2022		
	Budget	Actual	Positive (Negative) Variance
Policy, leadership and public relations:			
Board of education		133,791	
Legal services		113,241	
Audit services		22,000	
Leadership services		164,926	
Public relations and marketing		105,537	
Total	<u>640,007</u>	<u>539,495</u>	<u>100,512</u>
Ancillary services:			
Nutrition		33,023	
Total	<u>33,222</u>	<u>33,023</u>	<u>199</u>
Non-Programmed charges			
Payments to charter schools		47,135	
Total	<u>85,000</u>	<u>47,135</u>	<u>37,865</u>
Debt Service:			
Principal		52,007	
Interest & Other Charges		325	
Total	<u>55,000</u>	<u>52,332</u>	<u>2,668</u>
Total expenditures	<u>6,149,000</u>	<u>4,734,412</u>	<u>1,414,588</u>
Excess of revenues over (under)	<u>(1,805,000)</u>	<u>(353,331)</u>	<u>1,451,669</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	1,839,000	-	(1,839,000)
Transfer to Individual Schools	(34,000)	(33,718)	282
Lease proceeds	-	76,389	76,389
Total other financing sources and (uses)	<u>1,805,000</u>	<u>42,671</u>	<u>(1,762,329)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(310,660)</u>	<u>\$ (310,660)</u>
Fund balance, beginning		3,133,406	
Fund balance, ending		<u>\$ 2,822,746</u>	

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-2

	2022		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina	\$ 26,514,682	\$ 24,493,124	\$ (2,021,558)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		10,089,320	
CTE curricular services		1,365,514	
Program enhancement services		1,372,203	
Total	14,206,745	12,827,037	1,379,708
Special populations services:			
Children with Disabilities		1,972,637	
Pre-K Children with Disabilities		29,505	
Speech and language pathology		203,401	
Academically gifted		144,038	
Limited English proficiency		68,899	
Total	2,606,112	2,418,480	187,632
Alternative programs and services:			
Alternative instructional services		240,466	
Attendance and social work		92,996	
Remedial and supplemental		45,731	
Pre-K readiness		22,607	
Extended day / year instructional		91,609	
School extension learning recovery			
and enrichment program		1,909	
Total	501,644	495,318	6,326
School leadership services	2,444,631	2,363,371	81,260
School-based support services:			
Educational media		354,261	
Guidance services		937,068	
Health services		112,765	
Safety and Security		248,874	
Instructional Technology		13,500	
Total	1,767,705	1,666,468	101,237
System-wide support services:			
Support and development services:			
Regular curricular support		390,017	
CTE curricular support		1,957	
Total	567,422	391,974	175,448

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-2

	2022		
	Budget	Actual	Positive (Negative) Variance
Special population support	77,988	77,988	-
Technology support services	228,999	208,132	20,867
Operational support			
Public Utility and Energy		164,779	
Custodial / Housekeeping		998,877	
Transportation		1,464,651	
Maintenance		419,638	
Total	3,047,947	3,047,945	2
Financial and human resource:			
Financial services		317,372	
Human resource services		195,196	
Total	512,568	512,568	-
Policy, leadership and public relations:			
Leadership services		395,219	
services		4,753	
Total	399,973	399,972	1
Ancillary services	152,948	89,759	63,189
Nonprogrammed charges	-	(5,888)	5,888
Total Expenditures	26,514,682	24,493,124	2,021,558
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

**Hertford County Board of Education
Other Restricted Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-3

	2022		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina			
School Nurse Funding	\$ 150,000	\$ 140,249	\$ (9,751)
Smart Start	48,001	48,000	(1)
NC Pre-K	791,301	670,819	(120,482)
Other	35,543	40,735	5,192
Total	1,024,845	899,803	(125,042)
U.S. Government			
JROTC	50,000	37,327	(12,673)
NCSBA Medicaid	79,000	146,897	67,897
Medicaid reimbursement	1,000	4,910	3,910
Other	284,352	16,520	(267,832)
Total	414,352	205,654	(208,698)
Other			
Tuition and fees	2,000	3,600	1,600
Rental of school property	100	-	(100)
Contributions and donations	29,315	2,268	(27,047)
Erate	50	133	83
Golden LEAF	30,074	-	(30,074)
Interest earned on investments	200	-	(200)
Indirect cost allocated	150,000	392,997	242,997
Miscellaneous local operating revenues	16,610	11,128	(5,482)
Total	228,349	410,126	181,777
Total revenues	1,667,546	1,515,583	(151,963)
EXPENDITURES			
Instructional services:			
Regular instructional services:			
Regular curricular services		61,072	
Total	820,622	61,072	759,550
Special Populations services:			
Pre-K Children with Disabilities		5,200	
Total	-	5,200	(5,200)

**Hertford County Board of Education
Other Restricted Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-3

	2022		
	Budget	Actual	Positive (Negative) Variance
Alternative Programs and services:			
Pre-K Readiness / Remedial and Supp		960,018	
Total	1,006,274	960,018	46,256
School leadership services	50,982	6,371	44,611
School-based support services:			
Health services		182,162	
Total	611,230	182,162	429,068
Total instructional programs	2,489,108	1,214,823	1,274,285
System-wide support services:			
Technology support services	88,651	-	88,651
Operational support services:			
Total	10,000	-	10,000
Financial and human resource:			
Total	14,735	-	14,735
Policy, leadership and public relations:			
Total	2,000	726	1,274
Total supporting services	115,386	726	114,660
Nonprogram charges			
Transfer of Funds to Other Agencies		257	
Total	13,052	257	12,795
Total expenditures	2,617,546	1,215,806	1,401,740
Excess of revenues over (under) expenditures	(950,000)	299,777	1,249,777

**Hertford County Board of Education
Other Restricted Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-3

	2022		
	Budget	Actual	Positive (Negative) Variance
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	950,000	-	(950,000)
Total other financing sources and (uses)	950,000	-	(950,000)
 NET CHANGE IN FUND BALANCE	 \$ -	 299,777	 \$ 299,777
 Fund balance, beginning		5,039,930	
Prior period adjustment (see Note VI)		-	
Fund balance, ending		<u>\$ 5,339,707</u>	

**Hertford County Board of Education
Capital Outlay Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-4

	2022		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina:			
Sales tax refund	\$ 6,000	\$ 7,879	\$ 1,879
State appropriations - Buses	1,000,475	550,291	(450,184)
Total State of North Carolina	1,006,475	558,170	(448,305)
Hertford County:			
Restricted portion of sales taxes	2,123,525	371,417	(1,752,108)
Total Hertford County	2,123,525	371,417	(1,752,108)
Total Revenues	3,130,000	929,587	(2,200,413)
EXPENDITURES			
Capital outlay:			
Real Property and Buildings	1,653,631	290,625	1,363,006
Furniture and equipment	561,943	75,544	486,399
Motor vehicles	914,426	299,740	614,686
Total Capital Outlay	3,130,000	665,909	2,464,091
Debt Service:			
Principal	700,000	250,551	449,449
Total Debt Service	700,000	250,551	449,449
Total Expenditures	3,830,000	916,460	2,913,540
Revenues Over (Under) Expenditures	(700,000)	13,127	713,127
OTHER FINANCING SOURCES (USES)			
Installment purchase obligations issued	600,000	-	(600,000)
Sale of Assets	-	7,017	7,017
Fund balance appropriated	100,000	-	(100,000)
Total other financing sources and (uses)	700,000	7,017	(692,983)
Net Change in Fund Balance	\$ -	20,144	\$ 20,144
FUND BALANCE			
Beginning of year, July 1		1,068,433	
End of year, June 30		\$ 1,088,577	

Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

Exhibit B-5

	2022		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
U.S. Government	\$ 18,165,250	\$ 4,041,568	\$ (14,123,682)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		542,397	
CTE curricular services		98,583	
Program enhancement services		53,731	
Total	3,296,674	694,711	2,601,963
Special populations services:			
Children with Disabilities		602,997	
Pre-K children with disabilities		6,799	
Speech and language pathology		8,028	
Academically intellectually gifted		3,557	
Limited English proficiency		2,634	
Total	1,894,653	624,015	1,270,638
Alternative programs and services:			
Alternative instructional		7,261	
Attendance and social work		3,294	
Remedial and supplemental		905,170	
Pre-K readiness		20,619	
Extended day / year instructional		320,449	
School extension learning recovery and enrichment program instructional services		349,663	
Total	7,011,654	1,606,456	5,405,198
School leadership services			
School leadership		20,669	
Principal		20,231	
Asst principal		20,754	
Total	184,218	61,654	122,564

Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

Exhibit B-5

	2022		Positive (Negative) Variance
	Budget	Actual	
School-based support services:			
Educational media services		12,957	
Guidance services		94,021	
Health services		58,577	
Safety and security support services		5,375	
Instructinoal technology services		17,744	
Staff development		7,881	
Parent involvement		11,715	
Total	<u>977,245</u>	<u>208,270</u>	<u>768,975</u>
System-wide support services:			
Support and development services:			
Regular curricular support		129,542	
Total	<u>291,992</u>	<u>129,542</u>	<u>162,450</u>
Special population support and development services	<u>6,924</u>	<u>5,386</u>	<u>1,538</u>
Alternative programs and services support and development services	<u>168,724</u>	<u>3,331</u>	<u>165,393</u>
Technology support	<u>642,631</u>	<u>150,518</u>	<u>492,113</u>
Operational support services:			
Custodial housekeeping		22,784	
Transportation		26,737	
Maintenance		18,467	
Total	<u>676,568</u>	<u>67,988</u>	<u>608,580</u>
Financial and human resource:			
Financial Services		54,635	
Human resource		85,074	
Total	<u>539,559</u>	<u>139,709</u>	<u>399,850</u>

**Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

Exhibit B-5

	2022		Positive (Negative) Variance
	Budget	Actual	
Policy, leadership and public relations			
Leadership services		11,995	
Public relations and marketing			
services		2,381	
Total	273,210	14,376	258,834
Ancillary services	357,677	27,704	329,973
Nonprogrammed charges	1,843,521	307,908	1,535,613
Total Expenditures	18,165,250	4,041,568	14,123,682
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

**Hertford County Board of Education
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds	
	Individual Schools	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 101,197	\$ 101,197
Due from other governments	4,096	4,096
Total assets	<u>\$ 105,293</u>	<u>\$ 105,293</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Deferred inflows of resources	<u>4,096</u>	<u>4,096</u>
Fund balances:		
Restricted:		
Individual Schools	101,197	101,197
Unassigned:	<u>-</u>	<u>-</u>
Total fund balances	<u>101,197</u>	<u>101,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 105,293</u>	<u>\$ 105,293</u>

Hertford County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<div>Special Revenue Funds</div> <div>Individual Schools</div>	Total Nonmajor Special Revenue Funds
REVENUES		
State of North Carolina	\$ -	\$ -
Other	353,905	353,905
Total Revenues	<u>353,905</u>	<u>353,905</u>
EXPENDITURES		
Current:		
Instructional services		
Co-Curricular	372,591	372,591
Total Expenditures	<u>372,591</u>	<u>372,591</u>
Excess (deficiency) of revenues over expenditures	<u>(18,686)</u>	<u>(18,686)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from (to) other funds	<u>33,718</u>	<u>33,718</u>
Total other financing sources (uses)	<u>33,718</u>	<u>33,718</u>
Net change in fund balances	15,032	15,032
Fund balances, beginning	86,165	86,165
Fund balances, ending	<u><u>\$ 101,197</u></u>	<u><u>\$ 101,197</u></u>

Combining Balance Sheet and Statement of Revenues,
Expenditures, and Changes in Fund Balance – Individual
Schools

**Hertford County Board of Education
Combining Balance Sheet
Individual Schools
June 30, 2022**

Exhibit C-3

	Cash and Investments	Due From Other Governments	Total Assets	Deferred Revenue	Fund Balance	Total Liabilities & Fund Balance
Bearfield Primary	\$ 8,950	\$ 429	\$ 9,379	\$ 429	\$ 8,950	\$ 9,379
Hertford County Middle	20,089	419	20,508	419	20,089	20,508
Riverview Elementary	6,021	310	6,331	310	6,021	6,331
Ahoskie Elementary	15,061	67	15,128	67	15,061	15,128
Hertford County High	24,422	2,584	27,006	2,584	24,422	27,006
Hertford County Early College	18,500	250	18,750	250	18,500	18,750
CSB Student Development	8,154	37	8,191	37	8,154	8,191
Total	<u>\$ 101,197</u>	<u>\$ 4,096</u>	<u>\$ 105,293</u>	<u>\$ 4,096</u>	<u>\$ 101,197</u>	<u>\$ 105,293</u>

Hertford County Board of Education
Combining Statement of Revenues, Expenditures And
Changes in Fund Balance -- Individual Schools
For the Year Ended June 30, 2022

Exhibit C-4

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers to (from) Other Funds</u>	<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>Fund Balance June 30, 2022</u>
Bearfield Primary	\$ 16,911	\$ 17,720	\$ -	\$ (809)	\$ 8,950
Hertford County Middle	29,586	28,846	-	740	20,089
Riverview Elementary	15,934	14,337	-	1,597	6,021
Ahoskie Elementary	26,732	24,478	-	2,254	15,061
Hertford County High	222,152	248,209	33,718	7,661	24,422
Hertford County Early College	35,374	33,728	-	1,646	18,500
CSB Student Development	<u>7,216</u>	<u>5,273</u>	<u>-</u>	<u>1,943</u>	<u>8,154</u>
Total	<u>\$ 353,905</u>	<u>\$ 372,591</u>	<u>\$ 33,718</u>	<u>\$ 15,032</u>	<u>\$ 101,197</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the government's council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; where the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

School Food Service Fund -- This fund is used to account for the food service program within the school system.

**Hertford County Board of Education
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2022**

Exhibit D-1

	2022		
	Budget	Actual	Positive (Negative) Variance
OPERATING REVENUES:			
Food sales	\$ 167,000	\$ 55,328	\$ (111,672)
Miscellaneous local revenues	50,000	1,398	(48,602)
Total operating revenues	<u>217,000</u>	<u>56,726</u>	<u>(160,274)</u>
OPERATING EXPENDITURES:			
Business support services:			
Purchase of food		421,864	
Donated commodities		156,290	
Salaries and benefits		838,752	
Indirect cost		68,133	
Materials and supplies		68,083	
Repairs and maintenance		7,276	
Contracted services		9,682	
Other		8,123	
Total business support services	<u>2,621,000</u>	<u>1,578,203</u>	<u>1,042,797</u>
Capital outlay	<u>65,000</u>	<u>32,775</u>	<u>32,225</u>
Total operating expenditures	<u>2,686,000</u>	<u>1,610,978</u>	<u>1,075,022</u>
Operating income (loss)	(2,469,000)	(1,554,252)	914,748
NON-OPERATING REVENUES:			
Federal reimbursements	2,347,500	1,765,070	(582,430)
Federal commodities used	120,000	175,965	55,965
Investment earnings	<u>1,500</u>	<u>80</u>	<u>(1,420)</u>
Total operating revenues (expenditures)	<u>2,469,000</u>	<u>1,941,115</u>	<u>(527,885)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>386,863</u>	<u>\$ 386,863</u>
Reconciliation from modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures			
Reconciling items:			
Depreciation		(38,503)	
Net OPEB asset		(999)	
Net OPEB liability		(33,482)	
Net pension liability		260,883	
Deferred outflows		52,294	
Deferred inflows		(94,147)	
Capital Outlay		20,848	
Total Reconciling Items		<u>166,894</u>	
Change in Net Position (full accrual)		<u>\$ 553,757</u>	

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**Report On Internal Control over Financial Reporting And On Compliance and Other
Matters Based On An Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditors' Report

To the Board of Education
Hertford County, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hertford County Board of Education as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises Hertford County Board of Education's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance 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 of Education'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 function, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item [2022-01] that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hertford County Board of Education's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Hertford County Board of Education's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hertford County Board of Education's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
March 15, 2023



Thompson, Price, Scott, Adams & Co, P.A.

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**Report on Compliance With Requirements Applicable to Each Major Federal Program
And Internal Control Over Compliance In Accordance With Uniform Guidance and the
State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Hertford County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal

program. Our audit does not provide a legal determination of Hertford County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
March 15, 2023



Thompson, Price, Scott, Adams & Co, P.A.

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**Report on Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With Uniform Guidance and the
State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

We are required to be independent of Hertford County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate and provides a

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Hertford County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirement referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Hertford County Board of Education's State programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

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

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

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

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
March 15, 2023

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

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(s) identified
that are not considered to be
material weaknesses _____ X yes _____ none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(s) identified
that are not considered to be
material weaknesses _____ yes X none reported

Noncompliance material to federal awards noted _____ yes X no

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Child Nutrition Program Cluster
10.555	After School Snack Program
10.555	Seamless Summer Program
10.559	Summer Food Service Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.425	COVID-19 Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs _____ \$750,000	
Auditee qualified as low-risk auditee _____ <u> X </u> yes _____ no	

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

Section I. Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(s) identified that are not considered
to be material weaknesses _____ yes X none reported

Noncompliance material to State awards _____ yes X no

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 State Single Audit Implementation Act _____ yes X no

Identification of major State programs:

Program Name
State Public School Fund
NC Pre-K

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Timeliness of Audit

Finding: 2022-01

Criteria: The audit report is expected to be submitted within five months plus one day from the fiscal year end per the contract with the Local Government Commission. As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner.

Condition: The Board was unable to provide final financial records to complete the audit timely. The report was not finalized until a little over eight months after year end.

Effect: External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about each unit of local government.

Cause: There was turnover in the finance officer position at the end of the year which caused delays in finalizing the trial balance and subsidiary ledgers.

Recommendation: All efforts should be made to ensure that the audit is completed timely.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding. Please refer to the corrective action plan for details.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.



HERTFORD COUNTY PUBLIC SCHOOLS

HCPS, serving as a cornerstone of our community, will prepare graduates who are ready to meet the global challenges of education, career, and life.

701 North Martin Street • P.O. Box 158 • Winton, North Carolina 27986 • Phone (252)358-1761 • FAX (252) 358-4745

Corrective Action Plan For the Year Ended June 30, 2022

Section II. Financial Statement Findings

2022-01 Timeliness of Audit

Name of contact person: Lori Merritt, Interim Finance Officer

Corrective Action: The Board is actively seeking to fill the Chief Finance Officer's Position. Currently our Agency is contracting with a School Financial Specialist Firm to assist with Finance and will be assisting training of personnel once the position is filled.

Proposed Completion Date: June 30, 2023

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

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

None Reported.

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

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2022 Expenditures</u>
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster</u>			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
Commodity Supplemental Food Program	10.555		\$ 156,290
Non-Cash Assistance			156,290
Cash Assistance:			
Passed-through the N. C. Department of Public Instruction:			
After School Snack Program	10.555		343
Seamless Summer Program	10.555		1,744,379
Summer Food Service Program for Children	10.559		20,348
Total Cash Assistance			1,765,070
Total Child Nutrition Cluster			1,921,360
Total School Nutrition Program (Note 3)	10.582		1,921,360
Total U. S. Department of Agriculture			1,921,360
<u>U. S. Department of Treasury</u>			
Passed-through the N. C. Department of Public Instruction:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	PRC 141	645,192
<u>U. S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N. C. Department of Public Instruction:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	1,017,612
Total Title I, Part A Cluster			1,017,612
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	522,976
ESSER III (ARP) - Special Education - Grants to States (IDEA)	84.027	PRC 185	43,617
Preschool Targeted Assistance	84.173	PRC 119	(51)
Total Special Education Cluster			566,542
Career and Technical Education - Basic Grants to States	84.048	PRC 017	60,708
Rural Education	84.358	PRC 109	120,165
School-Based Mental Health Services Grant	84.184	PRC 102	1,562
Supporting Effective Instruction	84.367	PRC 103	115,553
Student Support and Academic Enrichment Grant	84.424	PRC 108	108,161

Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	2022 Expenditures
COVID-19 Education Stabilization Fund	84.425		
Elementary and Secondary School Emergency Fund (ESSER)			
Governor's Emergency Relief Fund (GEER)			
ESSER I (CARES Act)	84.425D	PRC 163-168	150,829
GEER (CARES Act)	84.425C	PRC 169, 170	101,871
ESSER II (CRRSA)	84.425D	PRC 171-178	832,543
ESSER III (ARP)	84.425D	PRC 181-182, 191-195, 203	950,741
Total COVID-19 Education Stabilization Fund	84.425		<u>2,035,984</u>
Total U.S. Department of Education			<u>4,026,287</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the N.C. Department of Public Instruction:			
Abstinence Education Program Title V	93.235	PRC 101	<u>15,281</u>
<u>Center for Disease Control and Prevention</u>			
Passed-through the N.C. Department of Health and Human Services			
Epidemiology and Laboratory Capacity for Infections Diseases	93.323	PRC 350	<u>16,520</u>
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	None	PRC 301	<u>37,327</u>
Total federal assistance			<u>\$ 6,661,967</u>
State Grants:			
Cash Assistance:			
<u>N. C. Department of Public Instruction</u>			
State Public School Fund			\$ 22,509,503
Driver Training - SPSF		PRC 012	49,757
School Technology Fund - SPSF		PRC 015	9,083
Vocational Education			
-- State Months of Employment		PRC 013	1,073,913
-- Program Support Funds		PRC 014	158,860
Total N. C. Department of Public Instruction			<u>23,801,116</u>
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development			
Smart Start			74,805
NC Pre-Kindergarten Program			809,781
Division of Public Health			
School Nurse Funding Initiative			<u>140,249</u>
Total N.C. Department of Health and Human Services			<u>1,024,835</u>

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

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	2022 Expenditures
Noncash Assistance:			
<u>N.C. Department of Environmental Quality Division of Air Quality</u>			
Passed through N.C. Department of Public Instruction			
State Appropriation - Volkswagen Mitigation Settlement		DEQ-31	191,110
<u>N. C. Department of Public Instruction</u>			
School Buses Appropriation			250,551
Textbooks - Noncash			46,816
			<hr/>
Total State Assistance			25,314,428
			<hr/>
Total Federal and State Assistance			\$ 31,976,395
			<hr/>

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Hertford County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Hertford County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hertford County Board of Education.

2 Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Hertford County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 Cluster of Programs

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