



ANNUAL FINANCIAL REPORT

HERTFORD COUNTY

BOARD OF EDUCATION

FOR YEAR ENDED

JUNE 30, 2021

Hertford County Board of Education
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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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2021, 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, Other Restricted Fund, Federal Grant Fund and Capital Outlay Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 9 and the Schedule of the Proportionate Share of the Net Pension Liability and OPEB Liabilities and the Schedule of Board Contributions on pages 42 through 47, 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 and Other 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 October 24, 2021 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

October 24, 2021

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, 2021. 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 69 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 \$9,327,934 an increase of \$866,243 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 \$23,509,610 as of June 30, 2021, as a result of the implementation of GASB 75. The largest component of net position is investment in capital assets, of \$15,404,528. It comprises 65.52% 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 2021	June 30 2020	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Current assets	\$ 11,300,056	\$ 10,700,296	\$ 717,073	\$ 958,875	\$ 12,017,129	\$ 11,659,171
Capital assets	15,552,422	15,787,827	264,916	298,777	15,817,338	16,086,604
Total assets	<u>26,852,478</u>	<u>26,488,123</u>	<u>981,989</u>	<u>1,257,652</u>	<u>27,834,467</u>	<u>27,745,775</u>
Deferred outflows of resources	7,765,350	7,486,473	176,815	224,509	7,942,165	7,710,982
Current liabilities	1,393,235	1,677,283	16,726	37,337	1,409,961	1,714,620
Long-term liabilities	41,224,273	43,565,453	1,252,225	1,349,944	42,476,498	44,915,397
Total liabilities	<u>42,617,508</u>	<u>45,242,736</u>	<u>1,268,951</u>	<u>1,387,281</u>	<u>43,886,459</u>	<u>46,630,017</u>
Deferred inflows of resources	14,957,293	13,992,475	442,490	413,294	15,399,783	14,405,769
Net investment in capital assets	15,139,612	15,611,244	264,916	298,777	15,404,528	15,910,021
Restricted net position	1,200,918	1,612,815	-	-	1,200,918	1,612,815
Unrestricted net position	<u>(39,297,503)</u>	<u>(42,484,674)</u>	<u>(817,553)</u>	<u>(617,191)</u>	<u>(40,115,056)</u>	<u>(43,101,865)</u>
Total net assets	<u>\$ (22,956,973)</u>	<u>\$ (25,260,615)</u>	<u>\$ (552,637)</u>	<u>\$ (318,414)</u>	<u>\$ (23,509,610)</u>	<u>\$ (25,579,029)</u>

Note that net position increased by 8.09% 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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues:						
Program revenues:						
Charges for services	\$ 301,373	\$ 652,664	\$ 6,066	\$ 75,688	\$ 307,439	\$ 728,352
Operating grants and contributions	27,352,362	26,031,822	477,713	1,816,058	27,830,075	27,847,880
Capital grants and contributions	412,810	88,292	-	-	412,810	88,292
General revenues:						
Other revenues	4,768,417	4,814,557	311	1,181	4,768,728	4,815,738
Total revenues	32,834,962	31,587,335	484,090	1,892,927	33,319,052	33,480,262
Expenses:						
Governmental activities:						
Instructional programs	21,936,799	22,586,567	-	-	21,936,799	22,586,567
System-wide Support	6,857,100	7,533,091	-	-	6,857,100	7,533,091
Ancillary services	496,731	47,318	-	-	496,731	47,318
Non-programmed charges	189,587	141,026	-	-	189,587	141,026
Interest on long-term debt	-	-	-	-	-	-
Unallocated Depreciation	1,051,103	1,442,100	-	-	1,051,103	1,442,100
Business-type activities:						
Food service	-	-	718,313	1,924,262	718,313	1,924,262
Total expenses	30,531,320	31,750,102	718,313	1,924,262	31,249,633	33,674,364
Increase (decrease) in net position	2,303,642	(162,767)	(234,223)	(31,335)	2,069,419	(194,102)
Net position, beginning	(25,260,615)	(25,097,848)	(318,414)	(287,079)	(25,579,029)	(25,384,927)
Net position, ending	\$ (22,956,973)	\$ (25,260,615)	\$ (552,637)	\$ (318,414)	\$ (23,509,610)	\$ (25,579,029)

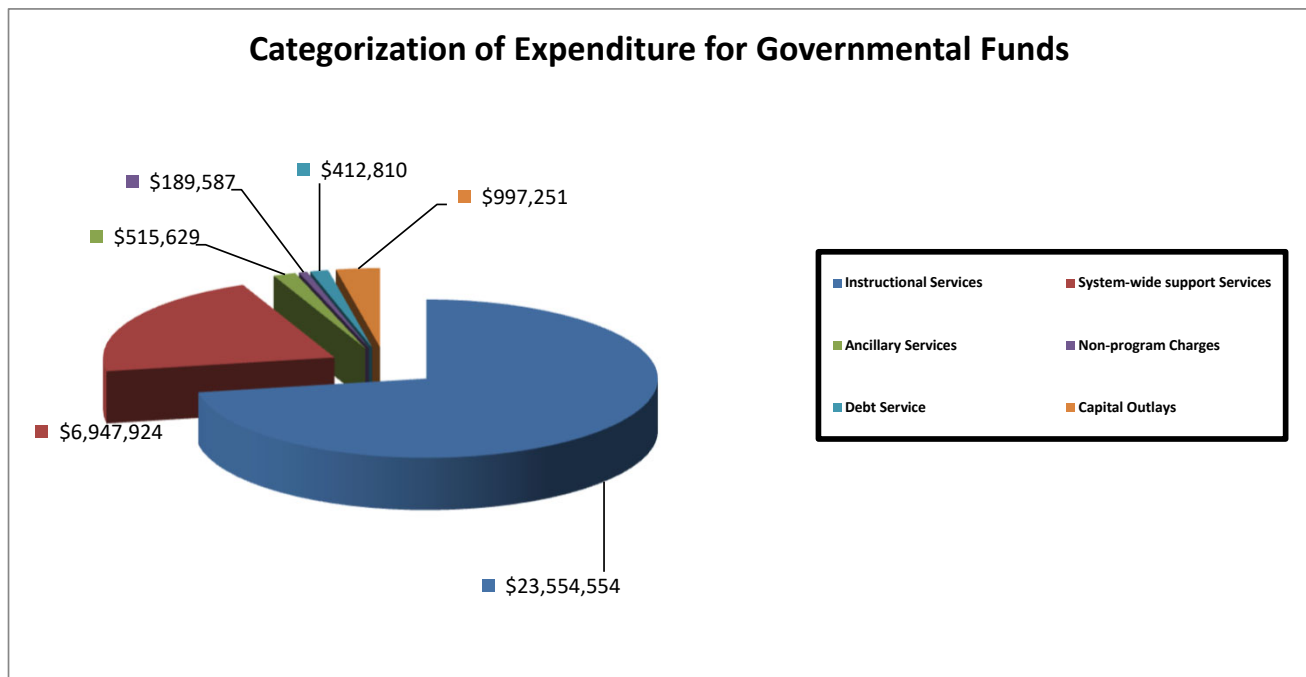
Total governmental activities generated revenues of \$32,834,962 while expenses in this category totaled \$30,531,320. Comparatively, revenues were \$31,587,335 and expenses totaled \$31,750,102, for the year ended June 30, 2020. The increase in net position stands at \$2,303,642, compared to a decrease of \$162,767, in 2020. Instructional services comprised 71.85% of total governmental-type expenses while system-wide support services made up 22.46% of those expenses for 2021. County funding comprised 14.12% of total governmental revenue. In 2020, County funding was 15.65%. Much of the remaining 85.88% of total governmental revenue for 2021 consists of restricted State and Federal money. Business-type activities generated revenue of \$484,090 and had expenses of \$718,313. Net position decreased in the business-type activities by \$234,223.

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 \$9,327,934, a \$866,243 increase over the prior year. The General Fund, Other Restricted Fund, and Capital Outlay Fund, had revenues in excess of expenditures of \$464,516, \$443,939, and \$941, respectively. The Individual Schools Fund had expenditures in excess of revenues of \$43,153. Expenditures increased from the prior year, and included \$1,068,270 in capitalizable assets.

Proprietary Funds: The Board's School Food Service Fund reflected an decrease in net position from last year. Expenditures and revenues both decreased significantly due to COVID-19 closures.



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 \$269,266 from the previous year. Total capital assets decreased as a result of depreciation expense exceeding acquisitions for the year and disposals of old buses. 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	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Land	\$ 488,902	\$ 481,321	\$ -	\$ -	\$ 488,902	\$ 481,321
Construction in progress	-	-	-	-	-	-
Buildings	40,852,227	40,632,683	-	-	40,852,227	40,632,683
Equipment and furniture	11,195,314	10,689,134	659,845	659,845	11,855,159	11,348,979
Less accumulated depreciation	(36,984,021)	(36,015,311)	(394,929)	(361,068)	(37,378,950)	(36,376,379)
Total	<u>\$ 15,552,422</u>	<u>\$ 15,787,827</u>	<u>\$ 264,916</u>	<u>\$ 298,777</u>	<u>\$ 15,817,338</u>	<u>\$ 16,086,604</u>

Debt Outstanding

During the year, the Board's outstanding debt increased by \$236,227, as a result of debt payments on school bus leases and issuance of new school bus debt. 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 6.7% was higher than the state average of 4.9%.

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:

Cynthia H. Martin, 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, 2021

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,880,937	\$ 496,099	\$ 10,377,036
Investments	-	-	-
Due from other governments	1,275,936	36,225	1,312,161
Receivables (net)	64,925	-	64,925
Net OPEB asset	46,971	1,441	48,412
Internal balances	(94,961)	94,961	-
Inventories	-	88,347	88,347
Prepayments	126,248	-	126,248
Capital assets (Note 1)			
Land, improvements, and construction in progress	488,902	-	488,902
Other capital assets, net of depreciation	15,063,520	264,916	15,328,436
Total capital assets	15,552,422	264,916	15,817,338
Total assets	26,852,478	981,989	27,834,467
DEFERRED OUTFLOWS OF RESOURCES			
	7,765,350	176,815	7,942,165
LIABILITIES			
Accounts payable and accrued liabilities	475,498	3,675	479,173
Accrued salaries and wages payable	917,737	10,716	928,453
Prepaid meals	-	2,335	2,335
Long-term liabilities:			
Due within one year	250,551	-	250,551
Due in more than one year	40,973,722	1,252,225	42,225,947
Total liabilities	42,617,508	1,268,951	43,886,459
DEFERRED INFLOWS OF RESOURCES			
	14,957,293	442,490	15,399,783
NET POSITION			
Net investment in capital assets	15,139,612	264,916	15,404,528
Restricted:			
Individual Schools	86,165	-	86,165
Stabilization by State Statute	46,320	-	46,320
School Capital Outlay	1,068,433	-	1,068,433
DIPNC OPEB plan	46,971	1,441	48,412
Unrestricted	(39,344,474)	(818,994)	(40,163,468)
Total net position	\$ (22,956,973)	\$ (552,637)	\$ (23,509,610)

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, 2021**

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 Activites	Total
Primary government							
Governmental Activities:							
Instructional programs:							
Regular	\$ 12,662,343	\$ -	\$ 13,212,492	\$ -	\$ 550,149	\$ -	\$ 550,149
Special	2,689,264	-	2,828,091	-	138,827	-	138,827
Alternative programs	2,164,069	-	2,343,696	-	179,627	-	179,627
School leadership	2,276,408	-	2,313,879	-	37,471	-	37,471
Co-curricular	154,873	111,720	-	-	(43,153)	-	(43,153)
School-based support	1,989,842	-	2,013,025	-	23,183	-	23,183
System-wide support services:							
Support and development	505,402	-	314,720	-	(190,682)	-	(190,682)
Special populations	93,524	-	101,482	-	7,958	-	7,958
Alternative programs	961	-	961	-	-	-	-
Technology support	557,982	-	313,265	-	(244,717)	-	(244,717)
Operational support	4,108,298	189,653	2,360,100	412,810	(1,145,735)	-	(1,145,735)
Financial and human resource	848,488	-	567,728	-	(280,760)	-	(280,760)
Policy, leadership, and public relations	742,445	-	391,096	-	(351,349)	-	(351,349)
Ancillary services	496,731	-	475,688	-	(21,043)	-	(21,043)
Non-programmed charges	189,587	-	116,139	-	(73,448)	-	(73,448)
Unallocated depreciation expense	1,051,103	-	-	-	(1,051,103)	-	(1,051,103)
Total Governmental activities	30,531,320	301,373	27,352,362	412,810	(2,464,775)	-	(2,464,775)
Business-type activities:							
School Food service	718,313	6,066	477,713	-	-	(234,534)	(234,534)
Total business-type activities	718,313	6,066	477,713	-	-	(234,534)	(234,534)
Total primary government	\$ 31,249,633	\$ 307,439	\$ 27,830,075	\$ 412,810	(2,464,775)	(234,534)	(2,699,309)
General revenues:							
Unrestricted county appropriations - operating					4,290,818	-	4,290,818
Unrestricted county appropriations - capital					345,732	-	345,732
Miscellaneous, unrestricted					128,730	-	128,730
Investment earnings, unrestricted					3,137	311	3,448
Total general revenues and transfers					4,768,417	311	4,768,728
Change in net position					2,303,642	(234,223)	2,069,419
Net position, beginning					(25,260,615)	(318,414)	(25,579,029)
Net position, ending					\$ (22,956,973)	\$ (552,637)	\$ (23,509,610)

**Hertford County Board of Education
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds					Non-Major Governmental Fund	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Federal Grant Fund	Other Restricted Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 3,179,938	\$ -	\$ 1,355,373	\$ -	\$ 5,239,875	\$ 105,751	\$ 9,880,937
Due from other governments	6,693	737,254	433,168	64,893	32,742	1,186	1,275,936
Accounts receivable	20,041	-	-	-	44,884	-	64,925
Due from other funds	19,586	-	-	-	71,301	-	90,887
Prepayments	126,248	-	-	-	-	-	126,248
Total assets	<u>\$ 3,352,506</u>	<u>\$ 737,254</u>	<u>\$ 1,788,541</u>	<u>\$ 64,893</u>	<u>\$ 5,388,802</u>	<u>\$ 106,937</u>	<u>\$ 11,438,933</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 138,693	\$ -	\$ 311,001	\$ -	\$ 25,804	\$ -	\$ 475,498
Due to other funds	-	-	-	-	166,262	19,586	185,848
Accrued salaries and benefits	80,407	731,366	-	48,194	57,770	-	917,737
Total liabilities	<u>219,100</u>	<u>731,366</u>	<u>311,001</u>	<u>48,194</u>	<u>249,836</u>	<u>19,586</u>	<u>1,579,083</u>
Deferred inflows of resources	-	5,888	409,107	16,699	99,036	1,186	531,916
Fund balances:							
Nonspendable							
Prepaids	126,248	-	-	-	-	-	126,248
Restricted							
Stabilization by State Statute	46,320	-	-	-	-	-	46,320
School Capital Outlay	-	-	1,068,433	-	-	-	1,068,433
Individual Schools	-	-	-	-	-	86,165	86,165
Committed							
Other Restricted Funds	-	-	-	-	5,039,930	-	5,039,930
Assigned							
Subsequent Year's Expenditures	1,515,000	-	-	-	-	-	1,515,000
Unassigned	1,445,838	-	-	-	-	-	1,445,838
Total fund balances	<u>3,133,406</u>	<u>-</u>	<u>1,068,433</u>	<u>-</u>	<u>5,039,930</u>	<u>86,165</u>	<u>9,327,934</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,352,506</u>	<u>\$ 737,254</u>	<u>\$ 1,788,541</u>	<u>\$ 48,194</u>	<u>\$ 5,388,802</u>	<u>\$ 106,937</u>	<u>\$ 11,438,933</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, 2021**

Total fund balance, governmental funds	\$ 9,327,934
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.	15,552,422
Net OPEB Asset	46,971
Deferred outflows of resources related to pensions	5,224,831
Deferred outflows of resources related to OPEB	2,540,519
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.	(2,086,092)
Net Pension liability	(13,199,444)
Net OPEB liability	(25,938,737)
Deferred inflows of resources related to pensions	(283,280)
Deferred inflows of resources related to OPEB	(14,142,097)
Net Position of governmental activities	<u><u>\$ (22,956,973)</u></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, 2021

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Federal Grant Fund	Other Restricted Funds	Other Governmental Funds	
REVENUES							
State of North Carolina	\$ -	\$ 22,695,759	\$ 412,810	\$ -	\$ 899,942	\$ -	\$ 24,008,511
U. S. Government	-	-	-	3,304,458	369,895	-	3,674,353
Hertford County	4,290,818	-	345,732	-	-	-	4,636,550
Other	55,549	-	3,424	-	344,855	111,720	515,548
Total	<u>4,346,367</u>	<u>22,695,759</u>	<u>761,966</u>	<u>3,304,458</u>	<u>1,614,692</u>	<u>111,720</u>	<u>32,834,962</u>
EXPENDITURES							
Current:							
Instructional							
Regular Instructional	516,420	11,759,897	-	1,191,163	165,181	-	13,632,661
Special Populations	58,629	2,387,835	-	440,256	-	-	2,886,720
Alternative Programs	35,564	368,050	-	1,014,739	885,929	-	2,304,282
School Leadership	151,980	2,190,521	-	55,526	62,539	-	2,460,566
Co-Curricular	-	-	-	-	-	154,873	154,873
School-Based Support	106,598	1,877,803	-	81,786	49,265	-	2,115,452
System-wide support services							
Support and Development	220,963	298,968	-	15,753	-	-	535,684
Special Populations Support and Development	2,771	99,709	-	1,773	-	-	104,253
Alternative programs and Services Support	-	-	-	961	-	-	961
Technology Support	324,220	196,562	-	116,668	-	-	637,450
Operational Support	1,634,685	2,301,261	-	58,225	565	-	3,994,736
Financial and Human Resources	333,760	544,347	-	15,943	6,858	-	900,908
Policy, Leadership, and Public Relations	382,872	378,822	-	11,822	416	-	773,932
Ancillary services	39,941	291,984	-	183,704	-	-	515,629
Non-Program Charges	73,448	-	-	116,139	-	-	189,587
Debt Service							
Principal	-	-	412,810	-	-	-	412,810
Interest	-	-	-	-	-	-	-
Capital outlay							
Real Property and Buildings	-	-	298,125	-	-	-	298,125
Furniture and Equipment	-	-	-	-	-	-	-
Buses and Motor Vehicles	-	-	699,126	-	-	-	699,126
Total Expenditures	<u>3,881,851</u>	<u>22,695,759</u>	<u>1,410,061</u>	<u>3,304,458</u>	<u>1,170,753</u>	<u>154,873</u>	<u>32,617,755</u>
Excess (deficiency) of revenues over expenditures	<u>464,516</u>	<u>-</u>	<u>(648,095)</u>	<u>-</u>	<u>443,939</u>	<u>(43,153)</u>	<u>217,207</u>
OTHER FINANCING SOURCES (USES)							
Installment purchase obligations issued	-	-	649,036	-	-	-	649,036
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>649,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,036</u>
Net change in fund balances	464,516	-	941	-	443,939	(43,153)	866,243
Fund balances - beginning	2,668,890	-	1,067,492	-	4,595,991	129,318	8,461,691
Fund balances - ending	<u>\$ 3,133,406</u>	<u>\$ -</u>	<u>\$ 1,068,433</u>	<u>\$ -</u>	<u>\$ 5,039,930</u>	<u>\$ 86,165</u>	<u>\$ 9,327,934</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, 2021

Net change in fund balances - total governmental funds: \$ 866,243

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. (235,405)

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. 2,590,454

Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities 1,186,312

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. (236,226)

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	(3,701,146)
Net OPEB Expense	1,765,656
Compensated absences	67,754

Change in net position of governmental activities	\$ 2,303,642
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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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ 24,000,000	\$ 24,132,977	\$ 22,695,759	\$ (1,437,218)
U.S. Government	-	-	-	-	-	-	-	-
Hertford County	4,290,818	4,290,818	4,290,818	-	-	-	-	-
Other	53,182	53,182	55,549	2,367	-	-	-	-
Total revenues	4,344,000	4,344,000	4,346,367	2,367	24,000,000	24,132,977	22,695,759	(1,437,218)
EXPENDITURES								
Current:								
Instructional								
Regular	1,222,911	1,045,928	516,420	529,508	12,419,753	12,580,055	11,759,897	820,158
Special Populations	125,813	167,297	58,629	108,668	2,426,964	2,389,820	2,387,835	1,985
Alternative programs	7,500	40,663	35,564	5,099	368,288	505,598	368,050	137,548
School leadership	102,394	155,867	151,980	3,887	2,149,800	2,248,469	2,190,521	57,948
Co-curricular	-	-	-	-	-	-	-	-
School-based support	175,166	224,028	106,598	117,430	1,966,700	1,953,030	1,877,803	75,227
System-wide support services:								
Support and development	611,193	386,648	220,963	165,685	544,394	575,750	298,968	276,782
Special populations	1,000	3,311	2,771	540	83,924	99,709	99,709	-
Alternative programs	-	-	-	-	-	-	-	-
Technology support	263,014	334,966	324,220	10,746	201,834	200,557	196,562	3,995
Operational support	2,441,894	2,387,737	1,634,685	753,052	2,607,956	2,301,261	2,301,261	-
Financial and human resources	285,300	380,470	333,760	46,710	562,978	544,347	544,347	-
Policy, leadership, and public relations	539,489	548,759	382,872	165,887	361,192	378,822	378,822	-
Ancillary services								
Nutrition	3,326	103,326	39,941	63,385	306,217	305,559	291,984	13,575
Non-programmed charges	80,000	80,000	73,448	6,552	-	50,000	-	50,000
Total Expenditures	5,859,000	5,859,000	3,881,851	1,977,149	24,000,000	24,132,977	22,695,759	1,437,218
Revenues over (under) expenditures	(1,515,000)	(1,515,000)	464,516	1,979,516	-	-	-	-
OTHER FINANCING SOURCES								
Fund balance appropriated	1,515,000	1,515,000	-	(1,515,000)	-	-	-	-
Total other financing sources and (uses)	1,515,000	1,515,000	-	(1,515,000)	-	-	-	-
Net change in fund balances	\$ -	\$ -	464,516	\$ 464,516	\$ -	\$ -	-	\$ -
Fund balances, beginning			2,668,890				-	
Fund balances, ending			<u>\$ 3,133,406</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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ 933,645	\$ 933,645	\$ 899,942	\$ (33,703)
U.S. Government	9,241,161	9,126,314	3,304,458	(5,821,856)	87,000	87,000	369,895	282,895
Hertford County	-	-	-	-	-	-	-	-
Other	-	-	-	-	387,224	387,225	344,855	(42,370)
Total revenues	9,241,161	9,126,314	3,304,458	(5,821,856)	1,407,869	1,407,870	1,614,692	206,822
EXPENDITURES								
Current:								
Instructional								
Regular	2,800,212	1,993,145	1,191,163	801,982	683,805	678,234	165,181	513,053
Special Populations	1,017,156	1,098,385	440,256	658,129	-	-	-	-
Alternative programs	1,935,980	3,284,827	1,014,739	2,270,088	935,767	939,779	885,929	53,850
School leadership	44,681	55,620	55,526	94	128,926	130,486	62,539	67,947
Co-curricular	300	300	-	300	-	-	-	-
School-based support	268,597	287,100	81,786	205,314	70,991	70,991	49,265	21,726
System-wide support services:								
Support and development	282,693	170,758	15,753	155,005	-	-	-	-
Special populations	2,296	2,296	1,773	523	-	-	-	-
Alternative programs	149,119	149,119	961	148,158	-	-	-	-
Technology support	729,424	739,662	116,668	622,994	36,510	36,510	-	36,510
Operational support	97,802	60,977	58,225	2,752	202,000	9,565	565	9,000
Financial and human resources	509,836	364,458	15,943	348,515	-	190,435	6,858	183,577
Policy, leadership, and public relations	216,900	126,431	11,822	114,609	-	2,000	416	1,584
Ancillary services								
Nutrition	312,690	474,947	183,704	291,243	-	-	-	-
Non-programmed charges	873,475	318,289	116,139	202,150	-	-	-	-
Total Expenditures	9,241,161	9,126,314	3,304,458	5,821,856	2,057,999	2,058,000	1,170,753	887,247
Revenues over (under) expenditures	-	-	-	-	(650,130)	(650,130)	443,939	1,094,069
OTHER FINANCING SOURCES								
Fund balance appropriated	-	-	-	-	650,130	650,130	-	(650,130)
Total other financing sources and (uses)	-	-	-	-	650,130	650,130	-	(650,130)
Net change in fund balances	\$ -	\$ -	-	\$ -	\$ -	\$ -	443,939	\$ 443,939
Fund balances, beginning			-				4,595,991	
Fund balances, ending			\$ -				\$ 5,039,930	

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, 2021

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 496,099
Due from other governments	36,225
Due from other funds	94,961
OPEB asset	1,441
Inventories	88,347
Total current assets	<u>717,073</u>
Non-current assets:	
Capital Assets:	
Equipment	659,845
Less accumulated depreciation	<u>(394,929)</u>
Total non-current assets	<u>264,916</u>
Total assets	<u>981,989</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>176,815</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	3,675
Accrued salaries and wages payable	10,716
Prepaid Meals	2,335
Total current liabilities	<u>16,726</u>
Non-current liabilities:	
Net Pension liability	404,885
Net OPEB liability	795,656
Compensated absences	51,684
Total non-current liabilities	<u>1,252,225</u>
Total liabilities	<u>1,268,951</u>
DEFERRED INFLOWS OF RESOURCES	<u>442,490</u>
NET POSITION	
Net investment in capital assets	264,916
DIPNC OPEB plan	1,441
Unrestricted	(818,994)
Total net position	<u>\$ (552,637)</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, 2021

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES:	
Food sales	\$ 4,708
Miscellaneous local revenues	1,358
Total operating revenues	<u>6,066</u>
OPERATING EXPENDITURES:	
Purchase of food	102,196
Donated commodities	60,771
Salaries and benefits	377,665
Indirect cost	69,664
Materials and supplies	24,723
Repairs and maintenance	9,355
Contracted services	11,200
Depreciation	33,862
Capital outlay	25,955
Other	2,922
Total operating expenditures	<u>718,313</u>
Operating income (loss)	(712,247)
NON-OPERATING REVENUES (EXPENSES):	
Federal reimbursements	386,724
Federal commodities used	90,989
Investment earnings	311
Total non-operating revenues (expenses)	<u>478,024</u>
Change in net position	(234,223)
Total net position, beginning	(318,414)
Total net position, ending	<u><u>\$ (552,637)</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 Fiscal Year Ended June 30, 2021**

	Enterprise Fund
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,221
Cash paid for goods and services	(294,679)
Cash paid to employees for services	(398,629)
Other operating revenues	1,358
Net cash used by operating activities	<u>(687,729)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	508,598
Due to / from other funds	(265,087)
Total cash provided by noncapital financing activities	<u>243,511</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	-
Total cash provided by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>311</u>
Net increase/(decrease) in cash and cash equivalents	(443,907)
Cash and cash equivalents, July 1	940,006
Cash and cash equivalents, June 30	<u>\$ 496,099</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (712,247)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	33,862
Donated commodities consumed	60,771
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	196
(Increase)/decrease in net OPEB asset	(140)
(Increase)/decrease in inventory	(28,736)
Increase/(decrease) in accounts payable	(19,928)
Increase/(decrease) in prepaid meals	(683)
Increase/(decrease) in net pension liability	49,606
Increase/(decrease) in net OPEB liability	(126,588)
(Increase)/decrease in deferred outflows	47,694
Increase/(decrease) in deferred inflows	29,196
Increase/(decrease) in compensated absences	(20,732)
Total adjustments	<u>24,518</u>
Net cash used by operating activities	<u>\$ (687,729)</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 Fiscal Year Ended June 30, 2021**

Non-cash operating and non capital financing activities:

The School Food Service Fund received donated commodities with a value of \$90,989 during the fiscal year. The receipt of the commodities is recognized as a non-operating revenue. The Fund recorded the consumption of \$60,771 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

Hertford County Board of Education
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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:

	<u>Years</u>
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. 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.

6. 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.

7. 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, 2021 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.

8. 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.

9. 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 (\$32,284,907) 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)	\$ 52,536,443
Less Accumulated Depreciation	(36,984,021)
Net Capital Assets	15,552,422
Net OPEB Asset	46,971
Pension related deferred outflows of resources	5,224,831
OPEB related deferred outflows of resources	2,540,519
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	(412,810)
Compensated absences	(1,673,282)
Net Pension liability	(13,199,444)
Net OPEB liability	(25,938,737)
Deferred inflows of resources related to pensions	(283,280)
Deferred inflows of resources related to OPEB	(14,142,097)
Total Adjustment	\$ (32,284,907)

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 \$1,437,399 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.	\$ (1,303,675)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	1,068,270
Net Capital Assets	(235,405)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(649,036)
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.	412,810
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,590,454
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,186,312
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	(3,701,146)
OPEB expense	1,765,656
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	67,754
Total Adjustment	\$ 1,437,399

10. 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, RHBFm 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. BENefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

Material Violations of Finance-Related Legal and Contractual Provisions

There were no material violations for the year ended June 30, 2021.

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, 2021, the Board had deposits with financial institutions with a carrying amount of \$10,377,036 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$10,958,647 and \$178,808, respectively. Of these balances, \$567,881 was covered by federal depository insurance and \$10,569,573 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, 2021, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 19,586	\$ 6,693	\$ 20,041
Other governmental activities	(114,547)	1,269,243	44,884
Total	<u>\$ (94,961)</u>	<u>\$ 1,275,936</u>	<u>\$ 64,925</u>
Business-type activities:			
School Food Service	\$ 94,961	\$ 36,225	\$ -
Total	<u>\$ 94,961</u>	<u>\$ 36,225</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental Activities:		
General Fund	\$ 6,693	County - Fines & Forfeitures
State Public School Fund	731,366	Operating Funds from DPI
State Public School Fund	5,888	Sales tax refund receivable
Federal Grants Fund	48,194	Federal Grants Fund
Federal Grants Fund	16,699	Sales tax refund receivable
Capital Outlay Fund	3,424	Sales tax refund receivable
Capital Outlay Fund	429,744	County - Capital Outlay
Other Restricted Funds	4,784	JROTC
Other Restricted Funds	27,958	Sales tax refund receivable
Individual Schools	1,186	Sales tax refund receivable
Total	<u>\$ 1,275,936</u>	
Business-type activities:		
School Food Service Fund	\$ 35,233	USDA Reimbursement Claim
School Food Service Fund	992	Sales tax refund receivable
Total	<u>\$ 36,225</u>	

3. Capital Assets

Capital asset activity for the year ended June 30, 2021, 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	\$ 481,321	\$ 7,581	\$ -	\$ 488,902
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>481,321</u>	<u>7,581</u>	<u>-</u>	<u>488,902</u>
Capital assets being depreciated:				
Buildings and Improvements	40,632,683	219,544	-	40,852,227
Equipment, furniture, and Vehicles	10,689,134	841,145	(334,965)	11,195,314
Total capital assets being depreciated	<u>51,321,817</u>	<u>1,060,689</u>	<u>(334,965)</u>	<u>52,047,541</u>
Less accumulated depreciation for:				
Buildings and Improvements	26,456,614	893,630	-	27,350,244
Equipment, furniture, and Vehicles	9,558,697	410,045	(334,965)	9,633,777
Total accumulated depreciation	<u>36,015,311</u>	<u>1,303,675</u>	<u>(334,965)</u>	<u>36,984,021</u>
Total capital assets being depreciated, net	<u>15,306,506</u>	<u>\$ (242,986)</u>	<u>\$ -</u>	<u>15,063,520</u>
Governmental activity capital assets, net	<u>\$ 15,787,827</u>			<u>\$ 15,552,422</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,051,103
Operational support services	252,572
Total	<u>\$ 1,303,675</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	\$ -	\$ -	\$ 659,845
Total capital assets being depreciated	<u>659,845</u>	<u>-</u>	<u>-</u>	<u>659,845</u>
Less accumulated depreciation for:				
Furniture and office equipment	361,068	33,861	-	394,929
Total accumulated depreciation	<u>361,068</u>	<u>\$ 33,861</u>	<u>\$ -</u>	<u>394,929</u>
Business-type activity capital assets, net	<u>\$ 298,777</u>			<u>\$ 264,916</u>

Construction Commitments

Hertford County Schools has no outstanding construction projects at June 30, 2021.

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, 2021, was 14.78% 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 \$2,627,639 for the year ended June 30, 2021.

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, 2021, the Board reported a liability of \$13,604,329 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 and at June 30, 2021, the Board's proportion was .1152% and .1126%, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$3,809,485. At June 30, 2021, 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	\$ 749,672	\$ -
Changes of assumptions	461,013	-
Net difference between projected and actual earnings on pension plan investments	1,504,499	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	291,969
Board contributions subsequent to the measurement date	2,627,639	-
Total	<u>\$ 5,342,823</u>	<u>\$ 291,969</u>

\$2,627,639 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ 813,928
2023	610,633
2024	550,452
2025	448,203
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016.

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, 2019 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 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 24,484,596	\$ 13,604,329	\$ 4,478,036

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 of 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 6.68% of covered payroll which amounted to \$1,187,593.

At June 30, 2020, Board reported a liability of \$29,462,825 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability use to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and June 30, 2020, the Board's proportion was 0.0964% and 0.0979%, respectively.

\$1,187,593 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	\$ 4,435,023
2023	4,432,088
2024	2,289,421
2025	1,079,424
2026	979,241
Thereafter	-

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

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	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% at June 30, 2020 compared to 3.5% at June 30, 2019. 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	\$ 31,705,298	\$ 26,734,393	\$ 22,729,500

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, Medicare advantage, administrative) that is 1-percentage-point lower (4.00-6.50%, 4.00-6.25%, 3.00-4.00% and 2.00% respectively) or 1-percentage-point higher (6.00-7.50%, 6.00-8.25%, 5.00-6.00%, and 4.00% respectively) than the current healthcare cost trend rates:

	1% decrease in Trend Rates	Healthcare Trend Rates (Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%)	1% Increase in Trend Rates
Net OPEB liability	\$ 21,552,755	\$ 26,734,393	\$ 33,660,350

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 medically 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, 2021, 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 \$16,001 for the year ended June 30, 2021.

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, 2021, the Board reported an asset of \$48,412 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Board's proportion was 0.0984%.

\$16,001 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	\$ 11,041
2023	7,748
2024	4,400
2025	6,529
2026	1,478
Thereafter	3,852

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

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 41,811	\$ 48,412	\$ 54,821

Common actuarial assumptions for both OPEB plans. The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2019 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, 2020. 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 review for the period January 1, 2010 through December 31, 2014.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020. 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, 2020 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	\$ 1,402,064	\$ (38,501)	\$ 1,363,563
OPEB Liability (Asset)	26,734,393	(48,412)	26,685,981
Proportionate share of the net OPEB liability (asset)	0.0964%	0.0984%	
Deferred Outflows of Resources			
Differences between expected and actual experience	24,219	35,070	59,289
Changes of assumptions	1,172,456	3,764	1,176,220
Net difference between projected and actual earning on plan investments	56,319	-	56,319
Changes in proportion and differences between Board contributions and proportionate share of contributions	95,694	8,224	103,918
Board contributions subsequent to the measurement date	1,187,593	16,001	1,203,594
Deferred Inflows of Resources			
Differences between expected and actual experience	1,045,882	-	1,045,882
Changes of assumptions	10,849,239	3,812	10,853,051
Net difference between projected and actual earning on plan investments	-	8,201	8,201
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,668,764	-	2,668,764

2. Accounts Payable

Accounts payable as June 30, 2021, are as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 138,693	\$ 80,407	\$ 219,100
Other Governmental	336,805	837,330	1,174,135
Total governmental activities	\$ 475,498	\$ 917,737	\$ 1,393,235
Business-type Activities			
School Food Service	\$ 3,675	\$ 10,716	\$ 14,391
Total business-type activities	\$ 3,675	\$ 10,716	\$ 14,391

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)	-	5,888
Sales tax refunds receivable (Federal Grants)	-	16,699
Sales tax refunds receivable (Individual Schools)	-	1,186
Insurance proceeds not yet earned	-	409,107
Change in proportion and difference between employer contributions and proportionate share of contributions	103,918	2,960,733
Changes in assumptions	1,637,233	10,853,051
Employer contributions subsequent to the measurement date	3,831,233	-
Difference between projected and actual earnings on plan investments	1,560,818	8,201
Difference between expected and actual experience	808,963	1,045,882
Totals	\$ <u>7,942,165</u>	\$ <u>15,399,783</u>

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, 2021, 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

Installment Purchase

There were no future minimum payments of the installment purchases as of June 30, 2021.

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.

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	Governmental Activities	
	Principal	Interest
2022	\$ 250,551	\$ 6,501
2023	162,259	3,472
Total	<u>\$ 412,810</u>	<u>\$ 6,501</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, 2021:

	Balance July 01, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Governmental activities:					
Direct placement installment purchase	\$ 176,583	\$ 649,036	\$ 412,809	\$ 412,810	\$ 250,551
Net Pension Liability	11,582,272	1,617,172	-	13,199,444	-
Net OPEB liability	30,065,562	-	4,126,825	25,938,737	-
Compensated absences	1,741,036	-	67,754	1,673,282	-
Total	<u>\$ 43,565,453</u>	<u>\$ 2,266,208</u>	<u>\$ 4,607,388</u>	<u>\$ 41,224,273</u>	<u>\$ 250,551</u>
Business-type activities:					
Net Pension Liability	\$ 355,279	\$ 49,606	\$ -	\$ 404,885	\$ -
Net OPEB liability	922,244	-	126,588	795,656	-
Compensated absences	72,421	-	20,737	51,684	-
Total	<u>\$ 1,349,944</u>	<u>\$ 49,606</u>	<u>\$ 147,325</u>	<u>\$ 1,252,225</u>	<u>\$ -</u>

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

C. Interfund Balances and Activity

Receivables / payables from / to other funds at June 30, 2021, consist of the following:

	Amount
From the School Food Service Fund to the Other Restricted Fund for Indirect Cost	\$ 71,301
From the Other Restricted Fund to the Food Service Fund for BUD adjustments	165,846
From the Individual School to the General Fund to cover advance of funds	19,586
From the Other Restricted Fund to the School Food Service Fund for Bank Service Charges	416
Total interfund balances	<u>\$ 257,149</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 Education.

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	\$ 3,133,406
Less:	
Prepays	126,248
Stabilization by State Statute	46,320
Appropriated Fund Balance in 2022 Budget	1,515,000
Remaining Fund Balance	<u>\$ 1,445,838</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

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, 2021 as of the report date. Currently, there are 61 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 Eight Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net pension liability (asset)	0.113%	0.115%	0.121%	0.122%
Board's proportionate share of the net pension liability (asset)	\$ 13,604,329	\$ 11,937,551	\$ 12,036,912	\$ 9,653,041
Board's covered payroll	\$ 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	76.31%	64.78%	66.33%	54.02%
Plan fiduciary net position as a percentage of the total pension liability	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 Eight Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,627,639	\$ 2,312,202	\$ 2,264,834	\$ 1,956,236
Contributions in relation to the contractually required contribution	<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>
Board's covered payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900
Contributions as a percentage of covered payroll	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 Five Fiscal Years*

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability	0.0964%	0.0979%	0.1034%	0.1064%	0.1058%
Board's proportionate share of the net OPEB liability	\$ 26,734,393	\$ 30,987,806	\$ 29,462,825	\$ 34,897,842	\$ 46,045,142
Board's covered-employee payroll	\$ 18,428,267	\$ 18,146,900	\$ 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	145.07%	170.76%	162.36%	195.30%	265.56%
Plan fiduciary net position as a percentage of the total OPEB liability	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,187,593	\$ 1,153,427	\$ 1,155,452	\$ 1,097,887	\$ 1,038,751
Contributions in relation to the contractually required contribution	<u>1,187,593</u>	<u>1,153,427</u>	<u>1,155,452</u>	<u>1,097,887</u>	<u>1,038,751</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 973,191	\$ 970,029	\$ 961,195	\$ 972,752	\$ 916,703
Contributions in relation to the contractually required contribution	<u>973,191</u>	<u>970,029</u>	<u>961,195</u>	<u>972,752</u>	<u>916,703</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800	\$ 18,334,059
Contributions as a percentage of covered payroll	5.61%	5.49%	5.39%	5.30%	5.00%

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 Five Fiscal Years*

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.098%	0.101%	0.106%	0.107%	0.108%
Board's proportionate share of the net OPEB asset	\$ 48,412	\$ 43,724	\$ 32,135	\$ 65,160	\$ 66,770
Board's covered payroll	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,868,608	\$ 17,338,709
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.26%	0.24%	0.18%	0.36%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	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**

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 16,001	\$ 17,827	\$ 25,800	\$ 25,406	\$ 67,901
Contributions in relation to the contractually required contribution	16,001	17,827	25,800	25,406	67,901
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,778,343	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	2016	2015	2014	2013	2012
Contractually required contribution	\$ 71,251	\$ 72,443	\$ 78,320	\$ 80,757	\$ 95,337
Contributions in relation to the contractually required contribution	71,251	72,443	78,320	80,757	95,337
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800	\$ 18,334,059
Contributions as a percentage of covered payroll	0.41%	0.41%	0.44%	0.44%	0.52%

**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 Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
Hertford County Appropriation	\$ 4,290,818	\$ 4,290,818	\$ -
Other			
Fines and Forfeitures	51,000	52,638	1,638
Interest earned on investments	2,182	2,911	729
Total	53,182	55,549	2,367
Total revenues	4,344,000	4,346,367	2,367
EXPENDITURES			
Instructional services:			
Regular instructional services::			
Regular curricular services		416,891	
CTE curricular services		45,304	
Program enhancement services		54,225	
Total	1,045,928	516,420	529,508
Special populations services:			
Children with disabilities		21,711	
Speech and language pathology		31,088	
Academically gifted		2,759	
Limited English proficiency		3,071	
Total	167,297	58,629	108,668
Alternative Programs and services:			
Alternative instructional		2,408	
Attendance and social work		4,428	
Remedial and supplemental		12,464	
Pre-K readiness		16,178	
School extension learning		86	
Total	40,663	35,564	5,099
School leadership services	155,867	151,980	3,887

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
School-based support services:			
Educational Media services		11,253	
Guidance services		30,643	
Health services		19,010	
Safety and security		44,192	
Staff development		1,500	
Total	224,028	106,598	117,430
System-wide support services:			
Support and development services:			
Regular curricular		195,479	
CTE curricular		25,484	
	386,648	220,963	165,685
Special population support and development	3,311	2,771	540
Technology support services	334,966	324,220	10,746
Operational support services:			
Communication services		90,156	
Public Utility and Energy		827,007	
Custodial / Housekeeping		114,777	
Transportation services		290,446	
Maintenance		312,299	
Total	2,387,737	1,634,685	753,052
Financial and human resource services:			
Financial services		301,461	
Human resource services		32,299	
Total	380,470	333,760	46,710

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
Policy, leadership and public relations:			
Board of education		122,886	
Legal services		48,412	
Audit services		20,750	
Leadership services		90,548	
Public relations and marketing		100,276	
Total	<u>548,759</u>	<u>382,872</u>	<u>165,887</u>
Ancillary services:			
Nutrition		39,941	
Total	<u>103,326</u>	<u>39,941</u>	<u>63,385</u>
Non-Programmed charges			
Payments to charter schools		73,448	
Total	<u>80,000</u>	<u>73,448</u>	<u>6,552</u>
Total expenditures	<u>5,859,000</u>	<u>3,881,851</u>	<u>1,977,149</u>
Excess of revenues over (under)	<u>(1,515,000)</u>	<u>464,516</u>	<u>1,979,516</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	<u>1,515,000</u>	<u>-</u>	<u>(1,515,000)</u>
Total other financing sources and (uses)	<u>1,515,000</u>	<u>-</u>	<u>(1,515,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>464,516</u>	<u>\$ 464,516</u>
Fund balance, beginning		2,668,890	
Fund balance, ending		<u>\$ 3,133,406</u>	

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina	\$ 24,132,977	\$ 22,695,759	\$ (1,437,218)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		9,449,112	
CTE curricular services		1,037,156	
Program enhancement services		1,273,629	
Total	12,580,055	11,759,897	820,158
Special populations services:			
Children with Disabilities		1,946,013	
Pre-K Children with Disabilities		2,000	
Speech and language pathology		178,862	
Academically gifted		144,067	
Limited English proficiency		116,893	
Total	2,389,820	2,387,835	1,985
Alternative programs and services:			
Alternative instructional services		142,662	
Attendance and social work		79,149	
Extended day / year instructional		140,588	
Total	505,598	368,050	137,548
School leadership services	2,248,469	2,190,521	57,948
School-based support services:			
Educational media		400,907	
Guidance services		865,803	
Health services		398,891	
Safety and Security		111,639	
Total	1,953,030	1,877,803	75,227
System-wide support services:			
Support and development services:			
Regular curricular support		293,675	
CTE curricular support		5,293	
Total	575,750	298,968	276,782

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
Special population support	99,709	99,709	-
Technology support services	200,557	196,562	3,995
Operational support			
Custodial / Housekeeping		987,250	
Transportation		914,975	
Maintenance		399,036	
Total	2,301,261	2,301,261	-
Financial and human resource:			
Financial services		357,917	
Human resource services		186,430	
Total	544,347	544,347	-
Policy, leadership and public relations:			
Leadership services		378,822	
Total	378,822	378,822	-
Ancillary services	305,559	291,984	13,575
Total Expenditures	24,132,977	22,695,759	1,437,218
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 Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina			
School Nurse Funding	\$ 50,000	\$ 49,265	\$ (735)
Smart Start	40,801	48,000	7,199
NC Pre-K	791,301	759,898	(31,403)
Other	51,543	42,779	(8,764)
Total	933,645	899,942	(33,703)
U.S. Government			
JROTC	56,000	56,120	120
NCSBA Medicaid	30,000	107,923	77,923
Medicaid reimbursement	1,000	205,852	204,852
Total	87,000	369,895	282,895
Other			
Tuition and fees	5,000	2,800	(2,200)
Rental of school property	1,000	-	(1,000)
Contributions and donations	81,850	54,100	(27,750)
Erate	1,000	35	(965)
Golden LEAF	112,349	82,276	(30,073)
Interest earned on investments	500	226	(274)
Indirect cost allocated	180,026	189,653	9,627
Miscellaneous local operating revenues	5,500	15,765	10,265
Total	387,225	344,855	(42,370)
Total revenues	1,407,870	1,614,692	206,822
EXPENDITURES			
Instructional services:			
Regular instructional services:			
Regular curricular services		165,181	
Total	678,234	165,181	513,053

**Hertford County Board of Education
Other Restricted Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
Alternative Programs and services:			
Attendance and social work		15,856	
Pre-K Readiness / Remedial and Supp		870,073	
Total	939,779	885,929	53,850
School leadership services	130,486	62,539	67,947
School-based support services:			
Health services		49,265	
Total	70,991	49,265	21,726
Total instructional programs	1,819,490	1,162,914	656,576
System-wide support services:			
Technology support services	36,510	-	36,510
Operational support services:			
Warehouse and Delivery		565	
Total	9,565	565	9,000
Financial and human resource:			
Financial		6,858	
Total	190,435	6,858	183,577
Policy, leadership and public relations:			
Leadership		416	
Total	2,000	416	1,584
Total supporting services	238,510	7,839	230,671
Total expenditures	2,058,000	1,170,753	887,247
Excess of revenues over (under) expenditures	(650,130)	443,939	1,094,069

Hertford County Board of Education
Other Restricted Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Positive (Negative) Variance
	Budget	Actual	
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	650,130	-	(650,130)
Total other financing sources and (uses)	650,130	-	(650,130)
 NET CHANGE IN FUND BALANCE	 \$ -	 443,939	 \$ 443,939
 Fund balance, beginning		4,595,991	
 Fund balance, ending		<u>\$ 5,039,930</u>	

**Hertford County Board of Education
Capital Outlay Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina:			
State appropriations - Buses	\$ 1,050,000	\$ 412,810	\$ (637,190)
Total State of North Carolina	1,050,000	412,810	(637,190)
Hertford County:			
Restricted portion of sales taxes	2,655,975	345,732	(2,310,243)
Total Hertford County	2,655,975	345,732	(2,310,243)
Other:			
Miscellaneous	-	3,424	3,424
Total Other	-	3,424	3,424
Total Revenues	3,705,975	761,966	(2,944,009)
EXPENDITURES			
Capital outlay:			
Real Property and Buildings	1,772,975	298,125	1,474,850
Furniture and equipment	764,500	-	764,500
Motor vehicles	755,500	699,126	56,374
Total Capital Outlay	3,292,975	997,251	2,295,724
Debt Service:			
Principal	413,000	412,810	190
Total Debt Service	413,000	412,810	190
Total Expenditures	3,705,975	1,410,061	2,295,914
Revenues Over (Under) Expenditures	-	(648,095)	(648,095)
OTHER FINANCING SOURCES (USES)			
Installment purchase obligations issued	-	649,036	649,036
Total other financing sources and (uses)	-	649,036	649,036
Net Change in Fund Balance	\$ -	941	\$ 941
FUND BALANCE			
Beginning of year, July 1		1,067,492	
End of year, June 30		\$ 1,068,433	

**Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
U.S. Government	\$ 9,126,314	\$ 3,304,458	\$ (5,821,856)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		1,066,192	
CTE curricular services		92,956	
Program enhancement services		32,015	
Total	<u>1,993,145</u>	<u>1,191,163</u>	<u>801,982</u>
Special populations services:			
Children with Disabilities		423,454	
Pre-K children with disabilities		5,567	
Speech and language pathology		5,729	
Academically intellecutorially gifted		2,441	
Limited English proficiency		3,065	
Total	<u>1,098,385</u>	<u>440,256</u>	<u>658,129</u>
Alternative programs and services:			
Alternative instructional		819	
Attendance and social work		2,183	
Remedial and supplemental		606,018	
Pre-K readiness		20,372	
Extended day / year instructional		854	
School extension learning recovery and enrichment program			
instructional services		384,493	
Total	<u>3,284,827</u>	<u>1,014,739</u>	<u>2,270,088</u>
School leadership services			
School leadership		18,962	
Principal		19,399	
Asst principal		17,165	
Total	<u>55,620</u>	<u>55,526</u>	<u>94</u>

**Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
Co-Curricular Services	300	-	300
School-based support services:			
Educational media services		11,401	
Guidance services		48,758	
Health services		8,141	
Staff development		3,616	
Parent involvement		9,870	
Total	287,100	81,786	205,314
System-wide support services:			
Support and development services:			
Regular curricular support		15,753	
Total	170,758	15,753	155,005
Special population support and development services	2,296	1,773	523
Alternative programs and services support and development services	149,119	961	148,158
Technology support	739,662	116,668	622,994
Operational support services:			
Custodial housekeeping		23,150	
Transportation		24,389	
Maintenance		10,686	
Total	60,977	58,225	2,752
Financial and human resource:			
Financial Services		10,407	
Human resource		5,536	
Total	364,458	15,943	348,515

**Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
Policy, leadership and public relations			
Leadership services		11,822	
Total	126,431	11,822	114,609
Ancillary services	474,947	183,704	291,243
Nonprogrammed charges	318,289	116,139	202,150
Total Expenditures	9,126,314	3,304,458	5,821,856
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

**Hertford County Board of Education
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	Special Revenue Funds	
	Individual Schools	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 105,751	\$ 105,751
Due from other governments	1,186	1,186
Accounts receivable	-	-
Due from other funds	-	-
Prepaid expenses	-	-
Total assets	<u>\$ 106,937</u>	<u>\$ 106,937</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Due to other funds	19,586	19,586
Accrued salaries and benefits	-	-
Total liabilities	<u>19,586</u>	<u>19,586</u>
 Deferred inflows of resources	 <u>1,186</u>	 <u>1,186</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	-	-
School Capital Outlay	-	-
Individual Schools	86,165	86,165
Unassigned:	-	-
Total fund balances	<u>86,165</u>	<u>86,165</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 106,937</u>	 <u>\$ 106,937</u>

Hertford County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2021

	Special Revenue Funds	Total Nonmajor Special Revenue Funds
	Individual Schools	
REVENUES		
State of North Carolina	\$ -	\$ -
U.S. Government	-	-
Hertford County	-	-
Other	111,720	111,720
Total Revenues	<u>111,720</u>	<u>111,720</u>
EXPENDITURES		
Current:		
Instructional services		
Regular Instructional	-	-
Special Populations	-	-
Alternative Programs	-	-
School Leadership	-	-
Co-Curricular	154,873	154,873
School-Based Support	-	-
System-wide support services		
Support and Development	-	-
Special Populations Support and Development	-	-
Alternative programs and Services Support	-	-
Technology Support	-	-
Operational Support	-	-
Financial and Human Resources Accountability	-	-
System-Wide Pupil Support	-	-
Policy, Leadership, and Public Relations	-	-
Ancillary services	-	-
Non-Program Charges	-	-
Capital outlay		
Real Property and Buildings	-	-
Furniture and Equipment	-	-
Buses and Motor Vehicles	-	-
Debt Service		
Principal	-	-
Total Expenditures	<u>154,873</u>	<u>154,873</u>
Excess (deficiency) of revenues over expenditures	<u>(43,153)</u>	<u>(43,153)</u>
OTHER FINANCING SOURCES (USES)		
Transfers to other funds	-	-
Installment purchase obligations issued	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(43,153)	(43,153)
Fund balances, beginning	129,318	129,318
Fund balances, ending	<u>\$ 86,165</u>	<u>\$ 86,165</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, 2021**

	Cash and Investments	Due From Other Governments	Due from Other Funds	Total Assets	Accounts Payable	Due to Other Funds	Deferred Revenue	Fund Balance	Total Liabilities & Fund Balance
Bearfield Primary	\$ 9,759	\$ 200	\$ -	\$ 9,959	\$ -	\$ -	\$ 200	\$ 9,759	\$ 9,959
Hertford County Middle	19,349	133	-	19,482	-	-	133	19,349	19,482
Riverview Elementary	4,424	46	-	4,470	-	-	46	4,424	4,470
Ahoskie Elementary	12,807	34	-	12,841	-	-	34	12,807	12,841
Hertford County High	35,479	714	-	36,193	-	18,718	714	16,761	36,193
Hertford County Early College	17,722	29	-	17,751	-	868	29	16,854	17,751
CSB Student Development	6,211	30	-	6,241	-	-	30	6,211	6,241
Total	<u>\$ 105,751</u>	<u>\$ 1,186</u>	<u>\$ -</u>	<u>\$ 106,937</u>	<u>\$ -</u>	<u>\$ 19,586</u>	<u>\$ 1,186</u>	<u>\$ 86,165</u>	<u>\$ 106,937</u>

Hertford County Board of Education
Combining Statement of Revenues, Expenditures And
Changes in Fund Balance -- Individual Schools
For the Year Ended June 30, 2021

	Revenues	Transfers and Expenditures	Excess (Deficiency) of Revenues Over Expenditures	Fund Balance June 30, 2021
Bearfield Primary	\$ 815	\$ 11,364	\$ (10,549)	\$ 9,759
Hertford County Middle	2,653	7,145	(4,492)	19,349
Riverview Elementary	1,763	3,079	(1,316)	4,424
Ahoskie Elementary	435	5,168	(4,733)	12,807
Hertford County High	91,259	114,316	(23,057)	16,761
Hertford County Early College	9,943	7,253	2,690	16,854
CSB Student Development	4,852	6,548	(1,696)	6,211
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 111,720	\$ 154,873	\$ (43,153)	\$ 86,165
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2021**

	2021		
	Budget	Actual	Positive (Negative) Variance
OPERATING REVENUES:			
Food sales	\$ 167,000	\$ 4,708	\$ (162,292)
Miscellaneous local revenues	50,000	1,358	(48,642)
Total operating revenues	217,000	6,066	(210,934)
OPERATING EXPENDITURES:			
Business support services:			
Purchase of food		102,196	
Donated commodities		60,771	
Salaries and benefits		377,897	
Indirect cost		69,664	
Materials and supplies		24,723	
Repairs and maintenance		9,355	
Contracted services		11,200	
Other		2,922	
Total business support services	2,457,000	658,728	1,798,272
Capital outlay	86,000	25,955	60,045
Total operating expenditures	2,543,000	684,683	1,858,317
Operating income (loss)	(2,326,000)	(678,617)	1,647,383
NON-OPERATING REVENUES:			
Federal reimbursements	2,204,500	386,724	(1,817,776)
Federal commodities used	120,000	90,989	(29,011)
Investment earnings	1,500	311	(1,189)
Total operating revenues (expenditures)	2,326,000	478,024	(1,847,976)
Excess of revenues over (under) expenditures before other financing sources	-	(200,593)	(200,593)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources and (uses)	-	-	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	(200,593)	\$ (200,593)

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, 2021

	2021		Positive (Negative) Variance
	Budget	Actual	
Reconciliation from modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures			
Reconciling items:			
Depreciation		(33,862)	
Net OPEB asset		140	
Net OPEB liability		126,588	
Net pension liability		(49,606)	
Deferred outflows		(47,694)	
Deferred inflows		(29,196)	
Capital Outlay		-	
Total Reconciling Items		<u>(33,630)</u>	
Change in Net Position (full accrual)		<u>\$ (234,223)</u>	





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 the Hertford County Board of Education as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Hertford County Board of Education's basic financial statements, and have issued our report thereon dated October 24, 2021.

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. However, material weaknesses may exist that have not been identified.

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*.

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
October 24, 2021



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P.O. Box 398

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Whiteville, NC 28472

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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

We have audited the 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, 2021. The Hertford County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses 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.

Hertford County Board of Education's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Whiteville, NC
October 24, 2021



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**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

We have audited the Hertford County Board of Education's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Hertford County Board of Education's major state programs for the year ended June 30, 2021. The 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.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the 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, 2021.

Report on Internal Control Over Compliance

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

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

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
October 24, 2021

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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 _____ yes X 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
	Special Education Cluster:
84.027	Special Education, Grants to States (IDEA, Part B) - Education of the Handicapped
	Special Education - Preschool Grants (IDEA Preschool) - Capacity and Building
84.173	Improvement Grants
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 X yes _____ no

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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
School Bus Appropriation

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

**Hertford County Board of Education
Corrective Action Plan
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

**Hertford County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

None Reported.

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2021 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	\$	60,771
Non-Cash Assistance			60,771
Cash Assistance:			
Passed-through the N. C. Department of Public Instruction:			
School Breakfast Program	10.553		19,508
National School Lunch Program	10.555		31,093
Summer Food Service Program for Children	10.559		336,123
Total Cash Assistance			386,724
Total Child Nutrition Cluster			447,495
Total School Nutrition Program (Note 3)	10.582		447,495
Total U. S. Department of Agriculture			447,495
<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	628,448
Total Title I, Part A Cluster			628,448
School Improvements Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105, 115	(81)
Total School Improvement Cluster			(81)

Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2021 Expenditures</u>
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	382,925
Special Needs Targeted Assistance	84.027	PRC 118	(4)
Preschool Targeted Assistance	84.173	PRC 119	5,567
Total Special Education Cluster			<u>388,488</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	67,492
Rural Education	84.358	PRC 109	26,092
Supporting Effective Instruction	84.367	PRC 103	161,569
Student Support and Academic Enrichment Grant	84.424	PRC 108	30,547
COVID-19 Education Stabilization Fund	84.425		
CARES Act K12 Emergency Relief Fund	84.425	PRC 163	881,170
Digital Curricula	84.425	PRC 165	4,500
Supplemental K12 Emergency Relief Fund	84.425	PRC 171	1,091,700
Total Coronavirus Relief Fund	84.425		<u>1,977,370</u>
Total U.S. Department of Education			<u>3,279,925</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	24,533
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	None	PRC 301	<u>56,120</u>
Total federal assistance			<u>\$ 3,808,073</u>
State Grants:			
Cash Assistance:			
<u>N. C. Department of Public Instruction</u>			
State Public School Fund			\$ 21,641,815
Driver Training - SPSF		PRC 012	31,142
Vocational Education			
-- State Months of Employment		PRC 013	980,239
-- Program Support Funds		PRC 014	42,563
Total N. C. Department of Public Instruction			<u>22,695,759</u>

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2021 Expenditures</u>
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development			
Smart Start			69,243
NC Pre-Kindergarten Program			797,402
Division of Public Health			
School Nurse Funding Initiative			49,265
Total N.C. Department of Health and Human Services			915,910
NonCash Assistance:			
<u>N. C. Department of Public Instruction</u>			
School Buses Appropriation			412,810
Total State Assistance			24,024,479
Total Federal and State Assistance			\$ 27,832,552

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, 2021. 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.