

A N N U A L F I N A N C I A L R E P O R T

HERTFORD COUNTY BOARD OF EDUCATION

 **ALL IN FOR LEARNING** 

For Year Ended
June 30, 2020

Hertford County Board of Education
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FINANCIAL SECTION



Independent Auditor's Report

Management's Discussion & Analysis

Government-Wide Financial Statements

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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, 2020, 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, 2020, 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 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 41 thru 46, 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 November 18, 2020 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

November 18, 2020

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, 2020. 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 71 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 \$8,461,691 an increase of \$667,211 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 \$25,579,029 as of June 30, 2020, as a result of the implementation of GASB 75. The largest component of net position is investment in capital assets, of \$15,910,021. It comprises 62.20% 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	June 30	June 30	June 30	June 30	June 30
	2020	2019	2020	2019	2020	2019
Current assets	\$ 10,700,296	\$ 9,238,188	\$ 958,875	\$ 1,015,913	\$ 11,659,171	\$ 10,254,101
Capital assets	15,787,827	17,140,483	298,777	252,823	16,086,604	17,393,306
Total assets	<u>26,488,123</u>	<u>26,378,671</u>	<u>1,257,652</u>	<u>1,268,736</u>	<u>27,745,775</u>	<u>27,647,407</u>
Deferred outflows of resources	7,486,473	7,950,385	224,509	240,390	7,710,982	8,190,775
Current liabilities	1,677,283	1,308,493	37,337	12,893	1,714,620	1,321,386
Long-term liabilities	43,565,453	42,459,059	1,349,944	1,306,162	44,915,397	43,765,221
Total liabilities	<u>45,242,736</u>	<u>43,767,552</u>	<u>1,387,281</u>	<u>1,319,055</u>	<u>46,630,017</u>	<u>45,086,607</u>
Deferred inflows of resources	13,992,475	15,659,352	413,294	477,150	14,405,769	16,136,502
Net investment in capital assets	15,611,244	17,140,483	298,777	252,823	15,910,021	17,393,306
Restricted net position	1,612,815	991,905	-	-	1,612,815	991,905
Unrestricted net position	<u>(42,484,674)</u>	<u>(43,230,236)</u>	<u>(617,191)</u>	<u>(539,902)</u>	<u>(43,101,865)</u>	<u>(43,770,138)</u>
Total net assets	<u>\$ (25,260,615)</u>	<u>\$ (25,097,848)</u>	<u>\$ (318,414)</u>	<u>\$ (287,079)</u>	<u>\$ (25,579,029)</u>	<u>\$ (25,384,927)</u>

Note that net position increased by .76% from the previous year. The increase in net position was due largely to decreases in deferred inflows of resources.

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	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 652,664	\$ 810,630	\$ 75,688	\$ 109,533	\$ 728,352	\$ 920,163
Operating grants and contributions	26,031,822	26,463,699	1,816,058	1,999,329	27,847,880	28,463,028
Capital grants and contributions	88,292	151,522	-	-	88,292	151,522
General revenues:						
Other revenues	4,814,557	5,272,153	1,181	1,634	4,815,738	5,273,787
Total revenues	31,587,335	32,698,004	1,892,927	2,110,496	33,480,262	34,808,500
Expenses:						
Governmental activities:						
Instructional programs	22,586,567	22,766,714	-	-	22,586,567	22,766,714
System-wide Support	7,533,091	7,722,929	-	-	7,533,091	7,722,929
Ancillary services	47,318	50,462	-	-	47,318	50,462
Non-programmed charges	141,026	140,748	-	-	141,026	140,748
Interest on long-term debt	-	-	-	-	-	-
Unallocated Depreciation	1,442,100	1,140,875	-	-	1,442,100	1,140,875
Business-type activities:						
Food service	-	-	1,924,262	2,013,246	1,924,262	2,013,246
Total expenses	31,750,102	31,821,728	1,924,262	2,013,246	33,674,364	33,834,974
Increase (decrease) in net position	(162,767)	876,276	(31,335)	97,250	(194,102)	973,526
Net position, beginning	(25,097,848)	(25,974,124)	(287,079)	(384,329)	(25,384,927)	(26,358,453)
Net position, ending	<u>\$ (25,260,615)</u>	<u>\$ (25,097,848)</u>	<u>\$ (318,414)</u>	<u>\$ (287,079)</u>	<u>\$ (25,579,029)</u>	<u>\$ (25,384,927)</u>

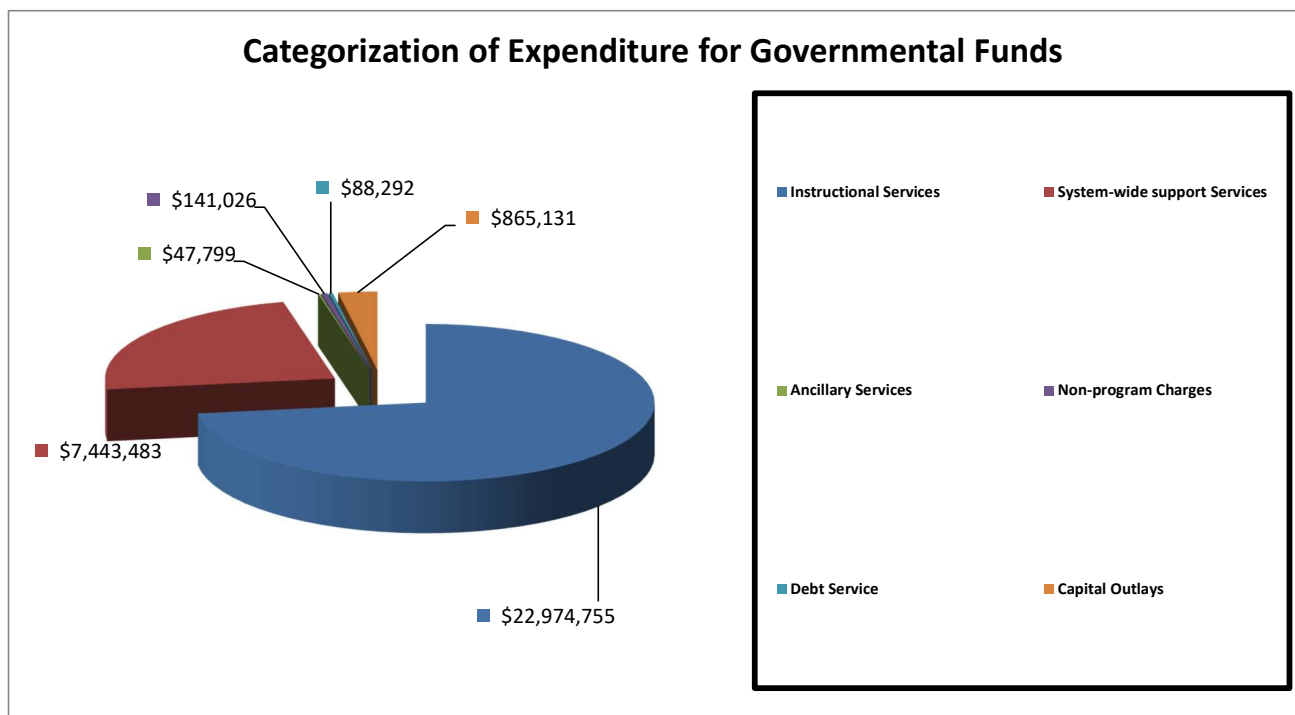
Total governmental activities generated revenues of \$31,587,335 while expenses in this category totaled \$31,750,102. Comparatively, revenues were \$32,698,004 and expenses totaled \$31,821,728, for the year ended June 30, 2019. The decrease in net position stands at \$162,767, compared to an increase of \$876,276 in 2019. Instructional services comprised 71.14% of total governmental-type expenses while system-wide support services made up 23.73% of those expenses for 2020. County funding comprised 15.65% of total governmental revenue. In 2019, County funding was 15.71%. Much of the remaining 84.35% of total governmental revenue for 2020 consists of restricted State and Federal money. Business-type activities generated revenue of \$1,892,927 and had expenses of \$1,924,262. Net position decreased in the business-type activities by \$31,335.

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 \$8,461,691, a \$667,211 increase over the prior year. The Other Restricted Fund, Capital Outlay Fund, and Individual Schools had revenues in excess of expenditures of \$445,781, \$184,729, and \$28,072, respectively. The General Fund had expenditures in excess of revenues of \$8,629. Expenditures decreased from the prior year, and included \$457 in capitalizable assets.

Proprietary Funds: The Board's School Food Service Fund reflected an increase in net position from last year. Expenditures increased during the year, while revenues decreased but still exceeded expenditures, resulting in an increase in net position.



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 \$1,306,702 from the previous year. Total capital assets decreased as a result of depreciation expense exceeding acquisitions for the year and transferring the CIP for Ahoskie Elementary to the County's books. Major asset purchases included technology equipment, vehicles and a serving line.

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	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Land	\$ 481,321	\$ 481,321	\$ -	\$ -	\$ 481,321	\$ 481,321
Construction in progress	-	640,361	-	-	-	640,361
Buildings	40,632,683	40,156,412	-	-	40,632,683	40,156,412
Equipment and furniture	10,689,134	10,524,587	659,845	583,581	11,348,979	11,108,168
Less accumulated depreciation	(36,015,311)	(34,662,198)	(361,068)	(330,758)	(36,376,379)	(34,992,956)
Total	<u>\$ 15,787,827</u>	<u>\$ 17,140,483</u>	<u>\$ 298,777</u>	<u>\$ 252,823</u>	<u>\$ 16,086,604</u>	<u>\$ 17,393,306</u>

Debt Outstanding

During the year, the Board's outstanding debt decreased by \$88,292, as a result of debt payments on school bus leases. 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% is lower than the state average of 7.7%.

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, 2020

Exhibit 1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,177,234	\$ 940,006	\$ 9,117,240
Investments	-	-	-
Due from other governments	2,119,629	127,881	2,247,510
Receivables (net)	58,563	196	58,759
Net OPEB asset	42,423	1,301	43,724
Internal balances	170,120	(170,120)	-
Inventories	-	59,611	59,611
Prepaid expenses	132,327	-	132,327
Capital assets (Note 1)			
Land, improvements, and construction in progress	481,321	-	481,321
Other capital assets, net of depreciation	15,306,506	298,777	15,605,283
Total capital assets	15,787,827	298,777	16,086,604
Total assets	26,488,123	1,257,652	27,745,775
DEFERRED OUTFLOWS OF RESOURCES	7,486,473	224,509	7,710,982
LIABILITIES			
Accounts payable and accrued liabilities	671,448	23,608	695,056
Accrued salaries and wages payable	1,005,835	10,711	1,016,546
Prepaid meals	-	3,018	3,018
Long-term liabilities:			
Due within one year	88,292	-	88,292
Due in more than one year	43,477,161	1,349,944	44,827,105
Total liabilities	45,242,736	1,387,281	46,630,017
DEFERRED INFLOWS OF RESOURCES	13,992,475	413,294	14,405,769
NET POSITION			
Net investment in capital assets	15,611,244	298,777	15,910,021
Restricted:			
Individual Schools	129,318	-	129,318
Stabilization by State Statute	6,898	-	6,898
School Capital Outlay	1,476,599	-	1,476,599
DIPNC OPEB plan	42,423	1,301	43,724
Unrestricted	(42,527,097)	(618,492)	(43,145,589)
Total net position	\$ (25,260,615)	\$ (318,414)	\$ (25,579,029)

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, 2020**

Exhibit 2

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary government							
Governmental Activities:							
Instructional programs:							
Regular	\$ 12,834,541	\$ -	\$ 12,484,588	\$ -	\$ (349,953)	\$ -	\$ (349,953)
Special	3,081,099	-	3,009,766	-	(71,333)	-	(71,333)
Alternative programs	2,015,222	-	2,041,251	-	26,029	-	26,029
School leadership	2,269,384	-	2,146,679	-	(122,705)	-	(122,705)
Co-curricular	389,188	417,260	-	-	28,072	-	28,072
School-based support	1,997,133	-	1,950,405	-	(46,728)	-	(46,728)
System-wide support services:							
Support and development	498,210	-	126,697	-	(371,513)	-	(371,513)
Special populations	69,846	-	67,177	-	(2,669)	-	(2,669)
Alternative programs	52,035	-	52,339	-	304	-	304
Technology support	414,209	-	350,098	-	(64,111)	-	(64,111)
Operational support	4,790,928	235,404	2,734,384	88,292	(1,732,848)	-	(1,732,848)
Financial and human resource	872,236	-	570,186	-	(302,050)	-	(302,050)
Accountability	-	-	-	-	-	-	-
System-wide pupil support	-	-	-	-	-	-	-
Policy, leadership, and public relations	835,627	-	382,186	-	(453,441)	-	(453,441)
Ancillary services	47,318	-	45,497	-	(1,821)	-	(1,821)
Non-programmed charges	141,026	-	70,569	-	(70,457)	-	(70,457)
Unallocated depreciation expense	1,442,100	-	-	-	(1,442,100)	-	(1,442,100)
Total Governmental activities	31,750,102	652,664	26,031,822	88,292	(4,977,324)	-	(4,977,324)
Business-type activities:							
School Food service	1,924,262	75,688	1,816,058	-	-	(32,516)	(32,516)
Total business-type activities	1,924,262	75,688	1,816,058	-	-	(32,516)	(32,516)
Total primary government	\$ 33,674,364	\$ 728,352	\$ 27,847,880	\$ 88,292	(4,977,324)	(32,516)	(5,009,840)
General revenues:							
Unrestricted county appropriations - operating					4,290,818	-	4,290,818
Unrestricted county appropriations - capital					653,643	-	653,643
Miscellaneous, unrestricted					498,401	-	498,401
Gain(loss) on disposal					-	-	-
Investment earnings, unrestricted					12,056	1,181	13,237
Transfers					-	-	-
Special Item (see note VI)					(640,361)	-	(640,361)
Total general revenues and transfers					4,814,557	1,181	4,815,738
Change in net position					(162,767)	(31,335)	(194,102)
Net position, beginning					(25,097,848)	(287,079)	(25,384,927)
Restatement					-	-	-
Net position, beginning, restated					(25,097,848)	(287,079)	(25,384,927)
Net position, ending					\$ (25,260,615)	\$ (318,414)	\$ (25,579,029)

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

**Hertford County Board of Education
Balance Sheet
Governmental Funds
June 30, 2020**

Exhibit 3

	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	\$ 2,772,559	\$ -	\$ 845,334	\$ -	\$ 4,428,900	\$ 130,441	\$ 8,177,234
Due from other governments	2,242	807,941	1,150,492	-	98,712	60,242	2,119,629
Accounts receivable	4,656	-	-	-	53,907	-	58,563
Due from other funds	-	-	-	-	170,120	-	170,120
Prepaid expenses	132,327	-	-	-	-	-	132,327
Total assets	<u>\$ 2,911,784</u>	<u>\$ 807,941</u>	<u>\$ 1,995,826</u>	<u>\$ -</u>	<u>\$ 4,751,639</u>	<u>\$ 190,683</u>	<u>\$ 10,657,873</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 146,098	\$ -	\$ 519,227	\$ -	\$ 5,000	\$ 1,123	\$ 671,448
Due to other funds	-	-	-	-	-	-	-
Accrued salaries and benefits	96,796	802,053	-	-	53,856	53,130	1,005,835
Total liabilities	<u>242,894</u>	<u>802,053</u>	<u>519,227</u>	<u>-</u>	<u>58,856</u>	<u>54,253</u>	<u>1,677,283</u>
Deferred inflows of resources	-	5,888	409,107	-	96,792	7,112	518,899
Fund balances:							
Nonspendable							
Prepays	132,327	-	-	-	-	-	132,327
Restricted							
Stabilization by State Statute	6,898	-	-	-	-	-	6,898
School Capital Outlay	-	-	1,476,599	-	-	-	1,476,599
Individual Schools	-	-	-	-	-	129,318	129,318
Committed							
Other Restricted Funds	-	-	-	-	4,595,991	-	4,595,991
Assigned							
Subsequent Year's Expenditures	1,515,000	-	-	-	-	-	1,515,000
Unassigned	1,014,665	-	(409,107)	-	-	-	605,558
Total fund balance	<u>2,668,890</u>	<u>-</u>	<u>1,067,492</u>	<u>-</u>	<u>4,595,991</u>	<u>129,318</u>	<u>8,461,691</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,911,784</u>	<u>\$ 807,941</u>	<u>\$ 1,995,826</u>	<u>\$ -</u>	<u>\$ 4,751,639</u>	<u>\$ 190,683</u>	<u>\$ 10,657,873</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, 2020

Exhibit 3a

Total fund balance, governmental funds	\$ 8,461,691
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.	15,787,827
Net OPEB Asset	42,423
Deferred outflows of resources related to pensions	4,681,076
Deferred outflows of resources related to OPEB	2,805,397
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	-
Some liabilities, (such as Installment Payables and Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Position.	(1,917,619)
Net Pension liability	(11,582,272)
Net OPEB liability	(30,065,562)
Deferred inflows of resources related to pensions	(246,005)
Deferred inflows of resources related to OPEB	(13,227,571)
Net Position of governmental activities	<u>\$ (25,260,615)</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, 2020

Exhibit 4

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Other Restricted Funds	Other Governmental Funds	
REVENUES						
State of North Carolina	\$ -	\$ 22,669,838	\$ 88,292	\$ 800,848	\$ -	\$ 23,558,978
U.S. Government	-	-	-	371,834	2,093,334	2,465,168
Hertford County	4,290,818	-	653,643	-	-	4,944,461
Other	61,078	-	396,217	384,535	417,260	1,259,090
Total	4,351,896	22,669,838	1,138,152	1,557,217	2,510,594	32,227,697
EXPENDITURES						
Current:						
Instructional						
Regular Instructional	720,650	11,735,409	-	238,639	406,550	13,101,248
Special Populations	103,771	2,344,358	-	2,025	663,271	3,113,425
Alternative Programs	49,655	335,990	-	820,902	839,124	2,045,671
School Leadership	145,796	2,143,451	-	-	3,225	2,292,472
Co-Curricular	-	-	-	-	389,188	389,188
School-Based Support	84,880	1,861,768	-	45,996	40,107	2,032,751
System-wide support services					-	
Support and Development	393,605	114,407	-	3,000	9,125	520,137
Special Populations Support and Development	4,887	67,177	-	-	-	72,064
Alternative programs and Services Support	173	-	-	-	52,339	52,512
Technology Support	156,908	344,976	-	-	-	501,884
Operational Support	1,834,649	2,734,381	-	-	-	4,569,030
Financial and Human Resources	312,366	561,161	-	-	9,024	882,551
Accountability	-	-	-	-	-	-
System-Wide Pupil Support Policy, Leadership, and Public Relations	463,168	381,263	-	874	-	845,305
Ancillary services	2,302	45,497	-	-	-	47,799
Non-Program Charges	70,457	-	-	-	70,569	141,026
Debt Service						
Principal	-	-	88,292	-	-	88,292
Interest	-	-	-	-	-	-
Capital outlay						
Real Property and Buildings	-	-	824,777	-	-	824,777
Furniture and Equipment	-	-	5,365	-	-	5,365
Buses and Motor Vehicles	-	-	34,989	-	-	34,989
Total Expenditures	4,343,267	22,669,838	953,423	1,111,436	2,482,522	31,560,486
Excess (deficiency) of revenues over expenditures	8,629	-	184,729	445,781	28,072	667,211
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	-	-	-	-	-
Sale of Assets (Stock)	-	-	-	-	-	-
Installment purchase obligations issued	-	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-	-
Net change in fund balances	8,629	-	184,729	445,781	28,072	667,211
Fund balances - beginning	2,660,261	-	882,763	4,150,210	101,246	7,794,480
Prior Period Adjustment	-	-	-	-	-	-
Fund balances - ending	\$ 2,668,890	\$ -	\$ 1,067,492	\$ 4,595,991	\$ 129,318	\$ 8,461,691

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, 2020

Exhibit 4a

Net change in fund balances - total governmental funds:	\$ 667,211
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.	(1,352,656)
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.	2,246,710
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	1,138,079
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.	88,292
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	(4,068,259)
Net OPEB Expense	929,350
Compensated absences	188,506
Change in net position of governmental activities	<u>\$ (162,767)</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, 2020

Exhibit 5

	General Fund				State Public School Fund				Other Restricted Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 23,835,500	\$ 24,644,051	\$ 22,669,838	\$ (1,974,213)	\$ 923,258	\$ 926,258	\$ 800,848	\$ -
U.S. Government	-	-	-	-	-	-	-	-	88,000	93,435	371,834	278,399
Hertford County	4,290,818	4,290,818	4,290,818	-	-	-	-	-	-	-	-	-
Other	53,182	53,182	61,078	7,896	-	-	-	-	249,741	455,742	384,535	-
Total revenues	4,344,000	4,344,000	4,351,896	7,896	23,835,500	24,644,051	22,669,838	(1,974,213)	1,260,999	1,475,435	1,557,217	278,399
EXPENDITURES												
Current:												
Instructional												
Regular	992,106	1,046,202	720,650	325,552	12,542,036	12,734,181	11,735,409	998,772	772,540	757,877	238,639	519,238
Special Populations	200,405	122,274	103,771	18,503	2,329,190	2,411,186	2,344,358	66,828	41,703	45,203	2,025	43,178
Alternative programs	59,360	67,863	49,655	18,208	397,587	338,304	335,990	2,314	919,970	937,634	820,902	116,732
School leadership	177,257	184,822	145,796	39,026	2,230,387	2,245,106	2,143,451	101,655	-	-	-	-
School-based support	277,370	284,007	84,880	199,127	1,797,169	1,982,396	1,861,768	120,628	105,985	107,920	45,996	61,924
System-wide support services:												
Support and development	416,144	416,046	393,605	22,441	242,781	450,733	114,407	336,326	30,401	-	-	-
Special populations	4,200	5,150	4,887	263	60,671	67,177	67,177	-	-	-	-	-
Alternative programs	1,460	1,160	173	987	-	-	-	-	-	-	-	-
Technology support	265,464	266,524	156,908	109,616	501,191	345,453	344,976	477	-	-	-	-
Operational support	2,551,839	2,447,756	1,834,649	613,107	2,704,502	2,844,468	2,734,381	110,087	-	-	-	-
Financial and human resources	308,780	334,024	312,366	21,658	580,004	561,162	561,161	1	-	-	-	-
Policy, leadership, and public relations	533,335	611,892	463,168	148,724	388,919	381,263	381,263	-	4,000	4,000	874	3,126
Ancillary services												
Nutrition	3,280	3,280	2,302	978	61,063	282,622	45,497	237,125	-	-	-	-
Non-programmed charges	80,000	80,000	70,457	9,543	-	-	-	-	162,400	162,400	-	162,400
Total Expenditures	5,871,000	5,871,000	4,343,267	1,527,733	23,835,500	24,644,051	22,669,838	1,974,213	2,036,999	2,015,034	1,108,436	906,598
Revenues over (under) expenditures	(1,527,000)	(1,527,000)	8,629	1,535,629	-	-	-	-	(776,000)	(539,599)	448,781	1,184,997
OTHER FINANCING SOURCES												
Fund balance appropriated	1,527,000	1,527,000	-	(1,527,000)	-	-	-	-	573,000	573,000	-	-
Total other financing sources and (uses)	1,527,000	1,527,000	-	(1,527,000)	-	-	-	-	573,000	573,000	-	-
Net change in fund balances	\$ -	\$ -	8,629	\$ 8,629	\$ -	\$ -	-	\$ -	\$ (203,000)	\$ 33,401	448,781	\$ 1,184,997
Fund balances, beginning			2,660,261				-				4,150,210	
Fund balances, ending			\$ 2,668,890				\$ -				\$ 4,598,991	

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, 2020

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 940,006
Due from other governments	127,881
Receivables (net)	196
Due from other funds	
OPEB asset	1,301
Inventories	59,611
Total current assets	<u>1,128,995</u>
Non-current assets:	
Capital Assets:	
Equipment	659,845
Less accumulated depreciation	<u>(361,068)</u>
Total non-current assets	<u>298,777</u>
Total assets	<u><u>\$ 1,427,772</u></u>
DEFERRED OUTFLOWS OF RESOURCES	\$ 224,509
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	23,608
Due to other funds	170,120
Accrued salaries and wages payable	10,711
Prepaid Meals	3,018
Total current liabilities	<u>207,457</u>
Non-current liabilities:	
Net Pension liability	355,279
Net OPEB liability	922,244
Compensated absences	72,421
Total non-current liabilities	<u>1,349,944</u>
Total liabilities	<u>1,557,401</u>
DEFERRED INFLOWS OF RESOURCES	413,294
NET POSITION	
Net investment in capital assets	298,777
DIPNC OPEB plan	1,301
Unrestricted	<u>(618,492)</u>
Total net position	<u><u>\$ (318,414)</u></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, 2020

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES:	
Food sales	\$ 70,989
Miscellaneous local revenues	4,699
Total operating revenues	<u>75,688</u>
OPERATING EXPENDITURES:	
Purchase of food	580,901
Donated commodities	122,616
Salaries and benefits	910,295
Indirect cost	168,463
Materials and supplies	80,988
Repairs and maintenance	1,875
Contracted services	11,901
Depreciation	30,310
Capital outlay	9,161
Other	7,752
Total operating expenditures	<u>1,924,262</u>
Operating income (loss)	(1,848,574)
NON-OPERATING REVENUES (EXPENSES):	
Federal reimbursements	1,688,332
Federal commodities used	127,726
Investment earnings	1,181
Indirect cost not paid	-
Total non-operating revenues (expenses)	<u>1,817,239</u>
Income (loss) before contributions and transfers	(31,335)
Transfers from other funds	<u>-</u>
Change in net position	(31,335)
Total net position, beginning	(287,079)
Total net position, ending	<u><u>\$ (318,414)</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, 2020

Exhibit 8
Page 1 of 2

	Enterprise Fund
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 72,599
Cash paid for goods and services	(857,887)
Cash paid to employees for services	(914,833)
Other operating revenues	4,699
Net cash used by operating activities	<u>(1,695,422)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,628,890
Due to / from other funds	101,418
Total cash provided by noncapital financing activities	<u>1,730,308</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(76,264)
Total cash provided by capital and related financing activities	<u>(76,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,181</u>
Net increase/(decrease) in cash and cash equivalents	(40,197)
Cash and cash equivalents, July 1	980,203
Cash and cash equivalents, June 30	<u>\$ 940,006</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,848,574)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	30,310
Donated commodities consumed	122,616
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	566
(Increase)/decrease in net OPEB asset	(345)
(Increase)/decrease in inventory	(20,246)
Increase/(decrease) in accounts payable	23,400
Increase/(decrease) in prepaid meals	1,044
Increase/(decrease) in net pension liability	(2,958)
Increase /(decrease) in net OPEB liability	45,386
(Increase)/decrease in deferred outflows	15,881
Increase/(decrease) in deferred inflows	(63,856)
Increase/(decrease) in compensated absences	1,354
Total adjustments	<u>153,152</u>
Net cash used by operating activities	<u>\$ (1,695,422)</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, 2020**

Exhibit 8
Page 2 of 2

Non-cash operating and non capital financing activities:

The School Food Service Fund received donated commodities with a value of \$127,726 during the fiscal year. The receipt of the commodities is recognized as a non-operating revenue. The Fund recorded the consumption of \$122,616 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

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

Hertford County Board of Education
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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, 2020 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 (\$33,722,306) 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)	\$ 51,803,138
Less Accumulated Depreciation	<u>(36,015,311)</u>
Net Capital Assets	15,787,827
Net OPEB Asset	42,423
Pension related deferred outflows of resources	4,681,076
OPEB related deferred outflows of resources	2,805,397
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	(176,583)
Compensated absences	(1,741,036)
Net Pension liability	(11,582,272)
Net OPEB liability	(30,065,562)
Deferred inflows of resources related to pensions	(246,005)
Deferred inflows of resources related to OPEB	<u>(13,227,571)</u>
Total Adjustment	<u>\$ (33,722,306)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$829,978) 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.	\$ (1,353,113)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	640,818
New school construction will be recognized on the County's books until debt is paid off and the asset is transferred to the Board.	(640,361)
Amount by which retirement of asset cost exceeded accumulated depreciation.	-
Net Capital Assets	(1,352,656)
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	-
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.	88,292
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,246,710
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,138,079
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	(4,068,259)
OPEB expense	929,350
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	188,506
Total Adjustment	\$ (829,978)

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, RHBF and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contribution was due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contribution. 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, 2020.

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, 2020, the Board had deposits with financial institutions with a carrying amount of \$9,117,240 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$9,632,659 and \$703,467, respectively. Of these balances, \$578,839 was covered by federal depository insurance and \$9,757,287 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, 2020, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ -	\$ 2,242	\$ 4,656
Other governmental activities	170,120	2,117,387	53,907
Total	<u>\$ 170,120</u>	<u>\$ 2,119,629</u>	<u>\$ 58,563</u>
Business-type activities:			
School Food Service	\$ (170,120)	\$ 127,881	\$ 196
Total	<u>\$ (170,120)</u>	<u>\$ 127,881</u>	<u>\$ 196</u>

Due from other governments consists of the following:

Governmental Activities:		
General Fund	\$ 2,242	County - Fines & Forfeitures
State Public School Fund	802,053	Operating Funds from DPI
State Public School Fund	5,888	Sales tax refund receivable
Federal Grants Fund	53,130	Federal Grants Fund
Federal Grants Fund	3,850	Sales tax refund receivable
Capital Outlay Fund	1,813	Sales tax refund receivable
Capital Outlay Fund	1,148,679	County - Capital Outlay
Other Restricted Funds	5,209	JROTC
Other Restricted Funds	71,413	MAC Reimbursement
Other Restricted Funds	22,090	Sales tax refund receivable
Individual Schools	3,262	Sales tax refund receivable
Total	<u>\$ 2,119,629</u>	
Business-type activities:		
School Food Service Fund	\$ 125,126	USDA Reimbursement Claim
School Food Service Fund	2,755	Sales tax refund receivable
Total	<u>\$ 127,881</u>	

3. Capital Assets

Capital asset activity for the year ended June 30, 2020, 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	\$ -	\$ -	\$ 481,321
Construction in Progress	640,361	-	(640,361)	-
Total capital assets not being depreciated	<u>1,121,682</u>	<u>-</u>	<u>(640,361)</u>	<u>481,321</u>
Capital assets being depreciated:				
Buildings and Improvements	40,156,412	476,271	-	40,632,683
Equipment, furniture, and Vehicles	10,524,587	164,547	-	10,689,134
Total capital assets being depreciated	<u>50,680,999</u>	<u>640,818</u>	<u>-</u>	<u>51,321,817</u>
Less accumulated depreciation for:				
Buildings and Improvements	25,573,233	883,381	-	26,456,614
Equipment, furniture, and Vehicles	9,088,965	469,732	-	9,558,697
Total accumulated depreciation	<u>34,662,198</u>	<u>1,353,113</u>	<u>-</u>	<u>36,015,311</u>
Total capital assets being depreciated, net	<u>16,018,801</u>	<u>\$ (712,295)</u>	<u>\$ -</u>	<u>\$ 15,306,506</u>
Governmental activity capital assets, net	<u>\$ 17,140,483</u>			<u>\$ 15,787,827</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,086,453
Operational support services	266,660
Total	<u>\$ 1,353,113</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	\$ 583,581	\$ 76,264	\$ -	\$ 659,845
Total capital assets being depreciated	<u>583,581</u>	<u>76,264</u>	<u>-</u>	<u>659,845</u>
Less accumulated depreciation for:				
Furniture and office equipment	330,758	30,310	-	361,068
Total accumulated depreciation	<u>330,758</u>	<u>\$ 30,310</u>	<u>\$ -</u>	<u>361,068</u>
Business-type activity capital assets, net	<u>\$ 252,823</u>			<u>\$ 298,777</u>

Construction Commitments

Hertford County Schools has no outstanding construction projects at June 30, 2020.

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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, 2020, was 12.97% 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 \$2,312,2020 for the year ended June 30, 2020.

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, 2020, the Board reported a liability of \$11,937,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Board's proportion was .1152% and .1209%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of \$4,190,746. At June 30, 2020, 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	\$ 998,562	\$ 23,898
Changes of assumptions	1,271,993	-
Net difference between projected and actual earnings on pension plan investments	228,826	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	9,657	229,653
Board contributions subsequent to the measurement date	2,312,202	-
Total	<u>\$ 4,821,240</u>	<u>\$ 253,551</u>

\$2,312,202 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 1,681,060
2022	351,177
2023	143,201
2024	80,049
2025	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Discount Rate. The discount rate used to measure the total pension liability was 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)	\$ 22,720,480	\$ 11,937,551	\$ 2,892,048

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

b. Other 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 CAFR, 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 6.47% of covered payroll which amounted to \$1,153,427.

At June 30, 2019, Board reported a liability of \$30,987,806 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability use to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019, the Board's proportion was 0.0979%.

\$1,153,427 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	\$ 3,513,402
2022	3,513,402
2023	3,510,418
2024	1,332,104
2025	105,911
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	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - administrative	3.00%

Discount rate . The discount rate used to measure the total OPEB liability for the RHBF was 3.5%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.5% was used as the discount rate used to measure the total OPEB liability. The 3.5% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1% decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 36,824,622	\$ 30,987,806	\$ 26,314,094

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 (Medical - 4.00- 5.50%, Pharmacy - 4.00- 6.25%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00- 6.50%, Pharmacy - 5.00 - 7.25%, Administrative - 3.00%)	1% increase (Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Administrative - 4.00%)
Net OPEB liability	\$ 25,516,049	\$ 30,987,806	\$ 38,182,126

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$17,827 for the year ended June 30, 2020.

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, 2020, the Board reported an asset of \$43,724 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB asset was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019, the Board's proportion was 0.1013%.

\$17,827 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	\$ 19,790
2022	13,444
2023	10,054
2024	6,607
2025	8,800
Thereafter	1,711

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	\$ 37,033	\$ 43,724	\$ 50,225

Common actuarial assumptions for both OPEB plans. The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2018 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, 2019. 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	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	\$ 1,002,601	\$ 43,539	\$ 1,046,140
OPEB Liability (Asset)	30,987,806	43,724	31,031,530
Proportionate share of the net OPEB liability (asset)	0.0979%	0.1013%	
Deferred Outflows of Resources			
Differences between expected and actual experience	-	44,667	44,667
Changes of assumptions	1,489,419	4,844	1,494,263
Net difference between projected and actual earning on plan investments	20,635	8,328	28,963
Changes in proportion and differences between Board contributions and proportionate share of contributions	143,541	7,054	150,595
Board contributions subsequent to the measurement date	1,153,427	17,827	1,171,254
Deferred Inflows of Resources			
Differences between expected and actual experience	1,562,176	-	1,562,176
Changes of assumptions	9,316,293	4,486	9,320,779
Net difference between projected and actual earning on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,750,364	-	2,750,364

2. Accounts Payable

Accounts payable as June 30, 2020, are as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 146,098	\$ 96,796	\$ 242,894
Other Governmental	525,350	909,039	1,434,389
Total governmental activities	\$ 671,448	\$ 1,005,835	\$ 1,677,283
Business-type Activities			
School Food Service	\$ 23,608	\$ 10,711	\$ 34,319
Total business-type activities	\$ 23,608	\$ 10,711	\$ 34,319

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)	\$ -	\$ 96,792
Sales tax refunds receivable (State Public School)	-	5,888
Sales tax refunds receivable (Federal Grants)	-	3,850
Sales tax refunds receivable (Individual Schools)	-	3,262
Insurance proceeds not yet earned		409,107
Change in proportion and difference between employer contributions and proportionate share of contributions	160,252	2,980,017
Changes in assumptions	2,766,256	9,320,779
Employer contributions subsequent to the measurement date	3,483,456	-
Difference between projected and actual earnings on plan investments	257,789	-
Difference between expected and actual experience	1,043,229	1,586,074
Totals	\$ <u>7,710,982</u>	\$ <u>14,405,769</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, 2020, 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, 2020.

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.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 88,292	\$ 3,035
2022	88,292	3,035
Total	<u>\$ 176,584</u>	<u>\$ 3,035</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, 2020:

	Balance July 01, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental activities:					
Direct placemet installment purchase	\$ 264,875	\$ -	\$ 88,292	\$ 176,583	\$ 88,292
Net Pension Liability	11,678,675	-	96,403	11,582,272	-
Net OPEB liability	28,585,967	1,479,595	-	30,065,562	-
Compensated absences	1,929,542	-	188,506	1,741,036	-
Total	<u>\$ 42,459,059</u>	<u>\$ 1,479,595</u>	<u>\$ 373,201</u>	<u>\$ 43,565,453</u>	<u>\$ 88,292</u>
Business-type activities:					
Net Pension Liability	\$ 358,237	\$ -	\$ 2,958	\$ 355,279	\$ -
Net OPEB liability	876,858	45,386	-	922,244	-
Compensated absences	71,067	1,354	-	72,421	-
Total	<u>\$ 1,306,162</u>	<u>\$ 46,740</u>	<u>\$ 2,958</u>	<u>\$ 1,349,944</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, 2020, consist of the following:

	Amount
From the School Food Service Fund to the Other Restricted Fund for Indirect Cost	\$ 168,463
From the School Food Service Fund to the Other Restricted Fund for Salary and Benefit reimbursements	2,531
From the Other Restricted Fund to the School Food Service Fund for Bank Service Charges	(874)
Total interfund balances	\$ 170,120

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	\$ 2,668,890
Less:	
Prepays	132,327
Stabilization by State Statute	6,898
Appropriated Fund Balance in 2021 Budget	1,515,000
Remaining Fund Balance	\$ 1,014,665

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There was \$694,650 in encumbrances outstanding in Fund 4 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, 2020 as of the report date. Currently, there are 56 students from Hertford County attending charter schools.

VI. Special Item

Due to requirements of debt and grant funding for the construction of a new elementary school, the County must maintain the asset until the debt is paid off and the asset is transferred to the school district. Hertford County Schools had paid some architect fees relating to the new school, that is awaiting reimbursement from the County, and recorded it as CIP. This CIP balance was transferred to the County.

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 Seven Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.115%	0.121%	0.122%	0.122%	0.124%	0.128%	0.133%
Board's proportionate share of the net pension liability (asset)	\$ 11,937,551	\$ 12,036,912	\$ 9,653,041	\$ 11,174,458	\$ 4,582,912	\$ 1,499,644	\$ 1,551,631
Board's covered payroll	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 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	64.78%	66.33%	54.02%	64.45%	25.69%	8.41%	8.45%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	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 Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,312,202	\$ 2,264,834	\$ 1,956,236	\$ 1,783,287	\$ 1,590,125	\$ 1,616,715	\$ 1,546,811
Contributions in relation to the contractually required contribution	<u>2,312,202</u>	<u>2,264,834</u>	<u>1,956,236</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	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 Four Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.0979%	0.1034%	0.1064%	0.1058%
Board's proportionate share of the net OPEB liability	\$ 30,987,806	\$ 29,462,825	\$ 34,897,842	\$ 46,045,142
Board's covered-employee payroll	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	168.15%	162.36%	195.30%	265.56%
Plan fiduciary net position as a percentage of the total OPEB liability	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,153,427	\$ 1,155,452	\$ 1,097,887	\$ 1,038,751	\$ 973,191	\$ 970,029	\$ 961,195	\$ 972,752	\$ 916,703	\$ 942,724
Contributions in relation to the contractually required contribution	<u>1,153,427</u>	<u>1,155,452</u>	<u>1,097,887</u>	<u>1,038,751</u>	<u>973,191</u>	<u>970,029</u>	<u>961,195</u>	<u>972,752</u>	<u>916,703</u>	<u>942,724</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800	\$ 18,334,059	\$ 19,239,256
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.61%	5.49%	5.39%	5.30%	5.00%	4.90%

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 Four Fiscal Years*

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 17,827	\$ 25,800	\$ 25,406	\$ 67,901	\$ 71,251	\$ 72,443	\$ 78,320	\$ 80,757	\$ 95,337	\$ 100,044
Contributions in relation to the contractually required contribution	17,827	25,800	25,406	67,901	71,251	72,443	78,320	80,757	95,337	100,044
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,338,709	\$ 17,680,706	\$ 17,837,027	\$ 18,353,800	\$ 18,334,059	\$ 19,239,256
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%	0.41%	0.44%	0.44%	0.52%	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, 2020**

Exhibit B-1

	2020		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
Hertford County Appropriation	\$ 4,290,818	\$ 4,290,818	\$ -
Other			
Fines and Forfeitures	51,000	49,022	(1,978)
Interest earned on investments	2,182	12,056	9,874
Total	53,182	61,078	7,896
Total revenues	4,344,000	4,351,896	7,896
EXPENDITURES			
Instructional services:			
Regular instructional services::			
Regular curricular services		586,934	
CTE curricular services		31,326	
Program enhancement services		102,390	
Total	1,046,202	720,650	325,552
Special populations services:			
Children with disabilities		69,560	
Pre-K Children with Disabilities		2,058	
Speech and language pathology		24,137	
Academically gifted		2,473	
Limited English proficiency		5,543	
Total	122,274	103,771	18,503
Alternative Programs and services:			
Alternative instructional		8,650	
Attendance and social work		2,149	
Remedial and supplemental		22,098	
Pre-K readiness		15,892	
Extended day / year instructional		866	
Total	67,863	49,655	18,208
School leadership services	184,822	145,796	39,026

**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, 2020**

Exhibit B-1

	2020		
	Budget	Actual	Positive (Negative) Variance
School-based support services:			
Educational Media services		10,703	
Guidance services		27,299	
Health services		18,065	
Safety and security		26,483	
Staff development		2,330	
Total	284,007	84,880	199,127
System-wide support services:			
Support and development services:			
Regular curricular		303,029	
CTE curricular		90,576	
	416,046	393,605	22,441
Special population support and development	5,150	4,887	263
Alternative programs and services support and development services	1,160	173	987
Technology support services	266,524	156,908	109,616
Operational support services:			
Communication services		77,355	
Public Utility and Energy		871,338	
Custodial / Housekeeping		154,627	
Transportation services		385,211	
Maintenance		346,118	
Total	2,447,756	1,834,649	613,107
Financial and human resource services:			
Financial services		277,861	
Human resource services		34,505	
Total	334,024	312,366	21,658

**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, 2020**

Exhibit B-1

	2020		
	Budget	Actual	Positive (Negative) Variance
Policy, leadership and public relations:			
Board of education		113,384	
Legal services		122,051	
Audit services		20,250	
Leadership services		106,122	
Public relations and marketing		101,361	
Total	611,892	463,168	148,724
Ancillary services:			
Nutrition		2,302	
Total	3,280	2,302	978
Non-Programmed charges			
Payments to charter schools		70,457	
Total	80,000	70,457	9,543
Total expenditures	5,871,000	4,343,267	1,527,733
Excess of revenues over (under)	(1,527,000)	8,629	1,535,629
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	1,527,000	-	(1,527,000)
Total other financing sources and (uses)	1,527,000	-	(1,527,000)
Net Change in Fund Balance	\$ -	8,629	\$ 8,629
Fund balance, beginning		2,660,261	
Fund balance, ending		<u>\$ 2,668,890</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, 2020**

Exhibit B-2

	2020		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina	\$ 24,644,051	\$ 22,669,838	\$ (1,974,213)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		9,433,456	
CTE curricular services		1,122,195	
Program enhancement services		1,179,758	
Total	12,734,181	11,735,409	998,772
Special populations services:			
Children with Disabilities		1,894,656	
Pre-K Children with Disabilities		53,863	
Speech and language pathology		179,886	
Academically gifted		134,751	
Limited English proficiency		81,202	
Total	2,411,186	2,344,358	66,828
Alternative programs and services:			
Alternative instructional services		175,355	
Attendance and social work		77,745	
Extended day / year instructional		82,890	
Total	338,304	335,990	2,314
School leadership services	2,245,106	2,143,451	101,655
School-based support services:			
Educational media		389,544	
Guidance services		860,132	
Health services		323,417	
Safety and Security		277,151	
Total	1,982,396	1,861,768	120,628
System-wide support services:			
Support and development services:			
Regular curricular support		107,161	
CTE curricular support		7,246	
Total	450,733	114,407	336,326

**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, 2020**

Exhibit B-2

	2020		
	Budget	Actual	Positive (Negative) Variance
Special population support	<u>67,177</u>	<u>67,177</u>	<u>-</u>
Technology support services	<u>345,453</u>	<u>344,976</u>	<u>477</u>
Operational support			
Custodial / Housekeeping		965,165	
Transportation		1,371,258	
Maintenance		397,958	
Total	<u>2,844,468</u>	<u>2,734,381</u>	<u>110,087</u>
Financial and human resource:			
Financial services		370,520	
Human resource services		190,641	
Total	<u>561,162</u>	<u>561,161</u>	<u>1</u>
Policy, leadership and public relations:			
Leadership services		381,263	
Total	<u>381,263</u>	<u>381,263</u>	<u>-</u>
Ancillary services	<u>282,622</u>	<u>45,497</u>	<u>237,125</u>
Total Expenditures	<u>24,644,051</u>	<u>22,669,838</u>	<u>1,974,213</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

**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, 2020**

Exhibit B-3

	2020		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina			
School Nurse Funding	\$ 50,000	\$ 45,996	\$ (4,004)
Smart Start	48,001	48,000	(1)
NC Pre-K	808,257	684,759	(123,498)
Other	20,000	22,093	2,093
Total	926,258	800,848	(125,410)
U.S. Government			
JROTC	56,000	60,463	4,463
NCSBA Medicaid	30,000	103,457	73,457
Medicaid reimbursement	1,000	205,890	204,890
Other	6,435	2,024	(4,411)
Total	93,435	371,834	278,399
Other			
Tuition and fees	5,000	7,000	2,000
Rental of school property	1,000	864	(136)
Contributions and donations	31,950	7,666	(24,284)
Erate	1,600	5,122	3,522
Golden LEAF	203,000	90,842	(112,158)
Interest earned on investments	2,000	-	(2,000)
Indirect cost allocated	180,692	235,404	54,712
Miscellaneous local operating revenues	30,500	37,637	7,137
Total	455,742	384,535	(71,207)
Total revenues	1,475,435	1,557,217	81,782
EXPENDITURES			
Instructional services:			
Regular instructional services:			
Regular curricular services		215,559	
Program enhancement services		23,080	
Total	757,877	238,639	519,238

**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, 2020**

Exhibit B-3

	2020		
	Budget	Actual	Positive (Negative) Variance
Special Populations services:			
Limited English Proficiency		2,025	
Total	45,203	2,025	43,178
Alternative Programs and services:			
Pre-K Readiness / Remedial and Supp		820,711	
Extended day / year instruction		191	
Total	937,634	820,902	116,732
School-based support services:			
Health services		45,996	
Total	107,920	45,996	61,924
Total instructional programs	1,848,634	1,107,562	741,072
System-wide support services:			
Support and development			
Regular		3,000	
Total	33,401	3,000	30,401
Policy, leadership and public relations:			
Leadership		874	
Total	4,000	874	3,126
Total supporting services	37,401	3,874	33,527
Nonprogram charges			
Transfer of Funds to Other Agencies		-	
Total	162,400	-	162,400
Total expenditures	2,048,435	1,111,436	936,999
Excess of revenues over (under) expenditures	(573,000)	445,781	1,018,781

**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, 2020**

Exhibit B-3

	2020		Positive (Negative) Variance
	Budget	Actual	
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	573,000	-	(573,000)
Total other financing sources and (uses)	573,000	-	(573,000)
 NET CHANGE IN FUND BALANCE	 \$ -	 445,781	 \$ 445,781
 Fund balance, beginning		4,150,210	
 Fund balance, ending		<u>\$ 4,595,991</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, 2020**

Exhibit B-4

	2020		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina:			
Public School Capital Fund	\$ -	\$ -	\$ -
State appropriations - Buses	300,000	88,292	(211,708)
Total State of North Carolina	300,000	88,292	(211,708)
Hertford County:			
County appropriation	15,521,375	-	(15,521,375)
Restricted portion of sales taxes	1,859,000	653,643	(1,205,357)
Total Hertford County	17,380,375	653,643	(16,726,732)
Other:			
Insurance Settlement	805,000	396,217	(408,783)
Total Other	805,000	396,217	(408,783)
Total Revenues	18,485,375	1,138,152	(17,347,223)
EXPENDITURES			
Capital outlay:			
Real Property and Buildings	17,564,375	824,777	16,739,598
Furniture and equipment	501,000	5,365	495,635
Motor vehicles	770,000	34,989	735,011
Total Capital Outlay	18,835,375	865,131	17,970,244
Debt Service:			
Principal	300,000	88,292	211,708
Total Debt Service	300,000	88,292	211,708
Total Expenditures	19,135,375	953,423	18,181,952
Revenues Over (Under) Expenditures	(650,000)	184,729	834,729
OTHER FINANCING SOURCES (USES)			
Installment purchase obligations issued	650,000	-	(650,000)
Total other financing sources and (uses)	650,000	-	(650,000)
Net Change in Fund Balance	\$ -	184,729	\$ 184,729
FUND BALANCE			
Beginning of year, July 1		882,763	
End of year, June 30		\$ 1,067,492	

**Hertford County Board of Education
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Federal Grant Fund	Individual Schools	
ASSETS			
Cash and cash equivalents	\$ -	\$ 130,441	\$ 130,441
Due from other governments	56,980	3,262	60,242
Total assets	<u>\$ 56,980</u>	<u>\$ 133,703</u>	<u>\$ 190,683</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 1,123	\$ 1,123
Accrued salaries and benefits	53,130	-	53,130
Total liabilities	<u>53,130</u>	<u>1,123</u>	<u>54,253</u>
Deferred inflows of resources	<u>3,850</u>	<u>3,262</u>	<u>7,112</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
School Capital Outlay	-	-	-
Individual Schools	-	129,318	129,318
Unassigned:	-	-	-
Total fund balances	<u>-</u>	<u>129,318</u>	<u>129,318</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 56,980</u>	<u>\$ 133,703</u>	<u>\$ 190,683</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, 2020

	Special Revenue Funds		Total Nonmajor Special Revenue Funds
	Federal Grant Fund	Individual Schools	
REVENUES			
State of North Carolina	\$ -	\$ -	\$ -
U.S. Government	2,093,334	-	2,093,334
Other	-	417,260	417,260
Total Revenues	<u>2,093,334</u>	<u>417,260</u>	<u>2,510,594</u>
EXPENDITURES			
Current:			
Instructional services			
Regular Instructional	406,550	-	406,550
Special Populations	663,271	-	663,271
Alternative Programs	839,124	-	839,124
School Leadership	3,225	-	3,225
Co-Curricular	-	389,188	389,188
School-Based Support	40,107	-	40,107
System-wide support services			
Support and Development	9,125	-	9,125
Alternative programs and Services Support	52,339	-	52,339
Financial and Human Resources	9,024	-	9,024
Non-Program Charges	70,569	-	70,569
Total Expenditures	<u>2,093,334</u>	<u>389,188</u>	<u>2,482,522</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>28,072</u>	<u>28,072</u>
Net change in fund balances	-	28,072	28,072
Fund balances, beginning	-	101,246	101,246
Fund balances, ending	<u>\$ -</u>	<u>\$ 129,318</u>	<u>\$ 129,318</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, 2020

Exhibit C-3

	2020		Positive (Negative) Variance
	Budget	Actual	
REVENUES			
U.S. Government	\$ 4,432,261	\$ 2,093,334	\$ (2,338,927)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		332,161	
CTE curricular services		71,546	
Program enhancement services		2,843	
Total	1,340,443	406,550	933,893
Special populations services:			
Children with Disabilities		642,558	
Pre-K children with disabilities		20,713	
Total	946,428	663,271	283,157
Alternative programs and services:			
Alternative instructional		19,231	
Attendance and social work		2,948	
Remedial and supplemental		797,357	
Extended day / year instructional		19,588	
Total	1,595,187	839,124	756,063
School leadership services			
School leadership		3,225	
Total	3,225	3,225	-
Co-Curricular Services	300	-	300
School-based support services:			
Guidance services		25,838	
Health services		1,413	
Safety and security support services		3,000	
Parent involvement		9,856	
Total	75,827	40,107	35,720

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, 2020

Exhibit C-3

	2020		
	Budget	Actual	Positive (Negative) Variance
System-wide support services:			
Support and development services:			
Regular curricular support		9,125	
Total	16,669	9,125	7,544
Alternative programs and services support and development services	77,798	52,339	25,459
Technology support	116,973	-	116,973
Operational support services:			
Transportation		-	
Total	72,094	-	72,094
Financial and human resource:			
Human resource		9,024	
Total	22,350	9,024	13,326
Nonprogrammed charges	164,967	70,569	94,398
Total Expenditures	4,432,261	2,093,334	2,338,927
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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, 2020

Exhibit C-4

	Cash and Investments	Due From Other Governments	Total Assets	Accounts Payable	Due to Other Funds	Deferred Revenue	Fund Balance	Total Liabilities & Fund Balance
Bearfield Primary	\$ 20,308	\$ 284	\$ 20,592	\$ -	\$ -	\$ 284	\$ 20,308	\$ 20,592
Hertford County Middle	23,841	648	24,489	-	-	648	23,841	24,489
Riverview Elementary	5,740	294	6,034	-	-	294	5,740	6,034
Ahoskie Elementary	17,540	142	17,682	-	-	142	17,540	17,682
Hertford County High	40,941	1,766	42,707	1,123	-	1,766	39,818	42,707
Hertford County Early College	14,164	84	14,248	-	-	84	14,164	14,248
CSB Student Development	7,907	44	7,951	-	-	44	7,907	7,951
Total	<u>\$ 130,441</u>	<u>\$ 3,262</u>	<u>\$ 133,703</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 3,262</u>	<u>\$ 129,318</u>	<u>\$ 133,703</u>

Hertford County Board of Education
Combining Statement of Revenues, Expenditures And
Changes in Fund Balance -- Individual Schools
For the Year Ended June 30, 2020

Exhibit C-5

	<u>Revenues</u>	<u>Transfers and Expenditures</u>	<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>Fund Balance June 30, 2020</u>
Bearfield Primary	\$ 29,375	\$ 29,894	\$ (519)	\$ 20,308
Hertford County Middle	53,940	52,701	1,239	23,841
Riverview Elementary	18,591	16,832	1,759	5,740
Ahoskie Elementary	20,868	18,837	2,031	17,540
Hertford County High	244,735	225,816	18,919	39,818
Hertford County Early College	31,259	28,636	2,623	14,164
CSB Student Development	<u>18,492</u>	<u>16,472</u>	<u>2,020</u>	<u>7,907</u>
Total	<u>\$ 417,260</u>	<u>\$ 389,188</u>	<u>\$ 28,072</u>	<u>\$ 129,318</u>

ENTERPRISE FUNDS

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

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

Hertford County Board of Education
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2020

Exhibit D-1

	2020		
	Budget	Actual	Positive (Negative) Variance
OPERATING REVENUES:			
Food sales	\$ 167,000	\$ 70,989	\$ (96,011)
Miscellaneous local revenues	50,000	4,699	(45,301)
Total operating revenues	<u>217,000</u>	<u>75,688</u>	<u>(141,312)</u>
OPERATING EXPENDITURES:			
Business support services:			
Purchase of food		580,901	
Donated commodities		122,616	
Salaries and benefits		916,187	
Indirect cost		168,463	
Materials and supplies		80,988	
Repairs and maintenance		1,875	
Contracted services		11,901	
Other		7,752	
Total business support services	<u>2,457,000</u>	<u>1,890,683</u>	<u>566,317</u>
Capital outlay	<u>86,000</u>	<u>85,425</u>	<u>575</u>
Total operating expenditures	<u>2,543,000</u>	<u>1,976,108</u>	<u>566,892</u>
Operating income (loss)	(2,326,000)	(1,900,420)	425,580
NON-OPERATING REVENUES:			
Federal reimbursements	2,204,500	1,688,332	(516,168)
Federal commodities used	120,000	127,726	7,726
Investment earnings	1,500	1,181	(319)
Total operating revenues (expenditures)	<u>2,326,000</u>	<u>1,817,239</u>	<u>(508,761)</u>
Excess of revenues over (under) expenditures before other financing sources	-	(83,181)	(83,181)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(83,181)</u>	<u>\$ (83,181)</u>

**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, 2020**

Exhibit D-1

	2020		Positive (Negative) Variance
	Budget	Actual	
Reconciliation from modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures			
Reconciling items:			
Depreciation		(30,310)	
Net OPEB asset		345	
Net OPEB liability		(45,386)	
Net pension liability		2,958	
Deferred outflows		(15,881)	
Deferred inflows		63,856	
Capital Outlay		76,264	
Total Reconciling Items		51,846	
Change in Net Position (full accrual)		\$ (31,335)	

★ COMPLIANCE SECTION ★





**Report On Internal Control over Financial Reporting And On Compliance and Other
Matters Based On An Audit of Financial Statements Performed in Accordance With
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, 2020, 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 November 18, 2020.

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

November 18, 2020



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

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

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

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

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

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, 2020. 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, 2020.

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

November 18, 2020



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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, 2020. 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, 2020.

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

November 18, 2020

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

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
	Child Nutrition Program Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
	 Title I, Part A Cluster
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)

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, 2020**

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

Vocational Education - State Months of Employment

School Technology

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

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, 2020**

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, 2020**

None Reported.

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	2020 Expenditures
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		\$ 122,616
Non-Cash Assistance			122,616
Cash Assistance:			
Passed-through the N. C. Department of Public Instruction:			
School Breakfast Program	10.553		389,785
National School Lunch Program	10.555		866,943
Summer Food Service Program for Children	10.559		431,604
Total Cash Assistance			1,688,332
Total Child Nutrition Cluster			1,810,948
Total School Nutrition Program (Note 3)	10.582		1,810,948
Total U. S. Department of Agriculture			1,810,948
<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	903,946
Total Title I, Part A Cluster			903,946
School Improvements Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105, 115	130,200
Total School Improvement Cluster			130,200

Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	2020 Expenditures
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	649,011
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	21,211
Special Needs Targeted Assistance	84.027	PRC 118	7,806
Preschool Targeted Assistance	84.173	PRC 119	316
Total Special Education Cluster			<u>678,344</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	56,588
Rural Education	84.358	PRC 109	78,521
Supporting Effective Instruction	84.367	PRC 103	126,922
Student Support and Academic Enrichment Grant	84.424	PRC 108	97,924
Total U.S. Department of Education			<u>2,072,445</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	20,889
<u>U. S. Department of Defense</u>			
Direct Program: ROTC	None	PRC 301	<u>60,463</u>
Total federal assistance			<u>\$ 3,964,745</u>
State Grants:			
Cash Assistance:			
<u>N. C. Department of Public Instruction</u>			
State Public School Fund			\$ 21,197,294
Driver Training - SPSF		PRC 012	34,626
School Technology Fund - SPSF		PRC 015	308,466
Vocational Education			
-- State Months of Employment		PRC 013	1,053,700
-- Program Support Funds		PRC 014	75,752
Total N. C. Department of Public Instruction			<u>22,669,838</u>

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	2020 Expenditures
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development			
Smart Start			70,395
NC Pre-Kindergarten Program			744,692
Division of Public Health			
School Nurse Funding Initiative			45,996
Total N.C. Department of Health and Human Services			861,083
NonCash Assistance:			
<u>N. C. Department of Public Instruction</u>			
School Buses Appropriation			88,292
Total State Assistance			23,619,213
Total Federal and State Assistance			\$ 27,583,958

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, 2020. 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