

HERTFORD COUNTY SCHOOLS

Board of Education



2025

Annual Financial Report

HERTFORD COUNTY BOARD OF EDUCATION
FINANCIAL REPORT
June 30, 2025

Hertford County Board of Education
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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, 2024, and the related notes to the financial statements, which collectively comprise the Hertford County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hertford County Board of Education, North Carolina as of June 30, 2025, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, Federal Grant Fund, Capital Outlay Fund and the Other Restricted Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 10 and the Schedule of the Proportionate Share of the Net Pension Liability and OPEB Liabilities and the Schedule of Board Contributions on pages 49 through 54, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining and individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025 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

December 12, 2025

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, 2025. 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 150 students from the previous year. The decline in enrollment directly impacts state and federal funding allocations. The district continues to work collaboratively with local government to secure the financial support necessary to maintain essential programs and services and to meet the evolving needs of our students and community.
- At the close of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$8,385,635 a decrease of \$200,342 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 \$13,037,097 as of June 30, 2025, as a result of the implementation of GASB 75 and 101. The largest component of net position is investment in capital assets, of \$15,315,088. It comprises 117.47% 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
	2025	2024	2025	2024	2025	2024
Current assets	\$ 8,413,139	\$ 9,235,798	\$ 1,361,832	\$ 1,487,975	\$ 9,774,971	\$ 10,723,773
Right to Use & Capital assets, net	15,909,572	15,454,979	194,928	178,147	16,104,500	15,633,126
Total assets	<u>24,322,711</u>	<u>24,690,777</u>	<u>1,556,760</u>	<u>1,666,122</u>	<u>25,879,471</u>	<u>26,356,899</u>
Deferred outflows of resources	18,852,766	14,721,911	585,690	429,014	19,438,456	15,150,925
Current liabilities	449,448	967,952	25,709	9,600	475,157	977,552
Long-term liabilities	49,651,698	39,887,209	1,548,350	1,224,736	51,200,048	41,111,945
Total liabilities	<u>50,101,146</u>	<u>40,855,161</u>	<u>1,574,059</u>	<u>1,234,336</u>	<u>51,675,205</u>	<u>42,089,497</u>
Deferred inflows of resources	6,484,918	10,352,074	194,901	301,692	6,679,819	10,653,766
Net investment in capital assets	15,120,160	14,689,341	194,928	178,147	15,315,088	14,867,488
Restricted net position	2,133,084	1,312,226	904	-	2,133,988	1,312,226
Unrestricted net position	<u>(30,663,831)</u>	<u>(27,796,114)</u>	<u>177,658</u>	<u>380,961</u>	<u>(30,486,173)</u>	<u>(27,415,153)</u>
Total net assets	<u>\$ (13,410,587)</u>	<u>\$ (11,794,547)</u>	<u>\$ 373,490</u>	<u>\$ 559,108</u>	<u>\$ (13,037,097)</u>	<u>\$ (11,235,439)</u>

Note that net position decreased by 16.04% from the previous year. The decrease in net position was due largely to increases in Net OPEB liability and compensated absences, which was reflected as a prior period restatement of (\$1,785,356).

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	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Revenues:						
Program revenues:						
Charges for services	\$ 642,938	\$ 1,265,633	\$ 68,493	\$ 78,029	\$ 711,431	\$ 1,343,662
Operating grants and contributions	30,446,028	33,020,051	1,943,587	2,045,315	32,389,615	35,065,366
Capital grants and contributions	499,759	503,399	-	-	499,759	503,399
General revenues:						
Other revenues	5,210,863	5,244,274	-	3,003	5,210,863	5,247,277
Total revenues	36,799,588	40,033,357	2,012,080	2,126,347	38,811,668	42,159,704
Expenses:						
Governmental activities:						
Instructional programs	25,778,008	25,663,812	-	-	25,778,008	25,663,812
System-wide Support	9,653,843	10,088,406	-	-	9,653,843	10,088,406
Ancillary services	123,372	170,212	-	-	123,372	170,212
Non-programmed charges	195,722	755,905	-	-	195,722	755,905
Unallocated Depreciation	1,360,018	1,238,196	-	-	1,360,018	1,238,196
Business-type activities:						
Food service	-	-	2,126,114	1,950,841	2,126,114	1,950,841
Total expenses	37,110,963	37,916,531	2,126,114	1,950,841	39,237,077	39,867,372
Increase (decrease) in net position	(311,375)	2,116,826	(114,034)	175,506	(425,409)	2,292,332
Net position, beginning, restated	(13,099,212)	(13,911,373)	487,524	383,602	(12,611,688)	(13,527,771)
Net position, ending	\$ (13,410,587)	\$ (11,794,547)	\$ 373,490	\$ 559,108	\$ (13,037,097)	\$ (11,235,439)

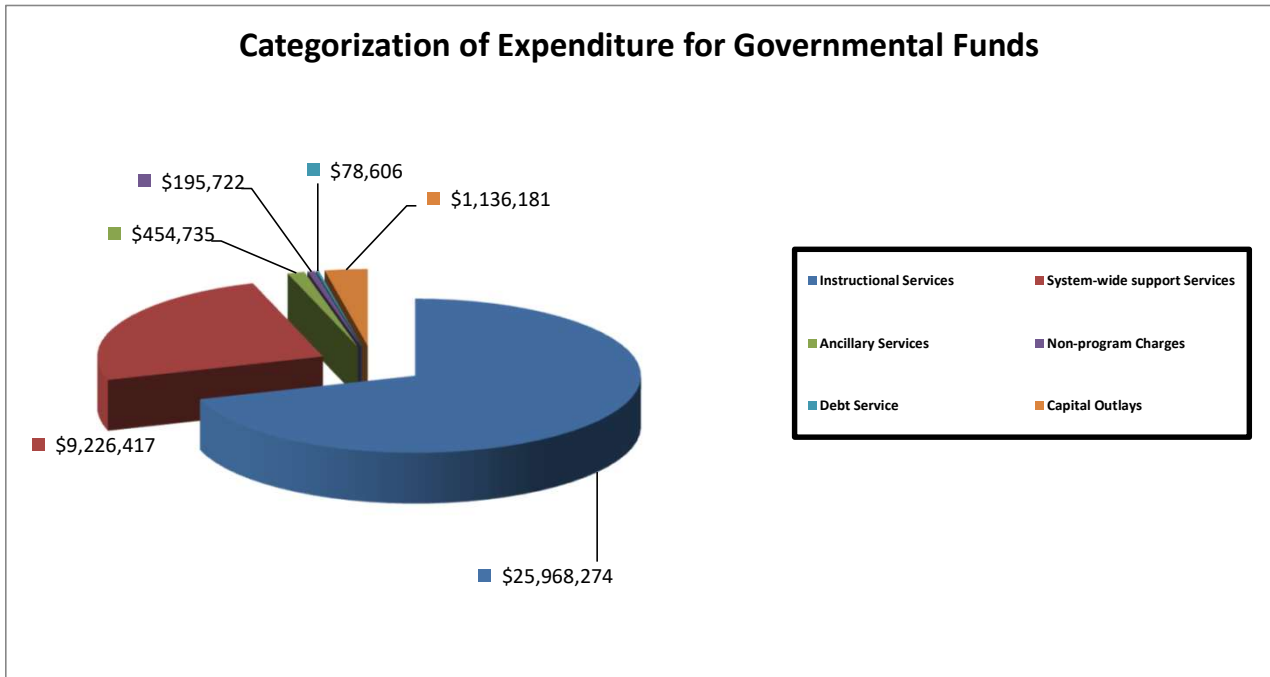
Total governmental activities generated revenues of \$36,799,588 while expenses in this category totaled \$37,110,963. Comparatively, revenues were \$40,033,357 and expenses totaled \$37,916,531, for the year ended June 30, 2024. The decrease in net position stands at (\$311,375), compared to an increase of \$2,116,826, in 2024. Instructional services comprised 69.46% of total governmental-type expenses while system-wide support services made up 26.01% of those expenses for 2025. County funding comprised 13.50% of total governmental revenue. In 2024, County funding was 12.59%. Much of the remaining 84.27% of total governmental revenue for 2025 consists of restricted State and Federal money. Business-type activities generated revenue of \$2,012,080 and had expenses of \$2,126,114. Net position decreased in the business-type activities by (\$114,034).

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 \$8,385,635, a \$200,342 decrease over the prior year. The General Fund, Capital Outlay Fund, and Individual School Funds had revenues in excess of expenditures of \$466,174, \$2,659, and \$2,847, respectively. The Other Restricted Funds had expenditures in excess of revenues of \$672,022. Expenditures decreased from the prior year, and included \$2,241,296 in capitalizable assets.

Proprietary Funds: The Board's School Food Service Fund reflected a decrease in net position from last year. Revenues fell slightly due to changes in reimbursement rates and expenses increased due to increases in wages and cost of food.



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 increased by \$314,709 from the previous year. Total capital assets increased as a result of increases to right to use assets and current year acquisitions. Major asset purchases included technology equipment, vehicles and a building improvements.

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

**Table 3
Summary of Capital Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Land						
Construction in progress	\$ 488,902	\$ 488,902	\$ -	\$ -	\$ 488,902	\$ 488,902
Buildings	-	-	-	-	-	-
Equipment and furniture	43,303,292	42,623,512	-	-	43,303,292	42,623,512
Less accumulated depreciation	12,986,543	11,847,169	732,700	680,693	13,719,243	12,527,862
Right to use assets	(42,034,115)	(40,356,224)	(537,772)	(502,546)	(42,571,887)	(40,858,770)
Less accumulated amortization	1,131,714	710,081	-	-	1,131,714	710,081
	(549,239)	(284,271)	-	-	(549,239)	(284,271)
Total	\$ 15,327,097	\$ 15,029,169	\$ 194,928	\$ 178,147	\$ 15,522,025	\$ 15,207,316

Debt Outstanding

During the year, the Board's outstanding debt decreased by \$173,016, as a result of debt payments on school buses, leases and SBITAs. 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

Hertford County Public Schools operates within an economic environment characterized by declining student enrollment and ongoing local economic challenges. As of the 2025-2026 school year, the district experienced a continued reduction in enrollment, which directly affects state and federal revenue streams that are primarily driven by average daily membership. Declining enrollment places additional pressure on the district's financial resources while fixed operational costs remain largely unchanged.

Hertford County's local economy continues to face factors such as population decline, limited tax base growth, and economic constraints common to rural communities, which impact the capacity for increased local funding support. These conditions influence both the schools system's revenue structure and its long-term financial planning efforts.

Despite these challenges, Hertford County Public Schools continues to work collaboratively with county leadership and other stakeholders to address funding gaps, prioritized essential services, and maintain fiscal stability. The district remains focused on responsible fiscal management, aligning expenditures with available resources and implementing strategies to impact of enrollment decline while continuing to meet the educational need of its students.

Requests for Information

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

Lori Merritt, Interim Chief Financial Officer
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, 2025**

Exhibit 1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,119,457	\$ 1,430,416	\$ 9,549,873
Due from other governments	609,150	50,822	659,972
Net OPEB asset	29,470	904	30,374
Internal balances	164,069	(164,069)	-
Inventories	-	43,759	43,759
Prepayments	73,468	-	73,468
Capital assets (Note 1)			
Land, improvements, and construction in progress	488,902	-	488,902
Other capital assets, net of depreciation	14,255,720	194,928	14,450,648
Right to use assets, net	582,475	-	582,475
Total capital assets	15,327,097	194,928	15,522,025
Total assets	24,322,711	1,556,760	25,879,471
DEFERRED OUTFLOWS OF RESOURCES	18,852,766	585,690	19,438,456
LIABILITIES			
Accounts payable and accrued liabilities	194,470	23,080	217,550
Accrued salaries and wages payable	254,978	-	254,978
Prepaid meals	-	2,629	2,629
Long-term liabilities:			
Due within one year	824,126	-	824,126
Due in more than one year	48,827,572	1,548,350	50,375,922
Total liabilities	50,101,146	1,574,059	51,675,205
DEFERRED INFLOWS OF RESOURCES	6,484,918	194,901	6,679,819
NET POSITION			
Net investment in capital assets	15,120,160	194,928	15,315,088
Restricted:			
Individual Schools	161,585	-	161,585
Stabilization by State Statute	397,752	-	397,752
School Capital Outlay	1,544,277	-	1,544,277
DIPNC OPEB plan	29,470	904	30,374
Unrestricted	(30,663,831)	177,658	(30,486,173)
Total net position	\$ (13,410,587)	\$ 373,490	\$ (13,037,097)

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, 2025

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	\$ 14,107,406	\$ -	\$ 13,468,202	\$ -	\$ (639,204)	\$ -	\$ (639,204)
Special	2,753,019	-	2,605,377	-	(147,642)	-	(147,642)
Alternative programs	3,112,673	-	2,551,244	-	(561,429)	-	(561,429)
School leadership	2,739,581	-	2,550,995	-	(188,586)	-	(188,586)
Co-curricular	455,228	423,075	-	-	(32,153)	-	(32,153)
School-based support	2,610,101	-	2,669,123	-	59,022	-	59,022
System-wide support services:							
Support and development	533,060	-	472,579	-	(60,481)	-	(60,481)
Special populations	246,131	-	225,849	-	(20,282)	-	(20,282)
Alternative programs	59,352	-	67,482	-	8,130	-	8,130
Technology support	450,903	-	372,387	-	(78,516)	-	(78,516)
Operational support	5,843,426	219,863	3,527,033	499,759	(1,596,771)	-	(1,596,771)
Financial and human resource	1,211,014	-	734,601	-	(476,413)	-	(476,413)
System-wide pupil support	131,418	-	75,844	-	(55,574)	-	(55,574)
Policy, leadership, and public relations	1,178,539	-	536,727	-	(641,812)	-	(641,812)
Ancillary services	123,372	-	452,941	-	329,569	-	329,569
Non-programmed charges	195,722	-	135,644	-	(60,078)	-	(60,078)
Unallocated depreciation expense	1,360,018	-	-	-	(1,360,018)	-	(1,360,018)
Total Governmental activities	<u>37,110,963</u>	<u>642,938</u>	<u>30,446,028</u>	<u>499,759</u>	<u>(5,522,238)</u>	<u>-</u>	<u>(5,522,238)</u>
Business-type activities:							
School Food service	2,126,114	68,493	1,943,587	-	-	(114,034)	(114,034)
Total business-type activities	<u>2,126,114</u>	<u>68,493</u>	<u>1,943,587</u>	<u>-</u>	<u>-</u>	<u>(114,034)</u>	<u>(114,034)</u>
Total primary government	<u>\$ 39,237,077</u>	<u>\$ 711,431</u>	<u>\$ 32,389,615</u>	<u>\$ 499,759</u>	<u>(5,522,238)</u>	<u>(114,034)</u>	<u>(5,636,272)</u>
General revenues:							
Unrestricted county appropriations - operating					4,252,063	-	4,252,063
Unrestricted county appropriations - capital					717,687	-	717,687
Miscellaneous, unrestricted					214,275	-	214,275
Investment earnings, unrestricted					26,838	-	26,838
Total general revenues and transfers					<u>5,210,863</u>	<u>-</u>	<u>5,210,863</u>
Change in net position					(311,375)	(114,034)	(425,409)
Net position, beginning, restated (see Note V)					(13,099,212)	487,524	(12,611,688)
Net position, ending					<u>\$ (13,410,587)</u>	<u>\$ 373,490</u>	<u>\$ (13,037,097)</u>

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

**Hertford County Board of Education
Balance Sheet
Governmental Funds
June 30, 2025**

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	\$ 816,504	\$ -	\$ 1,482,557	\$ -	\$ 5,657,426	\$ 162,970	\$ 8,119,457
Due from other governments	396,367	-	74,520	31,464	104,558	2,241	609,150
Due from other funds	1,385	-	-	-	164,069	-	165,454
Prepayments	73,468	-	-	-	-	-	73,468
Total assets	<u>\$ 1,287,724</u>	<u>\$ -</u>	<u>\$ 1,557,077</u>	<u>\$ 31,464</u>	<u>\$ 5,926,053</u>	<u>\$ 165,211</u>	<u>\$ 8,967,529</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 181,533	\$ -	\$ 12,800	\$ -	\$ 137	\$ -	\$ 194,470
Due to other funds	-	-	-	-	-	1,385	1,385
Accrued salaries and benefits	254,978	-	-	-	-	-	254,978
Total liabilities	<u>436,511</u>	<u>-</u>	<u>12,800</u>	<u>-</u>	<u>137</u>	<u>1,385</u>	<u>450,833</u>
Deferred inflows of resources	-	-	-	31,464	97,356	2,241	131,061
Fund balances:							
Nonspendable							
Prepays	73,468	-	-	-	-	-	73,468
Restricted							
Stabilization by State Statute	397,752	-	-	-	-	-	397,752
School Capital Outlay	-	-	1,544,277	-	-	-	1,544,277
Individual Schools	-	-	-	-	-	161,585	161,585
Committed							
Other Restricted Funds	-	-	-	-	5,828,560	-	5,828,560
Unassigned	379,993	-	-	-	-	-	379,993
Total fund balances	<u>851,213</u>	<u>-</u>	<u>1,544,277</u>	<u>-</u>	<u>5,828,560</u>	<u>161,585</u>	<u>8,385,635</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,287,724</u>	<u>\$ -</u>	<u>\$ 1,557,077</u>	<u>\$ 31,464</u>	<u>\$ 5,926,053</u>	<u>\$ 165,211</u>	<u>\$ 8,967,529</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, 2025**

Exhibit 3a

Total fund balance, governmental funds	\$	8,385,635
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		14,744,622
Right to use assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		582,475
Deferred outflows of resources related to pensions		7,520,625
Deferred outflows of resources related to OPEB		11,332,141
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.		(3,224,282)
Net Pension liability		(15,354,698)
Net OPEB liability		(31,072,718)
Deferred inflows of resources related to pensions		(248,895)
Deferred inflows of resources related to OPEB		(6,104,962)
Net Position of governmental activities	<u>\$</u>	<u>(13,410,587)</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, 2025

Exhibit 4

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	State Public School Fund	Capital Outlay Fund	Federal Grant Fund	Other Restricted Funds	Other Governmental Funds	
REVENUES							
State of North Carolina	\$ -	\$ 25,050,298	\$ 499,759	\$ -	\$ 783,452	\$ -	\$ 26,333,509
U.S. Government	-	-	-	4,188,613	318,888	-	4,507,501
Hertford County	4,252,063	-	717,687	-	-	-	4,969,750
Other	167,834	-	-	-	397,918	423,075	988,827
Total	<u>4,419,897</u>	<u>25,050,298</u>	<u>1,217,446</u>	<u>4,188,613</u>	<u>1,500,258</u>	<u>423,075</u>	<u>36,799,587</u>
EXPENDITURES							
Current:							
Instructional							
Regular Instructional	575,145	12,255,439	-	1,127,389	150,726	-	14,108,699
Special Populations	116,194	2,112,340	-	492,327	1,349	-	2,722,210
Alternative Programs	81,037	665,749	-	1,392,734	935,835	-	3,075,355
School Leadership	167,068	2,550,995	-	-	-	-	2,718,063
Co-Curricular	-	-	-	-	-	455,228	455,228
School-Based Support	173,393	2,372,610	-	245,131	97,585	-	2,888,719
System-wide support services							
Support and Development	22,828	445,088	-	16,349	21,163	-	505,428
Special Populations Support and Development	16,436	125,731	-	96,685	6,520	-	245,372
Alternative programs and Services Support							
Technology Support	3,696	-	-	67,482	-	-	71,178
Operational Support	136,109	318,616	-	-	-	-	454,725
Financial and Human Resources	1,359,551	2,971,845	-	84,748	893,441	-	5,309,585
System-Wide Pupil Support	592,268	599,082	-	117,586	34,058	-	1,342,994
Policy, Leadership, and Public Relations	52,107	75,844	-	-	-	-	127,951
Ancillary services	619,201	506,532	-	15,451	28,000	-	1,169,184
Non-Program Charges	3,618	50,427	-	397,087	3,603	-	454,735
Debt Service	60,078	-	-	135,644	-	-	195,722
Principal	-	-	78,606	-	-	-	78,606
Capital outlay							
Real Property and Buildings	-	-	627,685	-	-	-	627,685
Furniture and Equipment	-	-	209,300	-	-	-	209,300
Buses and Motor Vehicles	-	-	299,196	-	-	-	299,196
Total Expenditures	<u>3,978,729</u>	<u>25,050,298</u>	<u>1,214,787</u>	<u>4,188,613</u>	<u>2,172,280</u>	<u>455,228</u>	<u>37,059,935</u>
Excess (deficiency) of revenues over expenditures	441,168	-	2,659	-	(672,022)	(32,153)	(260,348)
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(35,000)	-	-	-	-	35,000	-
SBITA proceeds	60,006	-	-	-	-	-	60,006
Total other financing sources and (uses)	<u>25,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>60,006</u>
Net change in fund balances	466,174	-	2,659	-	(672,022)	2,847	(200,342)
Fund balances - beginning, restated (see Note V)	385,039	-	1,541,618	-	6,500,582	158,738	8,585,977
Fund balances - ending	<u>\$ 851,213</u>	<u>\$ -</u>	<u>\$ 1,544,277</u>	<u>\$ -</u>	<u>\$ 5,828,560</u>	<u>\$ 161,585</u>	<u>\$ 8,385,635</u>

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

Hertford County Board of Education
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Exhibit 4a

Net change in fund balances - total governmental funds: \$ (200,342)

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.

141,263

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds

156,665

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.

2,769,630

Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities

1,174,534

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.

132,891

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	(4,448,454)
Net OPEB Expense	(326,912)
Compensated absences	289,350

Change in net position of governmental activities \$ (311,375)

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

Hertford County Board of Education
General Fund and Annually Budgeted Major Funds
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2025

	General Fund				State Public School Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 24,864,766	\$ 25,939,492	\$ 25,050,298	\$ (889,194)
U.S. Government	-	-	-	-	-	-	-	-
Hertford County	4,252,063	4,252,063	4,252,063	-	-	-	-	-
Other	71,500	71,500	167,834	96,334	-	-	-	-
Total revenues	4,323,563	4,323,563	4,419,897	96,334	24,864,766	25,939,492	25,050,298	(889,194)
EXPENDITURES								
Current:								
Instructional								
Regular	1,021,104	954,484	575,145	379,339	13,052,959	13,261,576	12,255,439	1,006,137
Special Populations	17,474	19,474	116,194	(96,720)	1,936,915	2,037,754	2,112,340	(74,586)
Alternative programs	34,500	34,500	81,037	(46,537)	486,413	559,328	665,749	(106,421)
School leadership	116,786	78,597	167,068	(88,471)	2,547,911	2,652,252	2,550,995	101,257
School-based support	165,830	165,830	173,393	(7,563)	2,268,746	2,279,894	2,372,610	(92,716)
System-wide support services:								
Support and development	306,911	253,433	22,828	230,605	165,509	393,812	445,088	(51,276)
Special populations	500	500	16,436	(15,936)	113,066	128,269	125,731	2,538
Alternative programs	-	-	3,696	(3,696)	-	-	-	-
Technology support	269,174	232,235	136,109	96,126	262,875	401,667	318,616	83,051
Operational support	1,391,424	1,385,838	1,359,551	26,287	2,912,982	3,049,463	2,971,845	77,618
Financial and human resources	560,157	566,907	592,268	(25,361)	634,775	625,150	599,082	26,068
System-wide pupil support	-	-	52,107	(52,107)	-	-	75,844	(75,844)
Policy, leadership, and public relations	351,555	521,617	619,201	(97,584)	465,073	499,644	506,532	(6,888)
Ancillary services								
Nutrition	3,148	5,148	3,618	1,530	17,542	50,683	50,427	256
Non-programmed charges	85,000	70,000	60,078	9,922	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	4,323,563	4,288,563	3,978,729	309,834	24,864,766	25,939,492	25,050,298	889,194
Revenues over (under) expenditures	-	35,000	441,168	406,168	-	-	-	-
OTHER FINANCING SOURCES								
Fund balance appropriated	-	-	-	-	-	-	-	-
Transfers out	-	(35,000)	(35,000)	-	-	-	-	-
SBITA Proceeds	-	-	60,006	60,006	-	-	-	-
Total other financing sources and (uses)	-	(35,000)	25,006	60,006	-	-	-	-
Net change in fund balances	\$ -	\$ -	466,174	\$ 466,174	\$ -	\$ -	-	\$ -
Fund balances, beginning, restated (see Note V)			385,039				-	
Fund balances, ending			\$ 851,213				\$ -	

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

Hertford County Board of Education
General Fund and Annually Budgeted Major Funds
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2025

	Federal Grant Fund				Capital Outlay Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 1,720,000	\$ 1,720,000	\$ 499,759	\$(1,220,241)
U.S. Government	3,551,171	5,931,336	4,188,613	(1,742,723)	-	-	-	-
Hertford County	-	-	-	-	920,000	920,000	717,687	(202,313)
Other	-	-	-	-	-	-	-	-
Total revenues	3,551,171	5,931,336	4,188,613	(1,742,723)	2,640,000	2,640,000	1,217,446	(1,422,554)
EXPENDITURES								
Current:								
Instructional								
Regular	1,117,645	1,245,247	1,127,389	117,858	-	-	-	-
Special Populations	1,162,870	1,173,721	492,327	681,394	-	-	-	-
Alternative programs	270,578	2,206,754	1,392,734	814,020	-	-	-	-
School leadership	5,000	5,000	-	5,000	-	-	-	-
School-based support	299,135	340,543	245,131	95,412	-	-	-	-
System-wide support services:								
Support and development	-	-	16,349	(16,349)	-	-	-	-
Special populations	-	-	96,685	(96,685)	-	-	-	-
Alternative programs	18,309	67,846	67,482	364	-	-	-	-
Technology support	-	-	-	-	-	-	-	-
Operational support	124,846	150,616	84,748	65,868	500,000	-	-	-
Financial and human resources	26,535	125,396	117,586	7,810	-	-	-	-
System-wide pupil support	-	-	-	-	-	-	-	-
Policy, leadership, and public relations	33,882	33,882	15,451	18,431	40,000	-	-	-
Ancillary services								
Nutrition	397,087	397,087	397,087	-	-	-	-	-
Non-programmed charges	95,284	185,244	135,644	49,600	500,000	-	-	-
Debt Service	-	-	-	-	-	500,000	78,606	421,394
Capital Outlay	-	-	-	-	1,600,000	2,140,000	1,136,181	1,003,819
Total Expenditures	3,551,171	5,931,336	4,188,613	1,742,723	2,640,000	2,640,000	1,214,787	1,425,213
Revenues over (under) expenditures	-	-	-	-	-	-	2,659	2,659
OTHER FINANCING SOURCES								
Fund balance appropriated	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
SBITA Proceeds	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -	\$ -	\$ -	2,659	\$ 2,659
Fund balances, beginning, restated (see Note V)			-				1,541,618	
Fund balances, ending			\$ -				\$ 1,544,277	

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

Hertford County Board of Education
General Fund and Annually Budgeted Major Funds
Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2025

Other Restricted Fund				
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State of North Carolina	\$ 893,354	\$ 893,354	\$ 783,452	\$ (109,902)
U.S. Government	297,000	297,000	318,888	21,888
Hertford County	-	-	-	-
Other	290,000	347,250	397,918	50,668
Total revenues	1,480,354	1,537,604	1,500,258	(37,346)
EXPENDITURES				
Current:				
Instructional				
Regular	367,652	369,652	150,726	218,926
Special Populations	-	-	1,349	(1,349)
Alternative programs	921,908	938,158	935,835	2,323
School leadership	-	-	-	-
School-based support	84,962	84,962	97,585	(12,623)
System-wide support services:				
Support and development	-	39,000	21,163	17,837
Special populations	-	-	6,520	(6,520)
Alternative programs	-	-	-	-
Technology support	-	-	-	-
Operational support	963,619	963,619	893,441	70,178
Financial and human resources	478,288	478,288	34,058	444,230
System-wide pupil support	-	-	-	-
Policy, leadership, and public relations	28,000	28,000	28,000	-
Ancillary services				
Nutrition	5,000	5,000	3,603	1,397
Non-programmed charges	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	2,849,429	2,906,679	2,172,280	734,399
Revenues over (under) expenditures	(1,369,075)	(1,369,075)	(672,022)	697,053
OTHER FINANCING SOURCES				
Fund balance appropriated	1,369,075	1,369,075	-	(1,369,075)
Transfers out	-	-	-	-
SBITA Proceeds	-	-	-	-
Total other financing sources and (uses)	1,369,075	1,369,075	-	(1,369,075)
Net change in fund balances	\$ -	\$ -	(672,022)	\$ (672,022)
Fund balances, beginning, restated (see Note V)			6,500,582	
Fund balances, ending			\$ 5,828,560	

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, 2025**

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,430,416
Due from other governments	50,822
OPEB asset	904
Inventories	43,759
Total current assets	1,525,901
Non-current assets:	
Capital Assets:	
Equipment	732,700
Less accumulated depreciation	(537,772)
Total non-current assets	194,928
Total assets	1,720,829
DEFERRED OUTFLOWS OF RESOURCES	585,690
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	23,080
Due to other funds	164,069
Prepaid Meals	2,629
Total current liabilities	189,778
Non-current liabilities:	
Net Pension liability	470,996
Net OPEB liability	953,138
Compensated absences	124,216
Total non-current liabilities	1,548,350
Total liabilities	1,738,128
DEFERRED INFLOWS OF RESOURCES	194,901
NET POSITION	
Net investment in capital assets	194,928
DIPNC OPEB plan	904
Unrestricted	177,658
Total net position	\$ 373,490

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, 2025

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES:	
Food sales	\$ 61,886
Miscellaneous local revenues	6,607
Total operating revenues	68,493
OPERATING EXPENDITURES:	
Purchase of food	739,097
Donated commodities	135,519
Salaries and benefits	1,026,677
Indirect cost	85,081
Materials and supplies	18,716
Repairs and maintenance	37,679
Contracted services	21,951
Depreciation	35,227
Capital outlay	6,223
Other	19,944
Total operating expenditures	2,126,114
Operating income (loss)	(2,057,621)
NON-OPERATING REVENUES (EXPENSES):	
Federal reimbursements	1,802,049
Federal commodities used	139,298
Sale of assets	2,240
Total non-operating revenues (expenses)	1,943,587
Change in net position	(114,034)
Total net position, beginning, restated (see Note V)	487,524
Total net position, ending	\$ 373,490

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

Hertford County Board of Education
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

Exhibit 8

	Enterprise Fund
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 61,939
Cash paid for goods and services	(912,720)
Cash paid to employees for services	(1,039,019)
Other operating revenues	6,607
Net cash used by operating activities	(1,883,193)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,808,174
Due to / from other funds	8,390
Total cash provided by noncapital financing activities	1,816,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(52,007)
Disposition of capital assets	2,240
Total cash provided by capital and related financing activities	(49,767)
Net increase/(decrease) in cash and cash equivalents	(116,396)
Cash and cash equivalents, July 1	1,546,812
Cash and cash equivalents, June 30	\$ 1,430,416
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,057,621)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	35,227
Donated commodities consumed	135,519
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	28
(Increase)/decrease in net OPEB asset	(904)
(Increase)/decrease in inventory	(113)
Increase/(decrease) in accounts payable	16,084
Increase/(decrease) in prepaid meals	25
Increase/(decrease) in net pension liability	(5,836)
Increase / (decrease) in net OPEB liability	265,739
(Increase)/decrease in deferred outflows	(156,676)
Increase/(decrease) in deferred inflows	(106,792)
Increase/(decrease) in compensated absences	(7,873)
Total adjustments	174,428
Net cash used by operating activities	\$ (1,883,193)

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

**Hertford County Board of Education
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025**

Exhibit 8

Non-cash operating and non capital financing activities:

The School Food Service Fund received donated commodities with a value of \$139,298 during the fiscal year. The receipt of the commodities is recognized as a non-operating revenue. The Fund recorded the consumption of \$135,519 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

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

Hertford County Board of Education
Notes to the Financial Statements
For the Year Ended June 30, 2025

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Hertford County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Hertford County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

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

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

Federal Grants Fund. The Federal Grants Fund is used to account for various programs and grants which the federal government provided to the local administrative unit.

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

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

The Board reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose code level for all annually budgeted funds. The Superintendent is authorized by the governing Board to transfer amounts within individual funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Capital Assets

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

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

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

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

	<u>Years</u>
Buildings	10 - 40
Equipment and furniture	5 - 12
Vehicles	10

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

The Board's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Board reports a lease (only applies when the Board is the lessee) or agreements where the Board reports and Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of th lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

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, 2025 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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. Any unused sick leave accumulated for employees that leave the Board before retirement is forfeited. The Board used a three-year look-back period to estimate the amount of sick leave that has been earned and will be used as sick leave over the employee's service period. The liability for sick leave is based on this estimate.

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.

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 (\$21,796,222) 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)	\$ 56,778,737
Less Accumulated Depreciation	<u>(42,034,115)</u>
Net Capital Assets	14,744,622
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,131,714
Amortization Expense for Leased Assets	<u>(549,239)</u>
Net Right to Use Assets	582,475
Net OPEB Asset	29,470
Pension related deferred outflows of resources	7,520,625
OPEB related deferred outflows of resources	11,332,141
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	-
Compensated absences	(3,017,345)
Lease liability	(166,812)
Subscription liability	(40,125)
Net Pension liability	(15,354,698)
Net OPEB liability	(31,072,718)
Deferred inflows of resources related to pensions	(248,895)
Deferred inflows of resources related to OPEB	<u>(6,104,962)</u>
Total Adjustment	<u>\$ (21,796,222)</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 (\$111,033) 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.	\$ (1,677,891)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	1,819,154
Net Capital Assets	<u>141,263</u>
Lease and IT agreements were recorded on the fund statements as revenues, but is included as a long-term liability on the government-wide statements.	(60,006)
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to Use Assets	422,142
Amortization Expense	<u>(265,477)</u>
	<u>156,665</u>
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.	192,897
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,769,630
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,174,534
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	(4,448,454)
OPEB expense	(326,912)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	289,350
Total Adjustment	<u>\$ (111,033)</u>

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

11. New Accounting Pronouncements

The Board adopted the following new accounting pronouncements in the current fiscal year.

GASB 101, *Compensated Absences*, to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB 102, *Certain Risk Disclosures*, to better provide users with disclosures containing timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

II. Stewardship, Compliance, and Accountability

Expenditures exceeding appropriations

The board reported expenditures in excess of appropriations in the Federal Fund System Wide Support Services level (the level at which the board adopts the budget) of \$20,651. Finance staff experienced turnover during the year and necessary budget amendments were not made to align with funding requirements.

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, 2025, the Board had deposits with financial institutions with a carrying amount of \$9,549,873 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$11,235,233 and \$810,766, respectively. Of these balances, \$622,620 was covered by federal depository insurance and \$11,423,379 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, 2025, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 1,385	\$ 396,367	\$ -
Other governmental activities	162,684	212,783	-
Total	<u>\$ 164,069</u>	<u>\$ 609,150</u>	<u>\$ -</u>
Business-type activities:			
School Food Service	\$ (164,069)	\$ 50,822	\$ -
Total	<u>\$ (164,069)</u>	<u>\$ 50,822</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental Activities:

General Fund	\$	13,445	County - Fines & Forfeitures
General Fund		354,339	County - June Appropriations
General Fund		14,434	Sales tax refund receivable
General Fund		14,149	County - Utility bill refund
Federal Grants Fund		31,464	Sales tax refund receivable
Capital Outlay Fund		6,811	Sales tax refund receivable
Capital Outlay Fund		67,709	County - Capital Outlay
Other Restricted Funds		9,600	Smart Start
Other Restricted Funds		43,246	Sales tax refund receivable
Other Restricted Funds		1,223	PreK
Other Restricted Funds		50,489	Individual School
Individual Schools		2,241	Sales tax refund receivable
Total	\$	<u>609,150</u>	

Business-type activities:

School Food Service Fund	\$	48,739	USDA Reimbursement Claim
School Food Service Fund		2,083	Sales tax refund receivable
Total	\$	<u>50,822</u>	

3. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 488,902	\$ -	\$ -	\$ 488,902
Total capital assets not being depreciated	<u>488,902</u>	<u>-</u>	<u>-</u>	<u>488,902</u>
Capital assets being depreciated:				
Buildings and Improvements	42,623,512	679,780	-	43,303,292
Equipment, furniture, and Vehicles	11,847,169	1,139,374	-	12,986,543
Total capital assets being depreciated	<u>54,470,681</u>	<u>1,819,154</u>	<u>-</u>	<u>56,289,835</u>
Less accumulated depreciation for:				
Buildings and Improvements	30,119,682	1,069,480	-	31,189,162
Equipment, furniture, and Vehicles	10,236,542	608,411	-	10,844,953
Total accumulated depreciation	<u>40,356,224</u>	<u>1,677,891</u>	<u>-</u>	<u>42,034,115</u>
Total capital assets being depreciated, net	<u>14,114,457</u>			<u>14,255,720</u>
Right to use assets:				
Leased Equipment	312,296	-	-	312,296
Leased Vehicles	160,416	-	-	160,416
IT subscriptions	237,369	422,142	(509)	659,002
Total right to use assets	<u>710,081</u>	<u>422,142</u>	<u>(509)</u>	<u>1,131,714</u>
Less accumulated amortization for:				
Leased Equipment	178,722	63,003	-	241,725
Leased Vehicles	34,757	32,083	-	66,840
IT subscriptions	70,792	170,391	(509)	240,674
Total accumulated amortization	<u>284,271</u>	<u>\$ 265,477</u>	<u>\$ (509)</u>	<u>549,239</u>
Right to use assets, net	<u>425,810</u>			<u>582,475</u>
Governmental activity capital assets, net	<u>\$ 15,029,169</u>			<u>\$ 15,327,097</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,360,018
Operational support services	<u>317,873</u>
Total	<u>\$ 1,677,891</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ <u>680,693</u>	\$ <u>52,007</u>	\$ -	\$ <u>732,700</u>
Total capital assets being depreciated	<u>680,693</u>	<u>52,007</u>	-	<u>732,700</u>
Less accumulated depreciation for:				
Furniture and office equipment	<u>502,546</u>	<u>35,226</u>	-	<u>537,772</u>
Total accumulated depreciation	<u>502,546</u>	<u>\$ 35,226</u>	<u>\$ -</u>	<u>537,772</u>
Business-type activity capital assets, net	<u>\$ 178,147</u>			<u>\$ 194,928</u>

Construction Commitments

Hertford County Schools has no outstanding construction projects at June 30, 2025.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 12 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute six percent of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contributions rate for the year ended June 30, 2025, was 16.79% 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 \$2,859,806 for the year ended June 30, 2025.

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, 2025, the Board reported a liability of \$15,825,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 and at June 30, 2024, the Board's proportion was .0961% and .1068%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of \$4,568,900. At June 30, 2025, 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	\$ 1,426,170	\$ 46,783
Net difference between projected and actual earnings on pension plan investments	2,609,582	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	860,977	209,747
Board contributions subsequent to the measurement date	2,859,806	-
Total	<u>\$ 7,756,535</u>	<u>\$ 256,530</u>

\$2,859,806 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2026	\$ 1,566,713
2027	3,420,312
2028	(67,489)
2029	(279,337)
2030	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Benefit recipients of TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. These one-time supplements for benefit recipients of TSERS do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

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, 2023 valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
<i>Total</i>	<i>100.0%</i>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 29,030,481	\$ 15,825,694	\$ 4,936,412

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

b. Other Post-employment Benefits

1. Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members - eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and reitrees 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 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 6.99% of covered payroll which amounted to \$1,190,592.

At June 30, 2025, Board reported a liability of \$22,115,201 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 and June 30, 2024, the Board's proportion was 0.0942% and 0.0866%, respectively.

\$1,190,592 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2026	\$ (380,737)
2027	592,320
2028	1,998,140
2029	1,970,511
2030	-
Thereafter	-

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical (non-MA)	6.50% grading down to 5.00% by 2030
Healthcare cost trend rate - prescription drug	10.0% grading down to 5.00% by 2033
Healthcare cost trend rate - Medicare advantage	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.93%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, the municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability and is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

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 (2.93%) or 1-percentage-point higher (4.93%) than the current discount rate:

	1% decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	\$ 38,102,480	\$ 32,025,856	\$ 27,146,858

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (medical, prescription drug, administrative) that is 1-percentage-point lower (6.50%, 7.00%, and 3.00% respectively) or 1-percentage-point higher (7.50%, 8.0%, and 4.00% respectively) than the current healthcare cost trend rates:

	1% decrease in Trend Rates	Healthcare Trend Rates (MA and Non- MA - 6.50%, Pharmacy - 10.0%, Administrative - 3.00%)	1% Increase in Trend Rates
Net OPEB liability	\$ 26,435,045	\$ 32,025,856	\$ 39,264,867

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$22,143 for the year ended June 30, 2025.

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, 2025, the Board reported a liability of \$30,374 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Board's proportion was 0.0923%.

\$22,143 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2026	\$	(8,276)
2027		(6,381)
2028		6,137
2029		3,163
2030		2,078
Thereafter		-

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

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

Sensitivity of the Board's proportionate share of the net OPEB 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 (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	\$ (27,084)	\$ (30,374)	\$ (33,833)

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 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, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience study prepared as of December 31, 2019.

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 weighing 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	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
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:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$ (310,362)	\$ (20,017)	\$ (330,379)
OPEB Liability (Asset)	32,025,856	(30,374)	31,995,482
Proportionate share of the net OPEB liability (asset)	0.0942%	0.0923%	
Deferred Outflows of Resources			
Differences between expected and actual experience	261,029	12,245	273,274
Changes of assumptions	7,713,134	453	7,713,587
Net difference between projected and actual earning on plan investments	137,236	23,846	161,082
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,311,636	9,606	2,321,242
Board contributions subsequent to the measurement date	1,190,592	22,143	1,212,735
Deferred Inflows of Resources			
Differences between expected and actual experience	-	34,937	34,937
Changes of assumptions	4,175,518	14,151	4,189,669
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,067,284	338	2,067,622

2. Accounts Payable

Accounts payable as June 30, 2025, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 181,533	\$ 254,978	\$ 436,511
Other Governmental	12,937	-	12,937
Total governmental activities	<u>\$ 194,470</u>	<u>\$ 254,978</u>	<u>\$ 449,448</u>
Business-type Activities			
School Food Service	\$ 23,080	\$ -	\$ 23,080
Total business-type activities	<u>\$ 23,080</u>	<u>\$ -</u>	<u>\$ 23,080</u>

3. Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Grants not yet earned (Other Restricted Funds)	\$ -	\$ 97,356
Sales tax refunds receivable (Federal Grants)	-	31,464
Sales tax refunds receivable (Individual Schools)	-	2,241
Change in proportion and difference between employer contributions and proportionate share of contributions	3,182,219	2,277,369
Changes in assumptions	7,713,587	4,189,669
Employer contributions subsequent to the measurement date	4,072,541	-
Difference between projected and actual earnings on plan investments	2,770,664	-
Difference between expected and actual experience	1,699,445	81,720
Totals	<u>\$ 19,438,456</u>	<u>\$ 6,679,819</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, 2025, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

6. Long-Term Obligations

Leases

For the year ended 6/30/2025, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/29/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Pitney Bowes Postage Machine at HCMS. An initial lease liability was recorded in the amount of \$4,518. As of 06/30/2025, the value of the lease liability is \$2,582. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$215. The lease has an interest rate of 0.000%. The value of the right to use asset as of 06/30/2025 of \$4,518 with accumulated amortization of \$1,737 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 54 month lease as Lessee for the use of Pitney Bowes Postage Machine at the Central Office. An initial lease liability was recorded in the amount of \$15,384. As of 06/30/2025, the value of the lease liability is \$1,750. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$879. The lease has an interest rate of 1.1770%. The value of the right to use asset as of 06/30/2025 of \$15,384 with accumulated amortization of \$13,675 is included with Equipment on the Lease Class activities table found below.

On 07/29/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Pitney Bowes Postage Machine at AES. An initial lease liability was recorded in the amount of \$4,303. As of 06/30/2025, the value of the lease liability is \$2,582. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$215. The lease has an interest rate of 0.000%. The value of the right to use asset as of 06/30/2024 of \$4,303, with accumulated amortization of \$1,654 is included with Equipment on the Lease Class activities table found below.

On 07/29/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Pitney Bowes Postage Machine at RIV. An initial lease liability was recorded in the amount of \$4,518. As of 06/30/2025, the value of the lease liability is \$2,582. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$215. The lease has an interest rate of 0.0000%. The value of the right to use asset as of 06/30/2025 of \$4,518 with accumulated amortization of \$1,737 is included with Equipment on the Lease Class activities table found below.

On 07/29/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Pitney Bowes Postage Machine at HCHS. An initial lease liability was recorded in the amount of \$4,959. As of 06/30/2025, the value of the lease liability is \$2,834. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$236. The lease has an interest rate of 0.000%. The value of the right to use asset as of 06/30/2025 of \$4,959 with accumulated amortization of \$1,906 is included with Equipment on the Lease Class activities table found below.

On 07/29/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Pitney Bowes Postage Machine at BPS. An initial lease liability was recorded in the amount of \$4,518. As of 06/30/2025, the value of the lease liability is \$2,582. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$215. The lease has an interest rate of 0.000%. The value of the right to use asset as of 06/30/2024 of \$4,518 with accumulated amortization of \$1,737 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Toshiba Color Copier. An initial lease liability was recorded in the amount of \$274,096. As of 06/30/2025, the value of the lease liability is \$55,951. Hertford County Public Schools, NC is required to make quarterly fixed payments of \$14,091. The lease has an interest rate of 1.1770%. The value of the right to use asset as of 06/30/2025 of \$274,096 with accumulated amortization of \$219,277 is included with Equipment on the Lease Class activities table found below.

On 06/01/2023, Hertford County Public Schools, NC entered into a 60 month lease as Lessee for the use of Bus GPS Units. An initial lease liability was recorded in the amount of \$160,416. As of 06/30/2025, the value of the lease liability is \$95,952. Hertford County Public Schools, NC is required to make monthly fixed payments of \$2,850. The lease has an interest rate of 2.6070%. The value of the right to use asset as of 06/30/2025 of \$160,416 with accumulated amortization of \$66,840 is included with Vehicles on the Lease Class activities table found below.

Amount of lease assets by major classes of underlying assets:

Asset class:	As of Fiscal Year-End		
	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Equipment	\$ 312,296	\$ 241,725	\$ 70,571
Vehicles	160,416	66,840	93,576
Total Leases	\$ 472,712	\$ 308,565	\$ 164,147

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 94,145	\$ 2,540	\$ 96,685
2027	37,313	1,273	38,586
2028	35,332	405	35,737
	\$ 166,790	\$ 4,218	\$ 171,008

Subscriptions

For the year ended June 30, 2024 the Board implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

On 09/20/2022, Hertford County Public Schools, NC entered into a 72 month subscription for the use of HMH Into Reading: K-5, Softcover. An initial subscription liability was recorded in the amount of \$236,860. As of 06/30/2025, the value of the subscription liability is \$0. The subscription has an interest rate of 2.6957%. The value of the right to use asset as of 06/30/2025 of \$236,860 with accumulated amortization of \$109,767 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/13/2022, Hertford County Public Schools, NC entered into a 24 month subscription for the use of DigiCert Software. An initial subscription liability was recorded in the amount of \$509. As of 06/30/2025, the value of the subscription liability is \$0. The value of the right to use asset as of 06/30/2025 of \$0 with accumulated amortization of \$0 is included with Software on the Subscription Class activities table found below.

On 07/03/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Charter Communications Holding. An initial subscription liability was recorded in the amount of \$5,633. As of 06/30/2025, the value of the subscription liability is \$4,022. Hertford County Public Schools, NC is required to make monthly fixed payments of \$168. The subscription has an interest rate of 3.897%. The value of the right to use asset as of 06/30/2025 of \$5,733 with accumulated amortization of \$1,852 was listed as a reduction in Software on the Subscription Class activities table found below.

On 05/01/2025, Hertford County Public Schools, NC entered into a 15 month subscription for the use of Transition Curriculum Nextup Curriculum. An initial subscription liability was recorded in the amount of \$2,991. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make a one time fixed payment of \$3,000. The subscription has an interest rate of 3.266%. The value of the right to use asset as of 06/30/2025 of \$2,991 with accumulated amortization of \$399 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/01/2024, Hertford County Public Schools, NC entered into a 24 month subscription for the use of Amplify Boost Reading Student License. An initial subscription liability was recorded in the amount of \$32,161. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make a one time fixed payment of \$32,640. The subscription has an interest rate of 3.31%. The value of the right to use asset as of 06/30/2025 of \$32,161 with accumulated amortization of \$16,080 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/01/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Amplify Teacher License. An initial subscription liability was recorded in the amount of \$886. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make a one time fixed payment of \$894. The subscription has an interest rate of 3.22%. The value of the right to use asset as of 06/30/2025 of \$886 with accumulated amortization of \$295 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/10/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Encore Technologies - CISCO DNA 24 Port Essentials 3 Year License. An initial subscription liability was recorded in the amount of \$709. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$731. The subscription has an interest rate of 3.8970%. The value of the right to use asset as of 06/30/2025 of \$709 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/10/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Encore Technologies - Cisco DNA Essentials 48 port 3 year license. An initial subscription liability was recorded in the amount of \$651. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$671. The subscription has an interest rate of 3.8970%. The value of the right to use asset as of 06/30/2025 of \$651 with accumulated amortization of \$194 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/31/2024, Hertford County Public Schools, NC entered into a 60 month subscription for the use of Encore Technologies - Camera License. An initial subscription liability was recorded in the amount of \$39,256. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$40,455. The subscription has an interest rate of 3.8460%. The value of the right to use asset as of 06/30/2025 of \$39,256 with accumulated amortization of \$7,337 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/31/2024, Hertford County Public Schools, NC entered into a 60 month subscription for the use of Encore Technologies - Viewing Station License. An initial subscription liability was recorded in the amount of \$1,382. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$1,424. The subscription has an interest rate of 3.8460%. The value of the right to use asset as of 06/30/2025 of \$1,382 with accumulated amortization of \$258 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/01/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Fortress Surebus Fleet Management Live GPS & Video Commercial. An initial subscription liability was recorded in the amount of \$54,373. As of 06/30/2025, the value of the subscription liability is \$36,102. Hertford County Public Schools, NC is required to make annual fixed payments of \$18,900. The subscription has an interest rate of 3.8970%. The value of the right to use asset as of 06/30/2025 of \$54,373 with accumulated amortization of \$18,124 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/08/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of McGraw-Hill School Education StudySync Core ELA GR 6-7. An initial subscription liability was recorded in the amount of \$56,006. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$56,722. The subscription has an interest rate of 3.8970%. The value of the right to use asset as of 06/30/2025 of \$56,006 with accumulated amortization of \$16,750 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/12/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of McGraw-Hill School Education StudySync Core ELA GR 9-12. An initial subscription liability was recorded in the amount of \$89,444. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$90,548. The subscription has an interest rate of 3.897%. The value of the right to use asset as of 06/30/2025 of \$89,444 with accumulated amortization of \$26,419 was listed as a reduction in Software on the Subscription Class activities table found below.

On 07/01/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Positive Action Inc - Paesela all Grades. An initial subscription liability was recorded in the amount of \$30,034. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$30,250. The subscription has an interest rate of 3.5990%. The value of the right to use asset as of 06/30/2025 of \$30,034 with accumulated amortization of \$9,829 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/01/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Savvas Learning ENVMTH24 Subscription Grade 6-8. An initial subscription liability was recorded in the amount of \$47,762. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$48,444. The subscription has an interest rate of 3.897%. The value of the right to use asset as of 06/30/2025 of \$47,762 with accumulated amortization of \$14,594 was listed as a reduction in Software on the Subscription Class activities table found below.

On 08/01/2024, Hertford County Public Schools, NC entered into a 36 month subscription for the use of Savvas Learning INT22 NC MTHI SC Subscription High School. An initial subscription liability was recorded in the amount of \$60,754. As of 06/30/2025, the value of the subscription liability is \$0. Hertford County Public Schools, NC is required to make one-time fixed payments of \$61,345. The subscription has an interest rate of 3.897%. The value of the right to use asset as of 06/30/2025 of \$60,754 with accumulated amortization of \$18,564 was listed as a reduction in Software on the Subscription Class activities table found below.

Amount of subscription assets by major classes of underlying assets:

Asset class:	As of Fiscal Year-End		
	<u>Subscription Asset Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	\$ 659,002	\$ 240,674	\$ 418,328
Total Subscriptions	<u>\$ 659,002</u>	<u>\$ 240,674</u>	<u>\$ 418,328</u>

Year Ending June 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
	2026	\$ 19,801	\$ 1,112
2027	20,156	757	20,913
2028	167	1	168
	<u>\$ 40,124</u>	<u>\$ 1,870</u>	<u>\$ 41,994</u>

Installment Purchase

The State has accepted the bid to purchase buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. In March 2022, the Board entered into a direct placement installment purchase contract to finance the purchase of three school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires finance payments of \$78,556 due upon receipt of the buses and then at November 15 each contract year. The buses were paid off in full this year.

Year Ending June 30	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</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, 2025:

Governmental activities:	Balance July 01, 2024 (restated)	Increases	Decreases	Balance June 30, 2025	Current Portion
Direct placement installment purchase	\$ 78,607	\$ -	78,607	\$ -	-
Lease Liability	261,221	-	94,409	166,812	94,145
Subscription Liability	-	60,006	19,881	40,125	19,801
Net Pension Liability	15,544,944	-	190,246	15,354,698	-
Net OPEB liability - RHBF	22,388,096	8,684,622	-	31,072,718	-
Net OPEB liability - DIPNC	21,418	-	21,418	-	-
Compensated absences					
Vacation leave	1,592,923	-	16,189	1,576,734	-
Sick leave	1,713,772	219,524	492,685	1,440,611	710,180
Total Compensated Absences	3,306,695	219,524	508,874	3,017,345	710,180
Total	\$ 41,600,981	\$ 8,964,152	\$ 913,435	\$ 49,651,698	\$ 824,126
Business-type activities:					
Net Pension Liability	\$ 476,832	\$ -	5,836	\$ 470,996	\$ -
Net OPEB liability - RHBF	686,742	266,396	-	953,138	-
Net OPEB liability - DIPNC	657	-	657	-	-
Compensated absences					
Vacation leave	60,505	3,537	-	64,042	-
Sick leave	71,584	9,169	20,579	60,174	29,664
Total Compensated Absences	132,089	12,706	20,579	124,216	29,664
Total	\$ 1,296,320	\$ 279,102	\$ 27,072	\$ 1,548,350	\$ 29,664

Compensated absences are typically liquidated by the general and other governmental funds and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

C. Interfund Balances and Activity

Due to/from balances

From the School Food Service Fund to the Other Restricted Fund for Indirect Cost	\$ 164,069
From the Individual School to the General Fund to cover advance of funds	1,385
Total interfund balances	\$ 165,454

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	\$ 851,213
Less:	
Prepays	73,468
Stabilization by State Statute	397,752
Remaining Fund Balance	\$ 379,993

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

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, 2025 as of the report date. Currently, there are 35 students from Hertford County attending charter schools.

V. Correction of an Error in Previously Issued Financial Statements and Changes in Accounting Principles

Changes in Accounting Principles

During the current fiscal year, the Board implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Board now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatements - GASB 101 Implementation" column in the table below.

Correction of an Error

During the current fiscal year, the Board determined that revenues received from insurance were improperly reported as deferred revenues; these funds should have been recognized as revenues in the period they were received. The effects of the change in accounting principle are summarized below in the "Correction of an Error" column in the table below.

	Net Position 6/30/24 as previously reported	Correction of an Error	Restatement - Gasb 101 Implementation	Net Position 6/30/24 as Restated
Governmental Activities	\$ (11,794,547)	\$ 409,107	\$ (1,713,772)	\$ (13,099,212)
Business-Type Activities				
Child Nutrition	559,108	-	(71,584)	487,524
Total Enterprise Fund	559,108		(71,584)	487,524
Governmental Funds				
Capital Outlay Fund	\$ 1,132,511	\$ 409,107	\$ -	\$ 1,541,618

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

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**

Exhibit A-1

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

	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Board's proportion of the net pension liability (asset)	0.107%	0.096%	0.105%	0.103%	0.113%
Board's proportionate share of the net pension liability (asset)	\$ 15,825,694	\$ 16,021,776	\$ 15,646,687	\$ 4,838,532	\$ 13,604,329
Board's covered payroll	\$ 17,032,791	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150	\$ 17,778,343
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	92.91%	80.78%	84.00%	25.72%	76.52%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Board's proportion of the net pension liability (asset)	0.115%	0.121%	0.122%	0.122%	0.124%
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
Board's covered payroll	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608	\$ 17,680,706
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.96%	65.32%	53.19%	62.54%	25.92%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

*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 Ten Fiscal Years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 2,859,806	\$ 3,496,527	\$ 3,237,225	\$ 3,093,545	\$ 2,627,639
Contributions in relation to the contractually required contribution	<u>2,859,806</u>	<u>3,496,527</u>	<u>3,237,225</u>	<u>3,093,545</u>	<u>2,627,639</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,032,791	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150	\$ 17,778,343
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.44%	14.78%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,312,202	\$ 2,264,834	\$ 1,956,236	\$ 1,783,287	\$ 1,590,125
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.17%

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 Eight Fiscal Years*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Board's proportion of the net OPEB liability	0.0942%	0.0866%	0.0931%	0.0901%
Board's proportionate share of the net OPEB liability	\$ 32,025,856	\$ 23,074,838	\$ 22,115,201	\$ 27,859,423
Board's covered-employee payroll	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150	\$ 17,778,343
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	161.48%	123.88%	117.55%	156.70%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability	0.0964%	0.0979%	0.1034%	0.1064%
Board's proportionate share of the net OPEB liability	\$ 26,734,393	\$ 30,987,806	\$ 29,462,825	\$ 34,897,842
Board's covered-employee payroll	\$ 17,827,306	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	149.96%	168.15%	162.36%	195.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	3.52%

*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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 1,190,592	\$ 1,416,064	\$ 1,283,342	\$ 1,180,537	\$ 1,187,593
Contributions in relation to the contractually required contribution	<u>1,190,592</u>	<u>1,416,064</u>	<u>1,283,342</u>	<u>1,180,537</u>	<u>1,187,593</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,032,791	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150	\$ 17,778,343
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.27%	6.68%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,153,427	\$ 1,155,452	\$ 1,097,887	\$ 1,038,751	\$ 973,191
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.61%

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 Eight Fiscal Years*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Board's proportion of the net OPEB asset/liability	0.092%	0.083%	0.091%	0.091%
Board's proportionate share of the net OPEB asset (liability)	\$ 30,374	\$ (22,075)	\$ (27,166)	\$ 14,861
Board's covered payroll	\$ 17,032,791	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150
Board's proportionate share of the net OPEB asset/liability as a percentage of its covered payroll	-0.18%	0.11%	-0.15%	0.08%
Plan fiduciary net position as a percentage of the total OPEB asset/liability	114.99%	90.61%	90.34%	105.18%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB asset/liability	0.098%	0.101%	0.106%	0.107%
Board's proportionate share of the net OPEB asset (liability)	\$ 48,412	\$ 43,724	\$ 32,135	\$ 65,160
Board's covered payroll	\$ 17,338,709	\$ 18,428,267	\$ 18,146,900	\$ 17,868,608
Board's proportionate share of the net OPEB asset/liability as a percentage of its covered payroll	0.28%	0.24%	0.18%	0.36%
Plan fiduciary net position as a percentage of the total OPEB asset/liability	115.57%	113.00%	108.47%	116.23%

*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**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 22,143	\$ 21,816	\$ 18,626	\$ 16,933	\$ 16,001
Contributions in relation to the contractually required contribution	<u>22,143</u>	<u>21,816</u>	<u>18,626</u>	<u>16,933</u>	<u>16,001</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 17,032,791	\$ 19,832,827	\$ 18,626,152	\$ 18,814,150	\$ 17,778,343
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 17,827	\$ 25,800	\$ 25,406	\$ 67,901	\$ 71,251
Contributions in relation to the contractually required contribution	<u>17,827</u>	<u>25,800</u>	<u>25,406</u>	<u>67,901</u>	<u>71,251</u>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

**Combining and Individual Fund
Financial Statements Section**

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

Exhibit B-1

	2025		Positive (Negative) Variance
	Budget	Actual	
REVENUES			
Hertford County Appropriation	\$ 4,252,063	\$ 4,252,063	\$ -
Other			
Local Gov Sales Tax	-	14,434	14,434
Fines and Forfeitures	71,500	91,267	19,767
Miscellaneous	-	62,133	62,133
Total	<u>71,500</u>	<u>167,834</u>	<u>96,334</u>
Total revenues	<u>4,323,563</u>	<u>4,419,897</u>	<u>96,334</u>
EXPENDITURES			
Instructional services:			
Regular instructional services::			
Regular curricular services		517,733	
CTE curricular services		26,958	
Program enhancement services		30,454	
Total	<u>954,484</u>	<u>575,145</u>	<u>379,339</u>
Special populations services:			
Children with disabilities		95,392	
Special Populations		65	
Speech and language pathology		17,410	
Limited English proficiency		3,327	
Total	<u>19,474</u>	<u>116,194</u>	<u>(96,720)</u>
Alternative Programs and services:			
Alternative instructional		5,462	
Attendance and social work		36,542	
Remedial and supplemental		20,329	
Pre-K readiness		18,704	
Total	<u>34,500</u>	<u>81,037</u>	<u>(46,537)</u>
School leadership services	<u>78,597</u>	<u>167,068</u>	<u>(88,471)</u>

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

Exhibit B-1

	2025		Positive (Negative) Variance
	Budget	Actual	
School-based support services:			
Educational Media services		10,489	
Guidance services		22,260	
Health services		16,110	
Safety and security		123,849	
Instructional Technology		643	
Staff development		42	
Total	<u>165,830</u>	<u>173,393</u>	<u>(7,563)</u>
System-wide support services:			
Support and development services:			
Regular curricular		22,766	
CTE curricular		62	
Total	<u>253,433</u>	<u>22,828</u>	<u>230,605</u>
Special population support and development	<u>500</u>	<u>16,436</u>	<u>(15,936)</u>
Alternative programs and services support and development services	<u>-</u>	<u>3,696</u>	<u>(3,696)</u>
Technology support services	<u>232,235</u>	<u>136,109</u>	<u>96,126</u>
Operational support services:			
Communication services		120,669	
Public Utility and Energy		312,718	
Custodial / Housekeeping		85,584	
Transportation services		432,133	
Maintenance		408,447	
Total	<u>1,385,838</u>	<u>1,359,551</u>	<u>26,287</u>
Financial and human resource services:			
Financial services		545,704	
Human resource services		46,564	
Total	<u>566,907</u>	<u>592,268</u>	<u>(25,361)</u>

**Hertford County Board of Education
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

Exhibit B-1

	2025		Positive (Negative) Variance
	Budget	Actual	
System-wide pupil support services:			
Safety and Security		52,107	
Total	-	52,107	(52,107)
Policy, leadership and public relations:			
Board of education		129,658	
Legal services		204,176	
Audit services		28,250	
Leadership services		201,279	
Public relations and marketing		55,838	
Total	521,617	619,201	(97,584)
Ancillary services:			
Nutrition		3,618	
Total	5,148	3,618	1,530
Non-Programmed charges			
Payments to charter schools		60,078	
Total	70,000	60,078	9,922
Total expenditures	4,288,563	3,978,729	309,834
Excess of revenues over (under)	35,000	441,168	406,168
OTHER FINANCING SOURCES (USES)			
Transfer to Individual Schools	(35,000)	(35,000)	-
SBITA proceeds	-	60,006	60,006
Total other financing sources and (uses)	(35,000)	25,006	60,006
Net Change in Fund Balance	<u>\$ -</u>	466,174	<u>\$ 466,174</u>
Fund balance, beginning		385,039	
Fund balance, ending		<u>\$ 851,213</u>	

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

Exhibit B-2

	2025		Positive (Negative) Variance
	Budget	Actual	
REVENUES			
State of North Carolina	\$ 25,939,492	\$ 25,050,298	\$ (889,194)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		9,674,262	
CTE curricular services		1,364,532	
Program enhancement services		1,216,645	
Total	13,261,576	12,255,439	1,006,137
Special populations services:			
Children with Disabilities		1,586,907	
Special Populations CTE		893	
Pre-K Children with Disabilities		24,298	
Speech and language pathology		202,283	
Academically gifted		141,318	
Limited English proficiency		156,641	
Total	2,037,754	2,112,340	(74,586)
Alternative programs and services:			
Alternative instructional services		407,972	
Attendance and social work		100,563	
Remedial and supplemental		62,829	
Extended day / year instructional		94,385	
Total	559,328	665,749	(106,421)
School leadership services	2,652,252	2,550,995	101,257
School-based support services:			
Educational media		419,006	
Guidance services		936,136	
Health services		390,286	
Safety and Security		592,847	
Instructional Technology		34,335	
Total	2,279,894	2,372,610	(92,716)

**Hertford County Board of Education
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

Exhibit B-2

	2025		Positive (Negative) Variance
	Budget	Actual	
System-wide support services:			
Support and development services:			
Regular curricular support		388,755	
CTE curricular support		56,333	
Total	393,812	445,088	(51,276)
Special population support	128,269	125,731	2,538
Technology support services	401,667	318,616	83,051
Operational support			
Custodial / Housekeeping		1,148,795	
Transportation		1,363,280	
Maintenance		459,770	
Total	3,049,463	2,971,845	77,618
Financial and human resource:			
Financial services		403,954	
Human resource services		195,128	
Total	625,150	599,082	26,068
System-wide pupil support services:			
Safety and Security Support Services		75,844	
Total	-	75,844	(75,844)
Policy, leadership and public relations:			
Leadership services		449,875	
services		56,657	
Total	499,644	506,532	(6,888)
Ancillary services	50,683	50,427	256
Total Expenditures	25,939,492	25,050,298	889,194
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

Hertford County Board of Education

Exhibit B-3

Other Restricted Funds

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	2025		
	Budget	Actual	Positive (Negative) Variance
REVENUES			
State of North Carolina			
School Nurse Funding	\$ 50,000	\$ 50,000	\$ -
Smart Start	48,000	48,000	-
NC Pre-K	795,204	636,277	(158,927)
Other	150	49,175	49,025
Total	<u>893,354</u>	<u>783,452</u>	<u>(109,902)</u>
U.S. Government			
JROTC	37,000	35,268	(1,732)
NCSBA Medicaid	250,000	96,998	(153,002)
Medicaid reimbursement	10,000	183,092	173,092
LFS Grant	-	3,530	3,530
Total	<u>297,000</u>	<u>318,888</u>	<u>21,888</u>
Other			
Rental of school property	-	2,085	2,085
Contributions and donations	16,250	16,450	200
Erate	15,000	53,771	38,771
Digital Learning Grant	2,000	51,000	49,000
Interest earned on investments	25,000	26,838	1,838
Indirect cost allocated	250,000	219,863	(30,137)
Miscellaneous local operating revenues	39,000	27,911	(11,089)
Total	<u>347,250</u>	<u>397,918</u>	<u>50,668</u>
Total Revenues	<u>1,537,604</u>	<u>1,500,258</u>	<u>(37,346)</u>
EXPENDITURES			
Instructional services:			
Regular instructional services:			
Regular curricular services		145,745	
CTE curricular services		4,981	
Total	<u>369,652</u>	<u>150,726</u>	<u>218,926</u>

Hertford County Board of Education

Exhibit B-3

Other Restricted Funds

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	2025		Positive (Negative) Variance
	Budget	Actual	
Special Populations services:			
Children with Disabilities		1,349	
Total	-	1,349	(1,349)
Alternative Programs and services:			
Attendance and social work		13,288	
Remedial and Supplemental K-12		6,407	
Pre-K Readiness / Remedial and Supplemental		916,140	
Total	938,158	935,835	2,323
School-based support services:			
Health services		97,585	
Total	84,962	97,585	(12,623)
Total instructional programs	1,392,772	1,185,495	207,277
System-wide support services:			
Support and development			
CTE		21,163	
Total	39,000	21,163	17,837
Special population support and development	-	6,520	(6,520)
Operational support services:			
Public Utility / Energy Services		893,441	
Total	963,619	893,441	70,178
Financial and human resource:			
Financial		27,538	
Human resource		6,520	
Total	478,288	34,058	444,230

Hertford County Board of Education

Exhibit B-3

Other Restricted Funds

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	2025		Positive (Negative) Variance
	Budget	Actual	
Policy, leadership and public relations: Board of Education		28,000	
Total	28,000	28,000	-
Total supporting services	1,508,907	983,182	525,725
Ancillary services	5,000	3,603	1,397
Total expenditures	2,906,679	2,172,280	734,399
Excess of revenues over (under)	(1,369,075)	(672,022)	697,053
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	1,369,075	-	(1,369,075)
Total other financing sources and (uses)	1,369,075	-	(1,369,075)
NET CHANGE IN FUND BALANCE	\$ -	(672,022)	\$ (672,022)
Fund balance, beginning		6,500,582	
Fund balance, ending		\$ 5,828,560	

Hertford County Board of Education
Capital Outlay Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

Exhibit B-4

	2025		Positive (Negative) Variance
	Budget	Actual	
REVENUES			
State of North Carolina:			
Public School Capital Fund	\$ 720,000	\$ 414,342	\$ (305,658)
Sales tax refund	-	6,811	6,811
State appropriations - Buses	1,000,000	78,606	(921,394)
Total State of North Carolina	<u>1,720,000</u>	<u>499,759</u>	<u>(1,220,241)</u>
Hertford County:			
Restricted portion of sales taxes	920,000	717,687	(202,313)
Total Hertford County	<u>920,000</u>	<u>717,687</u>	<u>(202,313)</u>
Total Revenues	<u>2,640,000</u>	<u>1,217,446</u>	<u>(1,422,554)</u>
EXPENDITURES			
Capital outlay:			
Real Property and Buildings	745,000	627,685	117,315
Furniture and equipment	895,000	209,300	685,700
Motor vehicles	500,000	299,196	200,804
Total Capital Outlay	<u>2,140,000</u>	<u>1,136,181</u>	<u>1,003,819</u>
Debt Service:			
Principal	500,000	78,606	421,394
Total Debt Service	<u>500,000</u>	<u>78,606</u>	<u>421,394</u>
Total Expenditures	<u>2,640,000</u>	<u>1,214,787</u>	<u>1,425,213</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>2,659</u>	<u>\$ 2,659</u>
FUND BALANCE			
Beginning of year, July 1, restated (see Note V)		<u>1,541,618</u>	
End of year, June 30		<u>\$ 1,544,277</u>	

Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025

Exhibit B-5

	2025		Positive (Negative) Variance
	Budget	Actual	
REVENUES			
U.S. Government	\$ 5,931,336	\$ 4,188,613	\$ (1,742,723)
EXPENDITURES			
Instructional services:			
Regular Instructional services:			
Regular curricular services		1,062,305	
CTE curricular services		63,107	
Program enhancement services		1,977	
Total	<u>1,245,247</u>	<u>1,127,389</u>	<u>117,858</u>
Special populations services:			
Children with Disabilities		475,721	
Pre-K children with disabilities		16,115	
Speech and language pathology		491	
Total	<u>1,173,721</u>	<u>492,327</u>	<u>681,394</u>
Alternative programs and services:			
Attendance and social work		130,294	
Remedial and supplemental		1,121,362	
Extended day / year instructional		141,078	
Total	<u>2,206,754</u>	<u>1,392,734</u>	<u>814,020</u>
School leadership services			
School leadership		-	
Total	<u>5,000</u>	<u>-</u>	<u>5,000</u>
School-based support services:			
Guidance services		41,114	
Health services		135	
services		180,094	
Instructinoal technology services		10,757	
Parent involvement		13,031	
Total	<u>340,543</u>	<u>245,131</u>	<u>95,412</u>

Hertford County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025

Exhibit B-5

	2025		Positive (Negative) Variance
	Budget	Actual	
System-wide support services:			
Support and development services:			
Regular curricular support		16,349	
Total	-	16,349	(16,349)
Special population support and development services	-	96,685	(96,685)
Alternative programs and services support and development services	67,846	67,482	364
Operational support services:			
Transportation		3,181	
Maintenance		81,567	
Total	150,616	84,748	65,868
Financial and human resource:			
Financial Services		17,182	
Human resource		100,404	
Total	125,396	117,586	7,810
Policy, leadership and public relations			
Leadership services		15,451	
Total	33,882	15,451	18,431
Ancillary services	397,087	397,087	-
Nonprogrammed charges	185,244	135,644	49,600
Total Expenditures	5,931,336	4,188,613	1,742,723
Net Change in Fund Balance	\$ -	-	\$ -
Fund balance, beginning			-
Fund balance, ending		\$ -	

**Hertford County Board of Education
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025**

Exhibit C-1

	Special Revenue Funds Individual Schools	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 162,970	\$ 162,970
Due from other governments	2,241	2,241
Total assets	\$ 165,211	\$ 165,211
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ 1,385	\$ 1,385
Total liabilities	1,385	1,385
Deferred inflows of resources	2,241	2,241
Fund balances:		
Restricted:		
Individual Schools	161,585	161,585
Unassigned:		
Total fund balances	161,585	161,585
Total liabilities, deferred inflows of resources, and fund balances	\$ 165,211	\$ 165,211

Hertford County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds	
	Individual Schools	Total Nonmajor Special Revenue Funds
REVENUES		
Other	\$ 423,075	\$ 423,075
Total Revenues	<u>423,075</u>	<u>423,075</u>
EXPENDITURES		
Current:		
Instructional services		
Co-Curricular	455,228	455,228
Total Expenditures	<u>455,228</u>	<u>455,228</u>
Excess (deficiency) of revenues over expenditures	<u>(32,153)</u>	<u>(32,153)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from (to) other funds	<u>35,000</u>	<u>35,000</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>
Net change in fund balances	2,847	2,847
Fund balances, beginning	<u>158,738</u>	<u>158,738</u>
Fund balances, ending	<u>\$ 161,585</u>	<u>\$ 161,585</u>

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

**Hertford County Board of Education
Combining Balance Sheet
Individual Schools
June 30, 2025**

	Cash and Investments	Due From Other Governments	Total Assets	Deferred Revenue	Due to Other Funds	Fund Balance	Total Liabilities & Fund Balance
Bearfield Primary	\$ 27,626	\$ 151	\$ 27,777	\$ 151	\$ -	\$ 27,626	\$ 27,777
Hertford County Middle	36,077	507	36,584	507	-	36,077	36,584
Riverview Elementary	7,626	159	7,785	159	-	7,626	7,785
Ahoskie Elementary	11,744	252	11,996	252	247	11,497	11,996
Hertford County High	50,146	973	51,119	973	883	49,263	51,119
Hertford County Early College	15,581	154	15,735	154	-	15,581	15,735
CSB Student Development	14,170	45	14,215	45	255	13,915	14,215
Total	<u>\$ 162,970</u>	<u>\$ 2,241</u>	<u>\$ 165,211</u>	<u>\$ 2,241</u>	<u>\$ 1,385</u>	<u>\$ 161,585</u>	<u>\$ 165,211</u>

Hertford County Board of Education
Combining Statement of Revenues, Expenditures And
Changes in Fund Balance -- Individual Schools
For the Year Ended June 30, 2025

Exhibit C-4

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers to (from) Other Funds</u>	<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>Fund Balance June 30, 2025</u>
Bearfield Primary	\$ 50,110	\$ 42,883	\$ -	\$ 7,227	\$ 27,626
Hertford County Middle	55,174	63,933	15,000	6,241	36,077
Riverview Elementary	32,985	26,348	-	6,637	7,626
Ahoskie Elementary	23,445	29,621	-	(6,176)	11,497
Hertford County High	185,860	206,877	20,000	(1,017)	49,263
Hertford County Early College	64,563	77,596	-	(13,033)	15,581
CSB Student Development	10,938	7,970	-	2,968	13,915
Total	<u>\$ 423,075</u>	<u>\$ 455,228</u>	<u>\$ 35,000</u>	<u>\$ 2,847</u>	<u>\$ 161,585</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, 2025

Exhibit D-1

	2025		Positive (Negative) Variance
	Budget	Actual	
OPERATING REVENUES:			
Food sales	\$ 167,000	\$ 61,886	\$ (105,114)
Miscellaneous local revenues	51,500	6,607	(44,893)
Total operating revenues	<u>218,500</u>	<u>68,493</u>	<u>(150,007)</u>
OPERATING EXPENDITURES:			
Business support services:			
Purchase of food		739,097	
Donated commodities		135,519	
Salaries and benefits		1,031,145	
Indirect cost		85,081	
Materials and supplies		18,716	
Repairs and maintenance		37,679	
Contracted services		21,951	
Other		19,944	
Total business support services	<u>2,613,000</u>	<u>2,089,132</u>	<u>523,868</u>
Capital outlay	73,000	58,230	14,770
Total operating expenditures	<u>2,686,000</u>	<u>2,147,362</u>	<u>538,638</u>
Operating income (loss)	(2,467,500)	(2,078,869)	388,631
NON-OPERATING REVENUES:			
Federal reimbursements	2,347,500	1,802,049	(545,451)
Federal commodities used	120,000	139,298	19,298
Sale of assets	-	2,240	2,240
Total operating revenues (expenditures)	<u>2,467,500</u>	<u>1,943,587</u>	<u>(523,913)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(135,282)</u>	<u>\$ (135,282)</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, 2025**

Exhibit D-1

	2025		Positive (Negative) Variance
	Budget	Actual	
Reconciliation from modified accrual to full accrual basis:			
Excess of revenue and other sources over expenditures			
Reconciling items:			
Pension expense			
Depreciation		(35,227)	
Net OPEB asset		904	
Net OPEB liability		(265,739)	
Net OPEB liability - DIPNC		-	
Net pension liability		5,836	
Deferred outflows		156,676	
Deferred inflows		106,791	
Capital Outlay		52,007	
Total Reconciling Items		<u>21,248</u>	
Change in Net Position (full accrual)		<u>\$ (114,034)</u>	

Compliance Section





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

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hertford County Board of Education as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises Hertford County Board of Education's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2025-01 and 2025-02] that we consider to be significant deficiencies.

Members

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2025-01.

Hertford County Board of Education's Response to Findings

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

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.

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

Whiteville, NC
December 12, 2025



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

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hertford County Board of Education's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County Board of Education's major federal programs for the year ended June 30, 2025. Hertford County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hertford County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

Whiteville, NC
December 12, 2025



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

Independent Auditors' Report

To the Board of Education
Hertford County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hertford County Board of Education as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises Hertford County Board of Education's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items [2025-02] to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to as items [2025-01] to be significant deficiencies.

Report on Compliance and Other Matters

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

Hertford County Board of Education's Response to Findings

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

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
December 12, 2025

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ___X___ no

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

Noncompliance material to financial statements noted _____ yes ___X___ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes ___X___ no

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

Noncompliance material to federal awards noted _____ yes ___X___ no

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

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

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
------------	-------------------------------------

	Child Nutrition Program Cluster
10.555	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.555	Seamless Summer Program

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, 2025**

Section I. Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to State awards _____ yes X no

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

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

Identification of major State programs:

Program Name
State Public School Fund
NC Pre-K

Dollar threshold used to distinguish between Type A and Type B programs \$500,000

Auditee qualified as low-risk auditee X yes _____ no

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Expenditures Exceeding Appropriations

Finding: 2025-01

Criteria: G.S. 115C-441 states that no obligation may be incurred by a local school administration unit unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriations sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The board reported expenditures in excess of appropriations in the Federal Fund System Wide Support Services level (the level at which the board adopts the budget) of \$20,651.

Effect: Monies were obligated that had not been appropriated.

Cause: Due to turnover in finance staff during the year the Board did not make necessary budget amendments to reallocate the budget between departments/functions to align with funding guidance.

Recommendation: Budget ordinances should be adopted or amended as necessary to align with revised funding guidance.

Views of responsible officials and planned corrective actions:

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

**Hertford County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section II. Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY

Correction to an Error in Previously Issued Financial Statements

Finding: 2025-02

Criteria: Management should have a system in place to ensure that transactions are appropriately accounted for, thereby reducing the likelihood of errors in financial reporting.

Condition: During a review of account balances at year end Hertford County Board of Education determined that revenues received from insurance were incorrectly reported as deferred revenues, these should have been recognized as revenues when the funds were received as there was no specific criteria needing to be met to recognize the revenues. The net impact of this is an increase to fund balance in the capital outlay fund and governmental activities of \$409,107.

Effect: The Board's management and other users of the financial statements do not have accurate information for decision-making and monitoring of the Board financial position and adherence to laws, regulations and other requirements. Errors in financial reporting could occur and not be detected.

Cause: Finance staff was trying to match revenues to the corresponding expenses and deferred the excess revenues received.

Recommendation: The Board should ensure revenues are reported correctly in accordance with GAAP and contract terms.

Views of responsible officials and planned corrective actions:

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

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.



HERTFORD COUNTY PUBLIC SCHOOLS

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

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Corrective Action Plan For the Year Ended June 30, 2025

Section II. Financial Statement Findings

2025-01 Expenditures exceeding appropriations

Name of contact person: Lori Merritt, Interim Chief Finance Officer

Corrective Action: Work with Federal Program Staff to assure timely submission and approval of amendments. Finance staff will monitor expenditures compared to budget more closely.

Proposed Completion Date: June 30, 2025

2025-02 Correction of an Error in Previously Issued Financial Statements

Name of contact person: Lori Merritt, Interim Chief Finance Officer

Corrective Action: Finance Staff will out a system in place to ensure items are accounted for properly in the current period.

Proposed Completion Date: June 30, 2025

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, 2025**

2024-01 Correction of an Error in Previously Issued Financial Statements

Repeated as Finding 2025-02.

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2025 Expenditures</u>
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster</u>			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
Commodity Supplemental Food Program	10.555		\$ <u>135,519</u>
Non-Cash Assistance			135,519
Cash Assistance:			
Passed-through the N. C. Department of Public Instruction:			
School Breakfast Program	10.553		572,175
National School Lunch Program	10.555		1,212,839
After School Snack Program	10.555		626
Seamless Summer Program	10.555		16,409
Total Cash Assistance			<u>1,802,049</u>
Total Child Nutrition Cluster			<u>1,937,568</u>
Total School Nutrition Program (Note 3)	10.582		<u>1,937,568</u>
Passed-through the N.C. Department of Agriculture:			
Local Food for Schools Program	10.185		<u>3,530</u>
Total U. S. Department of Agriculture			<u>1,941,098</u>
<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	<u>1,324,010</u>
Total Title I, Part A Cluster			1,324,010
School Improvements Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105, 115	<u>13,743</u>
Total School Improvement Cluster			13,743
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	573,078
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	2,391
Special Needs Targeted Assistance	84.027	PRC 118	<u>5,198</u>
Total Special Education Cluster			<u>580,667</u>
Career and Technical Education - Basic Grants to States	84.048	PRC 017	65,844

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>2025 Expenditures</u>
Rural Education	84.358	PRC 109	87,428
Supporting Effective Instruction	84.367	PRC 103	274,507
Student Support and Academic Enrichment Grant	84.424	PRC 108	156,438
ESEA Title IV, Part A - Stronger Connections Grant Program	84.424F	PRC 145	333,276
COVID-19 Education Stabilization Fund	84.425		
Elementary and Secondary School Emergency Fund (ESSER)			
ESSER III (ARP)			
K-12 Emergency Relief Fund	84.425U	PRC 181	1,348,125
Summer Career Acceleratory Programs	84.425U	PRC 188	4,575
Total COVID-19 Education Stabilization Fund	84.425		<u>1,352,700</u>
Total U.S. Department of Education			<u>4,188,613</u>
 <u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	None	PRC 301	<u>35,268</u>
Total federal assistance			<u>\$ 6,164,979</u>
 State Grants:			
Cash Assistance:			
<u>N. C. Department of Public Instruction</u>			
State Public School Fund			\$ 23,641,974
Driver Training - SPSF		PRC 012	49,705
School Technology Fund - SPSF		PRC 015	84,923
Vocational Education			
-- State Months of Employment		PRC 013	1,123,287
-- Program Support Funds		PRC 014	150,409
Total N. C. Department of Public Instruction			<u>25,050,298</u>
 <u>N.C. Department of Health and Human Services</u>			
Division of Child Development			
Smart Start			1,690
NC Pre-Kindergarten Program			858,350
Division of Public Health			
School Nurse Funding Initiative			50,000
Total N.C. Department of Health and Human Services			<u>910,040</u>
 <u>Passed through Hertford County</u>			
Public Schools Capital Building Fund			414,342
 Noncash Assistance:			
<u>N. C. Department of Public Instruction</u>			
School Buses Appropriation			<u>78,606</u>
Total State Assistance			<u>26,453,286</u>
Total Federal and State Assistance			<u>\$ 32,618,265</u>

**Hertford County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	2025 Expenditures
---	--	---	------------------------------

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, 2025. 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.