

**Halifax County
Board of Education**

Financial Statements
For the Fiscal Year Ended
June 30, 2022

HALIFAX COUNTY BOARD OF EDUCATION
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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Halifax County Board of Education
Halifax, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Halifax County Board of Education, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise of the Halifax 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, the business-type activities, each major fund, and the aggregate remaining fund information of Halifax County Board of Education as of June 30, 2022, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Other Special Revenue Fund, and the Federal Grants 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 financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those 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 the Halifax County Board of Education 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Halifax 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' Responsibilities 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 auditors' 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 statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement 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 responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an 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 Halifax 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 Halifax County Board of Education'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 4 through 9 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 47 through 52, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 opinions on the financial statements that collectively comprise Halifax County Board of Education's basic financial statements. The individual fund budgetary 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 purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, individual fund budgetary schedules and the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of Halifax County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Halifax County Board of Education's 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 Halifax County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Huntersville, North Carolina

November 30, 2022

Halifax County Schools

Management's Discussion and Analysis

June 30, 2022

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

Financial Highlights

- The final average daily membership for Halifax County Schools for the fiscal year 2022 was 2,029 which represents an increase of 12 students from the previous year.
- The Board continues to monitor future revenues and will make additional budget cuts as needed.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina 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, liabilities and deferred inflows. 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 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 fund. 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 each of 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 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 they have changed. Net position is the difference between the Board's assets and liabilities. This 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 unit'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 services are 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.

Halifax County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the 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 fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue Fund and the Federal Grants Fund.

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

Proprietary fund: 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. The Halifax County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6.6 million as of June 30, 2022. The largest component of net position is net investment in capital assets, of \$33.7 million.

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position
As of June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Current and other assets	\$ 9,023,519	\$ 8,278,861	\$ 1,232,463	\$ 1,252,337	\$ 10,255,982	\$ 9,531,198
Capital assets	<u>34,043,649</u>	<u>33,591,446</u>	<u>169,517</u>	<u>194,024</u>	<u>34,213,166</u>	<u>33,785,470</u>
Total assets	<u>43,067,168</u>	<u>41,870,307</u>	<u>1,401,980</u>	<u>1,446,361</u>	<u>44,469,148</u>	<u>43,316,668</u>
Deferred outflows of resources	<u>7,982,736</u>	<u>7,627,384</u>	<u>372,772</u>	<u>366,051</u>	<u>8,355,508</u>	<u>7,993,435</u>
Current liabilities	107,170	654,155	4,801	21,702	111,971	675,857
Long-term liabilities	<u>27,466,144</u>	<u>34,692,459</u>	<u>1,263,864</u>	<u>1,612,241</u>	<u>28,730,008</u>	<u>36,304,700</u>
Total liabilities	<u>27,573,314</u>	<u>35,346,614</u>	<u>1,268,665</u>	<u>1,633,943</u>	<u>28,841,979</u>	<u>36,980,557</u>
Deferred inflows of resources	<u>16,577,609</u>	<u>14,641,903</u>	<u>774,130</u>	<u>702,690</u>	<u>17,351,739</u>	<u>15,344,593</u>
Net investment in capital assets	33,557,956	32,545,089	169,517	194,024	33,727,473	32,739,113
Restricted net position	5,553,458	4,257,709	531	1,812	5,553,989	4,259,521
Unrestricted net position	<u>(32,212,433)</u>	<u>(37,293,624)</u>	<u>(438,091)</u>	<u>(720,057)</u>	<u>(32,650,524)</u>	<u>(38,013,681)</u>
Total net position	<u>\$ 6,898,981</u>	<u>\$ (490,826)</u>	<u>\$ (268,043)</u>	<u>\$ (524,221)</u>	<u>\$ 6,630,938</u>	<u>\$ (1,015,047)</u>

Note that net position of governmental activities increased by approximately \$7.4 million during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Halifax County carries the offsetting debt.

The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Revenues:						
Program revenues:						
Charges for services	\$ 4,405	\$ 126,092	\$ 184,716	\$ 33,382	\$ 189,121	\$ 159,474
Operating grants and contributions	30,446,744	25,402,557	2,064,226	2,068,156	32,510,970	27,470,713
Capital grants and contributions	560,664	819,408	-	-	560,664	819,408
General revenues	8,663,894	8,150,475	120	266	8,664,014	8,150,741
Total revenues	<u>39,675,707</u>	<u>34,498,532</u>	<u>2,249,062</u>	<u>2,101,804</u>	<u>41,924,769</u>	<u>36,600,336</u>
Expenses:						
Governmental activities:						
Instructional services	22,374,655	21,057,531	-	-	22,374,655	21,057,531
System-wide support services	8,924,900	7,708,356	-	-	8,924,900	7,708,356
Ancillary services	17,651	54,346	-	-	17,651	54,346
Non-programmed charges	811,156	765,057	-	-	811,156	765,057
Unallocated depreciation	111,963	153,895	-	-	111,963	153,895
Business-type activities:						
School food service	-	-	2,038,459	1,701,867	2,038,459	1,701,867
Total expenses	<u>32,240,325</u>	<u>29,739,185</u>	<u>2,038,459</u>	<u>1,701,867</u>	<u>34,278,784</u>	<u>31,441,052</u>
Transfers in (out)	<u>(45,575)</u>	<u>(53,997)</u>	<u>45,575</u>	<u>53,997</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	7,389,807	4,705,350	256,178	453,934	7,645,985	5,159,284
Beginning net position						
Beginning net position	<u>(490,826)</u>	<u>(5,196,176)</u>	<u>(524,221)</u>	<u>(978,155)</u>	<u>(1,015,047)</u>	<u>(6,174,331)</u>
Ending net position	<u>\$ 6,898,981</u>	<u>\$ (490,826)</u>	<u>\$ (268,043)</u>	<u>\$ (524,221)</u>	<u>\$ 6,630,938</u>	<u>\$ (1,015,047)</u>

Total governmental activities generated revenues of \$39.7 million while expenses in this category totaled \$32.2 million for the year ended June 30, 2022, resulting in an increase in net position of \$7.4 million. Comparatively, revenues were \$34.5 million and expenses totaled \$29.7 million for the year ended June 30, 2021, resulting in an increase in net position of \$4.7 million. Instructional services comprised 69% of total governmental-type expenses while system-wide support services made up 28% of those expenses for 2022.

The Board's primary sources of revenues were funding from the State of North Carolina, Halifax County, and the United States Government, which respectively comprised 55%, 15% and 25% of our total governmental activities revenues.

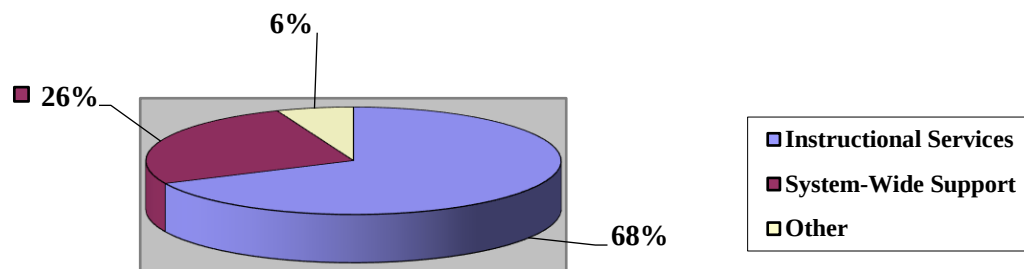
Total business-type activities generated revenues of \$2.2 million while expenses in this category totaled \$2.0 million for the year ended June 30, 2022. For the year ended June 30, 2022, net position increased by \$256,178. Comparatively, revenues were \$2.1 million and expenses totaled \$1.7 million for the year ended June 30, 2021, resulting in an increase in net position of \$453,934.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Halifax 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 \$8.9 million at June 30, 2022, an increase of \$1.3 million from the prior year. The Board's General Fund had revenues of \$4.9 million and expenditures of \$5.0 million for the year ended June 30, 2022. The Board's Other Special Revenue Fund had revenues that exceeded expenditures by \$1 million for the year ended June 30, 2022. The main reason for the increase is due to an increase in indirect cost revenues. The Board's Capital Outlay Fund had revenues that exceeded expenditures by \$285,000 for the year ended June 30, 2022.

**Categorization of Expenditures
For Governmental Funds**



Proprietary Fund: The Board's business-type fund experienced an increase in net position in the past year. The School Food Service Fund had an increase in net position of \$256,000.

Capital Assets

Capital assets increased by \$400,000, or 1%, compared to the previous year. The increase was primarily attributable to an increase in construction projects across the District. The following is a summary of the capital assets, net of depreciation, at June 30, 2022 and 2021. See Note 3 for additional details of capital activity.

**Table 3
Summary of Capital Assets
As of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Land	\$ 654,127	\$ 654,127	\$ -	\$ -	\$ 654,127	\$ 654,127
Construction in Progress	1,153,406	-	-	-	1,153,406	-
Buildings and improvements	29,743,783	30,462,040	-	-	29,743,783	30,462,040
Equipment and furniture	176,910	133,724	169,517	194,024	346,427	327,748
Vehicles	2,315,423	2,341,555	-	-	2,315,423	2,341,555
Total	\$ 34,043,649	\$ 33,591,446	\$ 169,517	\$ 194,024	\$ 34,213,166	\$ 33,785,470

Debt Outstanding

The Board's installment purchase obligation stands at \$485,693 at June 30, 2022. All installment purchase obligations were issued for the acquisition of school buses. 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. Halifax County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 3 in the footnotes to the financial statements.

Economic Factors

- Halifax County has a large population on public assistance which is putting a strain on the economic systems in place. We have asked the county to put a greater emphasis on education as a way to attract better industry and enhance the quality of life for citizens in Halifax County.
- The unemployment rate in Halifax County as of June 30, 2022 was 6.5% which is higher than the State unemployment rate of 3.7%. Most of the impoverished areas within the county are served by Halifax County Schools.
- Halifax County is not likely to experience the same level of growth as the national and state economies due to the stability of its population and employment opportunities.

Impact of Coronavirus

During the fiscal year, the state and nation continued to be affected by the spread of a coronavirus (COVID-19). Educational services were provided to students remotely, within the traditional classroom environment or a hybrid method incorporating on-site instruction and remote learning. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment, custodial supplies to mitigate risk from transmission, and remote learning educational tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.

Requests for Information

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

Terry Alston, Chief Finance Officer
Halifax County Board of Education
Post Office Box 468
Halifax, NC 27839

HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,430,125	\$ 987,859	\$ 9,417,984
Due from other governments	188,250	58,708	246,958
Receivables	220,147	28,117	248,264
Internal balances	60,850	(60,850)	-
Net OPEB asset	11,368	531	11,899
Inventories	97,262	218,098	315,360
Notes receivable	15,517	-	15,517
Capital assets:			
Land	654,127	-	654,127
Other capital assets, net of depreciation	33,389,522	169,517	33,559,039
Total capital assets	34,043,649	169,517	34,213,166
Total assets	43,067,168	1,401,980	44,469,148
Deferred outflows of resources	7,982,736	372,772	8,355,508
Liabilities			
Accounts payable and accrued expenses	107,170	4,180	111,350
Unavailable revenues	-	621	621
Long-term liabilities:			
Due within one year	1,049,688	35,018	1,084,706
Due in more than one year:			
Net pension liability	3,688,559	172,246	3,860,805
Net OPEB liability	21,571,117	1,007,314	22,578,431
Other due in more than one year	1,156,780	49,286	1,206,066
Total liabilities	27,573,314	1,268,665	28,841,979
Deferred inflows of resources	16,577,609	774,130	17,351,739
Net position			
Net investment in capital assets	33,557,956	169,517	33,727,473
Restricted for:			
Stabilization by State statute	469,247	-	469,247
School capital outlay	2,683,962	-	2,683,962
Instructional services	2,164,564	-	2,164,564
Individual schools activities	224,317	-	224,317
DIPNC OPEB plan	11,368	531	11,899
Unrestricted (deficit)	(32,212,433)	(438,091)	(32,650,524)
Total net position	\$ 6,898,981	\$ (268,043)	\$ 6,630,938

The accompanying notes are an integral part of the basic financial statements.

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HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 10,779,868	\$ -	\$ 12,275,979	\$ -	\$ 1,496,111	\$ -	\$ 1,496,111
Special populations	2,446,004	-	2,773,640	-	327,636	-	327,636
Alternative programs	4,778,077	-	5,004,001	-	225,924	-	225,924
School leadership	1,930,266	-	1,957,214	-	26,948	-	26,948
Co-curricular	423,135	-	90,802	-	(332,333)	-	(332,333)
School-based support	2,017,305	-	2,220,009	-	202,704	-	202,704
System-wide support services:							
Support and development	503,337	-	309,365	-	(193,972)	-	(193,972)
Special population support and development	77,859	-	85,775	-	7,916	-	7,916
Alternative programs and services							
support and development	251,618	-	286,742	-	35,124	-	35,124
Technology support	142,388	-	154,198	-	11,810	-	11,810
Operational support	6,239,000	4,405	4,243,612	560,664	(1,430,319)	-	(1,430,319)
Financial and human resource services	836,646	-	304,449	-	(532,197)	-	(532,197)
Policy, leadership and public relations	874,052	-	447,095	-	(426,957)	-	(426,957)
Ancillary services	17,651	-	13,126	-	(4,525)	-	(4,525)
Non-programmed charges	811,156	-	280,737	-	(530,419)	-	(530,419)
Unallocated depreciation expense**	111,963	-	-	-	(111,963)	-	(111,963)
Total governmental activities	32,240,325	4,405	30,446,744	560,664	(1,228,512)	-	(1,228,512)
Business-type activities:							
School food service	2,038,459	184,716	2,064,226	-	-	210,483	210,483
Total primary government	\$ 34,278,784	\$ 189,121	\$ 32,510,970	\$ 560,664	\$ (1,228,512)	\$ 210,483	\$ (1,018,029)
General revenues:							
Unrestricted county appropriations - operating					4,747,474	-	4,747,474
Unrestricted county appropriations - capital					972,066	-	972,066
Unrestricted State appropriations - operating					606,933	-	606,933
Unrestricted State appropriation - capital					43,254	-	43,254
Investment earnings, unrestricted					-	120	120
Miscellaneous, unrestricted					2,294,167	-	2,294,167
Transfers					(45,575)	45,575	-
Total general revenues and transfers					8,618,319	45,695	8,664,014
Change in net position					7,389,807	256,178	7,645,985
Net position - beginning					(490,826)	(524,221)	(1,015,047)
Net position - ending					\$ 6,898,981	\$ (268,043)	\$ 6,630,938

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

HALIFAX COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 3,357,282	\$ -	\$ -	\$ 2,164,564	\$ 2,683,962	\$ 224,317	\$ 8,430,125
Due from other governments	79,491	-	-	21,588	87,171	-	188,250
Accounts receivable	-	-	-	218,669	1,478	-	220,147
Due from other funds	-	-	-	60,850	-	-	60,850
Inventories	97,262	-	-	-	-	-	97,262
Total assets	\$ 3,534,035	\$ -	\$ -	\$ 2,465,671	\$ 2,772,611	\$ 224,317	\$ 8,996,634
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 107,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,170
Fund balances:							
Nonspendable:							
Inventories	97,262	-	-	-	-	-	97,262
Restricted:							
Stabilization by State statute	79,491	-	-	301,107	88,649	-	469,247
School capital outlay	-	-	-	-	2,683,962	-	2,683,962
Individual schools	-	-	-	-	-	224,317	224,317
Assigned:							
Special revenues	-	-	-	2,164,564	-	-	2,164,564
Unassigned:	3,250,112	-	-	-	-	-	3,250,112
Total fund balances	3,426,865	-	-	2,465,671	2,772,611	224,317	8,889,464
Total liabilities and fund balances	\$ 3,534,035	\$ -	\$ -	\$ 2,465,671	\$ 2,772,611	\$ 224,317	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,043,649
Note receivable	15,517
OPEB asset	11,368
Deferred outflows of resources related to pensions	4,227,690
Deferred outflows of resources related to OPEB	3,755,046
Some liabilities, including those for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases	(485,693)
Compensated absences	(1,720,775)
Net pension liability	(3,688,559)
OPEB liability	(21,571,117)
Deferred inflows of resources related to OPEB	(11,056,047)
Deferred inflows of resources related to pensions	(5,521,562)
Net position of governmental activities	\$ 6,898,981

HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 20,680,296	\$ -	\$ 606,933	\$ 603,918	\$ -	\$ 21,891,147
Halifax County	4,747,474	-	-	40,000	972,066	-	5,759,540
U.S. Government	-	580,464	9,231,559	121,996	-	-	9,934,019
Other	175,353	-	-	1,158,742	441,263	275,177	2,050,535
Total revenues	4,922,827	21,260,760	9,231,559	1,927,671	2,017,247	275,177	39,635,241
Expenditures:							
Current:							
Instructional services:							
Regular instructional	241,588	10,647,556	1,628,423	220,912	-	-	12,738,479
Special populations	28,977	2,384,832	388,808	9,899	-	-	2,812,516
Alternative programs	23,981	420,724	4,583,277	466,047	-	-	5,494,029
School leadership	262,285	1,957,214	-	-	-	-	2,219,499
Co-curricular	101,544	90,802	-	78,957	-	215,235	486,538
School-based support	46,179	1,950,401	269,608	53,392	-	-	2,319,580
System-wide support services:							
Support and development	170,458	74,390	234,975	98,935	-	-	578,758
Special population support and development	3,750	80,966	4,809	-	-	-	89,525
Alternative programs and services support and development	2,579	56,220	230,522	-	-	-	289,321
Technology support	9,525	149,529	4,669	-	-	-	163,723
Operational support	1,911,590	2,755,849	1,487,763	2,094	542,878	-	6,700,174
Financial and human resource services	680,214	223,796	80,653	4,447	-	-	989,110
Policy, leadership and public relations	557,925	422,906	24,189	-	-	-	1,005,020
Ancillary services	2,455	-	13,126	1,884	-	-	17,465
Non-programmed charges	913,011	-	280,737	-	-	-	1,193,748
Debt service - principal retirement	-	-	-	-	560,664	-	560,664
Capital outlay	-	-	-	-	628,921	-	628,921
Total expenditures	4,956,061	21,215,185	9,231,559	936,567	1,732,463	215,235	38,287,070
Revenues over (under) expenditures	(33,234)	45,575	-	991,104	284,784	59,942	1,348,171
Other financing sources (uses):							
Transfers to other funds	-	(45,575)	-	-	-	-	(45,575)
Net change in fund balance	(33,234)	-	-	991,104	284,784	59,942	1,302,596
Fund balances:							
Beginning of year	3,436,530	-	-	1,474,567	2,487,827	164,375	7,563,299
Increase in reserve for inventories	23,569	-	-	-	-	-	23,569
End of year	\$ 3,426,865	\$ -	\$ -	\$ 2,465,671	\$ 2,772,611	\$ 224,317	\$ 8,889,464

The accompanying notes are an integral part of the basic financial statements.

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HALIFAX 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 Fiscal Year Ended June 30, 2022

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 1,302,596
Change in fund balance due to change in reserve for inventory	23,569
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	453,171
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	2,521,031
The issuance of notes receivable do not provide current financial resources to governmental funds, while the collections of notes receivable do provide current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term notes receivable.	(8,140)
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	981,940
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	130,478
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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	560,664
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Gain on disposal of capital assets	48,606
Cash received on disposal of capital assets	(49,574)
Pension (expense) benefit	(825,124)
Net OPEB expense	2,420,161
Compensated absences	(169,571)
Total change in net position of governmental activities	\$ <u>7,389,807</u>

HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Halifax County	4,598,405	4,599,405	4,747,474	148,069
U.S. Government	-	-	-	-
Other	98,626	398,626	175,353	(223,273)
Total revenues	4,697,031	4,998,031	4,922,827	(75,204)
Expenditures:				
Current:				
Instructional services	607,952	807,952	704,554	103,398
System-wide support services	3,162,327	3,462,327	3,336,041	126,286
Ancillary services	1,890	2,890	2,455	435
Nonprogrammed charges	924,862	924,862	913,011	11,851
Total expenditures	4,697,031	5,198,031	4,956,061	241,970
Revenues over (under) expenditures	-	(200,000)	(33,234)	166,766
Fund balance appropriated	-	200,000	-	(200,000)
Net change in fund balance	\$ -	\$ -	(33,234)	\$ (33,234)
Fund balances:				
Beginning of year			3,436,530	
Increase (decrease) in reserve for inventories			23,569	
End of year			\$ 3,426,865	

HALIFAX COUNTY BOARD OF EDUCATION **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	State Public School Fund			Variance With
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues:				
State of North Carolina	\$ 17,815,532	\$ 21,683,913	\$ 20,680,296	\$ (1,003,617)
Halifax County	-	-	-	-
U.S. Government	-	-	580,464	580,464
Other	-	-	-	-
Total revenues	<u>17,815,532</u>	<u>21,683,913</u>	<u>21,260,760</u>	<u>(423,153)</u>
Expenditures:				
Current:				
Instructional services	15,291,177	19,292,025	17,451,529	1,840,496
System-wide support services	2,486,555	2,354,088	3,763,656	(1,409,568)
Ancillary services	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>17,777,732</u>	<u>21,646,113</u>	<u>21,215,185</u>	<u>430,928</u>
Revenues over (under) expenditures	37,800	37,800	45,575	7,775
Other financing uses:				
Transfers to other funds	<u>(37,800)</u>	<u>(37,800)</u>	<u>(45,575)</u>	<u>(7,775)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

HALIFAX COUNTY BOARD OF EDUCATION
Exhibit 6 (continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Halifax County	-	-	-	-
U.S. Government	12,430,963	14,299,928	9,231,559	(5,068,369)
Other	-	-	-	-
Total revenues	<u>12,430,963</u>	<u>14,299,928</u>	<u>9,231,559</u>	<u>(5,068,369)</u>
Expenditures:				
Current:				
Instructional services	7,305,648	8,987,836	6,870,116	2,117,720
System-wide support services	4,824,873	4,874,898	2,067,580	2,807,318
Ancillary services	47,599	59,352	13,126	46,226
Nonprogrammed charges	<u>252,843</u>	<u>377,842</u>	<u>280,737</u>	<u>97,105</u>
Total expenditures	<u>12,430,963</u>	<u>14,299,928</u>	<u>9,231,559</u>	<u>5,068,369</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

HALIFAX COUNTY BOARD OF EDUCATION
Exhibit 6 (continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	Other Special Revenue Fund			Variance With
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues:				
State of North Carolina	\$ 559,011	\$ 559,011	\$ 606,933	\$ 47,922
Halifax County	-	32,500	40,000	7,500
U.S. Government	-	5,700	121,996	116,296
Other	165,500	299,890	1,158,742	858,852
Total revenues	724,511	897,101	1,927,671	1,030,570
Expenditures:				
Current:				
Instructional services	724,511	1,458,005	829,207	628,798
System-wide support services	-	21,920	105,476	(83,556)
Ancillary services	-	6,700	1,884	4,816
Nonprogrammed charges	-	-	-	-
Total expenditures	724,511	1,486,625	936,567	550,058
Revenues over (under) expenditures	-	(589,524)	991,104	1,580,628
Appropriated fund balance	-	589,524	-	(589,524)
Net change in fund balance	\$ -	\$ -	991,104	\$ 991,104
Fund balances:				
Beginning of year			1,474,567	
End of year			\$ 2,465,671	

HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2022

Exhibit 7

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 987,859
Due from other governments	58,708
Receivables	28,117
OPEB asset	531
Inventories	218,098
Total current assets	<u>1,293,313</u>
Noncurrent assets:	
Capital assets:	
Furniture, equipment and vehicles, net	<u>169,517</u>
Total assets	<u>1,462,830</u>
Deferred outflows of resources	<u>372,772</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	4,180
Due to other funds	60,850
Compensated absences	35,018
Unavailable revenues	621
Total current liabilities	<u>100,669</u>
Noncurrent liabilities:	
Net pension liability	172,246
Net OPEB liability	1,007,314
Compensated absences	49,286
Total non-current liabilities	<u>1,228,846</u>
Total liabilities	<u>1,329,515</u>
Deferred inflows of resources	<u>774,130</u>
Net position	
Net investment in capital assets	169,517
DIPNC OPEB plan	531
Unrestricted	<u>(438,091)</u>
Total net position	<u>\$ (268,043)</u>

The accompanying notes are an integral part of the basic financial statements.

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HALIFAX COUNTY BOARD OF EDUCATION **Exhibit 8**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2022

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 184,716
Operating expenses:	
Food cost:	
Purchase of food	765,454
Food processing supplies	100,962
Salaries and benefits	949,414
Indirect costs	101,855
Materials and supplies	37,655
Repairs and maintenance	4,424
Fuel	7,170
Depreciation	24,507
Workshop and travel	18,223
Contracted services	26,618
Other	2,177
Total operating expenses	2,038,459
Operating loss	(1,853,743)
Nonoperating revenues:	
Federal reimbursements	1,862,982
Federal commodities	200,191
Interest earned	120
Other	1,053
Total nonoperating revenues	2,064,346
Income (loss) before transfers	210,603
Transfers from other funds	45,575
Change in net position	256,178
Net position - beginning	(524,221)
Net position - end of year	\$ (268,043)

HALIFAX COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022

Exhibit 9

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 158,258
Cash paid for goods and services	(803,440)
Cash paid to employees for services	(1,236,138)
Net cash used by operating activities	(1,881,320)
Cash flows from noncapital financing activities:	
Due to/from other funds, net	54,173
Federal and State reimbursements	1,896,568
Other	1,053
Net cash provided by noncapital activities	1,951,794
Cash flows from investing activities:	
Interest earned on investments	120
Net increase (decrease) in cash and cash equivalents	70,594
Cash and cash equivalents, beginning of year	917,265
Cash and cash equivalents, end of year	\$ 987,859
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,853,743)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	24,507
Donated commodities	200,191
Salaries paid by State Public School Fund	45,575
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	(27,079)
(Increase) decrease in net OPEB asset	1,281
(Increase) decrease in inventories	28,507
Increase (decrease) in accounts payable and accrued liabilities	(13,175)
Increase (decrease) in accrued salaries and wages payable	(4,347)
(Increase) decrease in deferred outflows of resources	(6,721)
Increase (decrease) in deferred inflows of resources	71,440
Increase (decrease) in net pension liability	(338,987)
Increase (decrease) in net OPEB liability	(21,742)
Increase (decrease) in unavailable revenues	621
Increase (decrease) in compensated absences payable	12,352
Total adjustments	(27,577)
Net cash used by operating activities	\$ (1,881,320)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$200,191 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund contributed \$45,575 to the School Food Service Fund during the fiscal year to provide assistance with the payment of salaries and benefits. This payment is reflected as a transfer in and an operating expense on Exhibit 8.

The accompanying notes are an integral part of the basic financial statements.

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HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Halifax 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 Halifax 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 Halifax County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

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 all the nonfiduciary activities of the primary government. 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. All expenses are considered to be operating expenses.

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 accounted for in another fund.

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 includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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

The Board reports the following enterprise fund:

School Food Service Fund. The School Food Service Fund is a major fund and 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 level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys from one purpose to another within a fund. 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 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.

HALIFAX COUNTY BOARD OF EDUCATION
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E. Assets, Liabilities, 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) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S & P Global Ratings and AAAMf by Moody's Investors Service. The NCCMT Government Portfolio is reported at fair value.

The Short-Term Investment Fund (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.

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

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) cost assumption in determining the cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

HALIFAX COUNTY BOARD OF EDUCATION
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4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1987 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.

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. For capital assets utilized in business-type activities, the Board's policy is to capitalize those assets costing more than \$500. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives is not capitalized.

Halifax 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	25–50
Building improvements	20
Equipment and furniture	7-10
Vehicles	8

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

5. Deferred outflows and inflows of resources

In addition to assets, 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 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 will not be recognized as revenue until then. The Board has several items that meet this criterion - pension and OPEB related deferrals.

HALIFAX COUNTY BOARD OF EDUCATION
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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. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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.

HALIFAX COUNTY BOARD OF EDUCATION
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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 - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

Restricted for individual schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending 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.

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

9. Reconciliation of Government-wide and Fund Financial Statements

a. 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 - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(1,990,483) 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)	\$ 100,159,422
Less Accumulated Depreciation	<u>66,115,773</u>
Net capital assets	34,043,649
 Net OPEB asset	 11,368
 Long-term note receivable	 15,517
 Pension related deferred outflows of resources	 4,227,690
OPEB related deferred outflows of resources	3,755,046
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(1,720,775)
Installment purchases	(485,693)
Net pension liability	(3,688,559)
Net OPEB liability	(21,571,117)
Deferred inflows of resources related to pensions	(5,521,562)
Deferred inflows of resources related to OPEB	<u>(11,056,047)</u>
 Total adjustment	 <u>\$ (1,990,483)</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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b. 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 \$6,087,211 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 2,183,771
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,730,600)
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(49,574)
Gain on disposal of fixed assets	48,606
Change in fund balance due to change in reserve for inventory	23,569
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,521,031
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	981,940
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	130,478
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	(825,124)
Net OPEB expense	2,420,161
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(169,571)
The issuance of notes receivable do not provide current financial resources to governmental funds, while the collections of notes receivable do provide current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term notes receivable.	(8,140)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt.	560,664
Total adjustment	<u>\$ 6,087,211</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

10. Defined Benefit Pension Plan and OPEB Plans

In addition to assets, 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 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 will not be recognized as revenue until then. The Board has several items that meet this criterion - pension and OPEB related deferrals.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2022, the Board reported expenditures that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance within the State Public School Fund, Other Special Revenue Fund, and Capital Outlay Fund. Expenditures in excess of budgeted amounts can be seen in the accompanying budget-to-actual schedules for these funds. Management will amend procedures so that expenditures are not in excess of appropriations.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$9,358,538. The bank balances with the financial institutions and the State Treasurer were \$10,334,120, and \$1,125,381, respectively. Of these balances, \$250,000 was covered by federal depository insurance and \$11,209,501 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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2. Investments

At June 30 2022, the Board had \$59,446 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2022. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 79,491	\$ -	\$ 79,491
Other government activities	108,759	220,147	328,906
Total	<u>\$ 188,250</u>	<u>\$ 220,147</u>	<u>\$ 408,397</u>
Business-type activities:			
School Food Service Fund	<u>\$ 58,708</u>	<u>\$ 28,117</u>	<u>\$ 86,825</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 79,491	Amounts due from County and tax refunds
Special Revenue Funds	21,588	Federal, State and County funds
Capital Outlay Fund	<u>87,171</u>	Sales tax refunds
Total	<u>\$ 188,250</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 58,708</u>	Federal funds

4. Note Receivable

The Board sold real estate in exchange for a note receivable. The note requires monthly payments of \$730 and bears interest at 8% per year. The note matures on May 1, 2024. At June 30, 2022, the note receivable had a balance \$15,517.

HALIFAX COUNTY BOARD OF EDUCATION
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5. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 654,127	\$ -	\$ -	\$ 654,127
Construction in progress	-	1,153,406	-	1,153,406
Total capital assets not being depreciated	654,127	1,153,406	-	1,807,533
Capital assets being depreciated:				
Buildings	81,312,123	-	1,337,309	79,974,814
Building improvements	3,465,569	569,426	42,706	3,992,289
Equipment and furniture	3,810,271	75,114	-	3,885,385
Vehicles	10,113,576	385,825	-	10,499,401
Total capital assets being depreciated	98,701,539	1,030,365	1,380,015	98,351,889
Less accumulated depreciation for:				
Buildings	51,755,566	1,206,680	1,337,309	51,624,937
Buildings and improvements	2,560,086	80,035	41,738	2,598,383
Equipment and furniture	3,676,547	31,928	-	3,708,475
Vehicles	7,772,021	411,957	-	8,183,978
Total accumulated depreciation	65,764,220	1,730,600	1,379,047	66,115,773
Total capital assets being depreciated, net	32,937,319			32,236,116
Governmental activity capital assets, net	<u>\$ 33,591,446</u>			<u>\$ 34,043,649</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 990,464	\$ -	\$ -	\$ 990,464
Less accumulated depreciation for:				
Furniture and office equipment	796,440	24,507	-	820,947
School Food Service capital assets, net	<u>\$ 194,024</u>			<u>\$ 169,517</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 1,206,680
System-wide support services	411,957
Unallocated depreciation	<u>111,963</u>
 Total	 <u>\$ 1,730,600</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

HALIFAX COUNTY BOARD OF EDUCATION
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Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$2,638,756 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Board reported a liability of \$3,860,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Boards proportion was .08% and .09%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$855,010. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,021	\$ 87,683
Changes of assumptions	1,448,229	-
Net difference between projected and actual earnings on pension plan investments	-	4,783,585
Changes in proportion and differences between Board contributions and proportionate share of contributions	121,106	908,136
Board contributions subsequent to the measurement date	2,638,756	-
Total	<u>\$ 4,425,112</u>	<u>\$ 5,779,404</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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\$2,638,756 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (721,857)
2024	(939,051)
2025	(865,034)
2026	(1,467,106)
2027	-
Thereafter	-
Total	<u>\$ (3,993,048)</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 actuarial 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 measurements.

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, 2021 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount Rate. The discount rates used to measure the total pension liability reported at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension 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 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:

	<u>1% Decrease (5.50%)</u>	<u>Discounted Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 12,950,593	\$ 3,860,805	\$ (3,695,088)

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

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 in Chapter 135, Article 1 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan,

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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 as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are

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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 6.29% of covered payroll which amounted to \$1,013,295. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$136,571.

At June 30, 2022, Board reported a liability of \$22,578,431 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and at June 30, 2020, the Boards proportion was 0.07% and 0.08%, respectively.

\$1,013,295 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	(4,450,157)
2024		(1,880,702)
2025		(819,664)
2026		(1,321,807)
2027		(238,469)
Thereafter		--
	Total	<u>\$ (8,710,799)</u>

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	6.50%
Healthcare cost trend rate – medical	5.00% - 6.00%
Healthcare cost trend rate – prescription drug	5.00% - 9.50%
Healthcare cost trend rate – administrative	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2022 were 2.16% and 2.21% for 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

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Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discounted Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 26,855,796	\$ 22,578,431	\$ 19,112,847

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 trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Administrative - 3.00%)	1% increase (Medical - 6.00-7.50%, Pharmacy - 6.00-10.50%, Administrative - 4.00%)
Net OPEB liability	\$ 18,284,095	\$ 22,578,431	\$ 28,273,464

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.

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. 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 provide 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

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for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$14,499 for the year ended June 30, 2022.

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

At June 30, 2022, Board reported an OPEB asset of \$11,899 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .07% and .08%, respectively.

\$14,499 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	9,475
2024		6,996
2025		8,573
2026		4,979
2027		2,882
Thereafter		<u>8,161</u>
Total	\$	<u>41,066</u>

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

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

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's

HALIFAX COUNTY BOARD OF EDUCATION
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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:

	<u>1% Decrease (2.00%)</u>	<u>Discounted Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$ 7,513	\$ 11,899	\$ 15,957

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

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Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of 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	\$ 2,603,115	\$ (28,011)	\$ 2,575,104
OPEB liability (asset)	22,578,431	(11,899)	22,566,532
Proportionate share of the net OPEB liability (asset)	0.073%	0.073%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	133,300	30,340	163,640
Changes of assumptions	1,846,721	2,089	1,848,810
Net difference between projected and actual earnings on plan investments	-	1,161	1,161
Changes in proportion and differences between Board contributions and proportionate share of contributions	874,314	14,677	888,991
Board contributions subsequent to the measurement date	1,013,295	14,499	1,027,794
Deferred of Inflows of Resources			
Differences between expected and actual experience	420,290	-	420,290
Changes of assumptions	5,487,049	4,320	5,491,369
Changes in proportion and differences between Board contributions and proportionate share of contributions	5,646,245	2,881	5,649,126
Net difference between projected and actual earnings on plan investments	11,550	-	11,550

2. Accounts Payable

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

	<u>Vendors</u>
Governmental activities:	
General	\$ <u>107,170</u>
Business-type activities:	
School Food Service	\$ <u>4,180</u>

3. Unavailable Revenues

The balance is unavailable revenues at year-end and is composed of the following elements

Business-type activities:	
Prepayments of meals (School Food Service Funds)	\$ <u>621</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

4. Deferred Outflows and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 1,010,097	\$ 6,557,262
Changes of assumptions	3,297,039	5,491,369
Difference between projected and actual earnings on plan investments	1,161	4,795,135
Board contributions subsequent to the measurement date	3,666,550	-
Difference between expected and actual experience	<u>380,661</u>	<u>507,973</u>
Totals	<u>\$ 8,355,508</u>	<u>\$ 17,351,739</u>

5. 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 \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. 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. Workers' 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. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. Coverage of \$10 million per occurrence is provided on increased cost of constructions.

HALIFAX COUNTY BOARD OF EDUCATION
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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. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 159-29, the Board has a blanket bond to cover all officers, employees and agents in the amount of \$10,000. The Finance Officer is bonded for \$250,000.

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.

6. Long-Term Obligations

Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. The Board entered into a direct placement installment purchase contracts to finance the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. These financing contracts require annual payments ranging from \$46,256 to \$161,897 over the next two years. The future minimum payments of the installment purchase as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	323,796
2024	<u>161,897</u>
Total	<u>\$ 485,693</u>

HALIFAX COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Governmental activities:					
Direct placement					
installment purchases	\$ 1,046,357	\$ -	\$ 560,664	\$ 485,693	\$ 323,796
Net pension liability	10,652,532	-	6,963,973	3,688,559	-
Net OPEB liability	21,442,366	128,751	-	21,571,117	-
Compensated absences	1,551,204	1,425,093	1,255,522	1,720,775	725,892
Total	<u>\$ 34,692,459</u>	<u>\$ 1,553,844</u>	<u>\$ 8,780,159</u>	<u>\$ 27,466,144</u>	<u>\$ 1,049,688</u>
Business-type activities:					
Net pension liability	\$ 511,233	\$ -	\$ 338,987	\$ 172,246	\$ -
Net OPEB liability	1,029,056	-	21,742	1,007,314	-
Compensated absences	71,952	72,250	59,898	84,304	35,018
Total	<u>\$ 1,612,241</u>	<u>\$ 72,250</u>	<u>\$ 420,627</u>	<u>\$ 1,263,864</u>	<u>\$ 35,018</u>

Compensated absences and pension and OPEB liabilities related to governmental activities are typically liquidated by the General Fund and other governmental funds. Installment purchases are typically liquidated by the Capital Outlay Fund.

7. Transfers and interfund balances

The State Public School Fund contributed \$45,575 to the School Food Service Fund during the fiscal year to provide assistance with the payment of administrative wages. All interfund balances presented in the financial statements arose during the normal operating cycle of the Board and are expected to be repaid within the following fiscal year.

8. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 3,426,865
Less:	
Nonspendable - inventories	(97,262)
Stabilization by State statute	<u>(79,491)</u>
Remaining fund balance	<u>\$ 3,250,112</u>

NOTE 4 – 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.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018
Board's proportion of the net pension liability (asset)	0.083%	0.092%	0.103%	0.097%	0.096%
Board's proportionate share of the net pension liability (asset)	\$ 3,860,805	\$ 11,163,765	\$ 10,673,819	\$ 9,637,494	\$ 7,655,149
Board's covered payroll	\$ 14,986,887	\$ 15,476,868	\$ 16,628,998	\$ 15,400,286	\$ 14,835,995
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.76%	72.13%	64.19%	62.58%	51.60%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%

	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.111%	0.136%	0.147%	0.157%
Board's proportionate share of the net pension liability (asset)	\$ 10,178,150	\$ 5,001,182	\$ 1,727,914	\$ 9,531,500
Board's covered payroll	\$ 15,965,046	\$ 19,692,873	\$ 19,838,666	\$ 20,660,401
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	63.75%	25.40%	8.71%	46.13%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

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

Note: This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,638,756	\$ 2,215,062	\$ 2,007,350	\$ 2,043,704	\$ 1,660,151
Contributions in relation to the contractually required contribution	<u>2,638,756</u>	<u>2,215,062</u>	<u>2,007,350</u>	<u>2,043,704</u>	<u>1,660,151</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 16,109,624	\$ 14,986,887	\$ 15,476,868	\$ 16,628,998	\$ 15,400,286
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,480,632	\$ 1,460,802	\$ 1,801,898	\$ 1,723,980
Contributions in relation to the contractually required contribution	<u>1,480,632</u>	<u>1,460,802</u>	<u>1,801,898</u>	<u>1,723,980</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 14,835,995	\$ 15,965,046	\$ 19,692,873	\$ 19,838,666
Contributions as a percentage of covered payroll	9.98%	9.15%	9.15%	8.69%

Note: This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability (asset)	0.073%	0.081%	0.871%	0.083%	0.087%
Board's proportionate share of the net OPEB liability (asset)	\$22,578,431	\$22,471,422	\$27,557,318	\$23,702,080	\$28,706,578
Board's covered payroll	\$14,986,887	\$15,476,868	\$16,628,998	\$15,400,286	\$14,835,995
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	150.65%	145.19%	165.72%	153.91%	193.49%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.096%
Board's proportionate share of the net OPEB liability (asset)	\$43,578,570
Board's covered payroll	\$15,965,046
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	272.96%
Plan fiduciary net position as a percentage of the total OPEB liability	2.41%

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

Note: This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,013,295	\$ 1,001,124	\$ 1,001,353	\$ 1,042,638	\$ 931,717
Contributions in relation to the contractually required contribution	1,013,295	1,001,124	1,001,353	1,042,638	931,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 16,109,624	\$ 14,986,887	\$ 15,476,868	\$ 16,628,998	\$ 15,400,286
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 861,575	\$ 894,043	\$ 1,081,409	\$ 1,070,884	\$ 1,088,355
Contributions in relation to the contractually required contribution	861,575	894,043	1,081,409	1,070,884	1,088,355
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 14,835,995	\$ 15,965,046	\$ 19,692,873	\$ 19,838,666	\$ 20,535,000
Contributions as a percentage of covered payroll	5.81%	5.60%	5.49%	5.40%	5.30%

This schedule is required supplementary information.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB asset	0.073%	0.080%	0.090%	0.085%	0.084%
Board's proportionate share of the net OPEB asset	\$ 11,899	\$ 39,562	\$ 38,900	\$ 25,899	\$ 51,066
Board's covered payroll	\$ 14,986,887	\$ 15,476,868	\$ 16,628,998	\$ 15,400,286	\$ 14,835,995
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.08%	0.26%	0.23%	0.17%	0.34%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	116.23%

	<u>2017</u>
Board's proportion of the net OPEB asset	0.097%
Board's proportionate share of the net OPEB asset	\$ 60,299
Board's covered payroll	\$ 15,965,046
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.38%
Plan fiduciary net position as a percentage of the total OPEB asset	116.06%

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

Note: This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 14,499	\$ 13,488	\$ 15,477	\$ 23,281	\$ 21,560
Contributions in relation to the contractually required contribution	<u>14,499</u>	<u>13,488</u>	<u>15,477</u>	<u>23,281</u>	<u>21,560</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 16,109,624	\$ 14,986,887	\$ 15,476,868	\$ 16,628,998	\$ 15,400,286
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 56,613	\$ 65,457	\$ 80,238	\$ 86,850	\$ 90,354
Contributions in relation to the contractually required contribution	<u>56,613</u>	<u>65,457</u>	<u>80,238</u>	<u>86,850</u>	<u>90,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 14,835,995	\$ 15,965,046	\$ 19,692,873	\$ 19,838,666	\$ 20,535,000
Contributions as a percentage of covered payroll	0.38%	0.41%	0.41%	0.44%	0.44%

This schedule is required supplementary information.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Halifax County			
County appropriation	\$ 2,399,405	\$ 2,399,405	\$ -
Supplemental tax	2,200,000	2,348,069	148,069
Total Halifax County	<u>4,599,405</u>	<u>4,747,474</u>	<u>148,069</u>
Other:			
Fines and forfeitures		92,609	
ABC revenues		82,744	
Total other	<u>398,626</u>	<u>175,353</u>	<u>(223,273)</u>
Total revenues	<u>4,998,031</u>	<u>4,922,827</u>	<u>(75,204)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional		241,588	
Special populations		28,977	
Alternative programs		23,981	
School leadership		262,285	
Co-curricular		101,544	
School-based support		46,179	
Total instructional services	<u>807,952</u>	<u>704,554</u>	<u>103,398</u>
System-wide support services:			
Support and development		170,458	
Special population support and development		3,750	
Alternative programs and services			
support and development		2,579	
Technology support		9,525	
Operational support		1,911,590	
Financial and human resource services		680,214	
Policy, leadership and public relations		557,925	
Total system-wide support services	<u>3,462,327</u>	<u>3,336,041</u>	<u>126,286</u>
Ancillary services:			
Nutrition		2,455	
Total ancillary services	<u>2,890</u>	<u>2,455</u>	<u>435</u>
Nonprogrammed charges:			
Payments to charter schools	<u>924,862</u>	<u>913,011</u>	<u>11,851</u>
Total expenditures	<u>5,198,031</u>	<u>4,956,061</u>	<u>241,970</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>(33,234)</u>	<u>166,766</u>
Fund balance appropriated	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(33,234)</u>	<u>\$ (33,234)</u>
Fund balance:			
Beginning of year		3,436,530	
Increase (decrease) in reserve for inventories		23,569	
End of year		<u>\$ 3,426,865</u>	

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ -	\$ 43,254	43,254
State appropriations - buses	659,744	560,664	(99,080)
Total State of North Carolina	659,744	603,918	(55,826)
Halifax County:			
County appropriations	535,122	535,122	-
Local sales tax	350,000	436,944	86,944
Total Halifax County	885,122	972,066	86,944
Other	-	441,263	441,263
Total revenues	1,544,866	2,017,247	472,381
Expenditures:			
Current:			
Instructional services	25,000	-	25,000
System-wide support services	190,122	542,878	(352,756)
Debt service - Principal retirement	659,744	560,664	99,080
Capital outlay	670,000	628,921	41,079
Total expenditures	1,544,866	1,732,463	(187,597)
Net change in fund balance	\$ -	284,784	\$ 284,784
Fund balance:			
Beginning of year		2,487,827	
End of year		\$ 2,772,611	

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 278,122	\$ 185,337	\$ (92,785)
Operating expenditures:			
Business support services:			
Purchase of food		736,947	
Food processing supplies		100,962	
Salaries and benefits		1,187,497	
Indirect costs		101,855	
Materials and supplies		37,655	
Repairs and maintenance		4,424	
Fuel		7,170	
Workshop and travel		18,223	
Contracted services		26,618	
Other		2,177	
Total operating expenditures	2,481,608	2,223,528	258,080
Operating loss	(2,203,486)	(2,038,191)	165,295
Nonoperating revenues:			
Federal reimbursements		1,862,982	
Federal commodities		200,191	
Interest earned		120	
Other		1,053	
Total nonoperating revenues	2,203,486	2,064,346	(139,140)
Net change in fund balance	\$ -	26,155	\$ 26,155
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(24,507)	
Compensated absences		(12,352)	
Unavailable revenue		(621)	
Deferred outflows		6,721	
Deferred inflows		(71,440)	
Net pension liability		338,987	
Net OPEB liability		21,742	
Inventories		(28,507)	
Change in net position (full accrual)		\$ 256,178	

Compliance Section



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**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 Halifax County Board of Education
Halifax, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Halifax County Board of Education, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Halifax County Board of Education's basic financial statements and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Halifax County 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.

Halifax County Board of Education's Response to Findings

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

Huntersville, North Carolina

November 30, 2022



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

**To the Halifax County Board of Education
Halifax, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Halifax 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 Halifax County Board of Education's major federal programs for the year ended June 30, 2022. Halifax County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Halifax 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 provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Halifax 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 control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Halifax County Board of Education 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 Halifax 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*, the Uniform Guidance, and the State Single Audit Implementation Act 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 Halifax 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*, the Uniform Guidance and the State Single Audit Implementation Act, 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 Halifax 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 Halifax 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, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Halifax 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 Auditors' Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*Huntersville, North Carolina
November 30, 2022*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

**To the Halifax County Board of Education
Halifax, North Carolina**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

We are required to be independent of Halifax 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 provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Halifax 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 control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Halifax County Board of Education's State 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 Halifax 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*, the Uniform Guidance, and the State Single Audit Implementation Act 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 Halifax County Board of Education's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, 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 Halifax 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 Halifax 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 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Halifax 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major State program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Halifax County Board of Education's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Halifax County Board of Education's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Halifax County Board of Education's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Halifax County Board of Education's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Anderson Smith & Wike PLLC

*Huntersville, North Carolina
November 30, 2022*

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

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

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 ☒ no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Education Agencies
84.425	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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? ___X_yes ___none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? ___X_yes ___no

Identification of major State programs:

Program Name
State Public School Fund
NC Pre-K

Section II - Financial Statement Findings

Finding 2022-001

Budgeting - Significant Deficiency

Criteria:	State law requires that expenditures do not exceed amounts appropriated.
Condition:	The District does not have internal controls in place that appropriately monitor expenditures as compared to the Board approved budget.
Effect:	The District had actual expenditures exceeding the budget within the State Public School Fund, Other Special Revenue Fund, and the Capital Outlay Fund which is in violation of North Carolina General Statutes.
Cause:	Budget amendments were not approved by the Board prior to the end of the fiscal year due to a lack of oversight by management.
Recommendation:	We recommend that management closely monitor expenditures as compared to the budget and take any necessary budget amendments to the governing Board for approval prior to the end of the fiscal year.
Management Response:	The Board agrees with this finding and recommendation.

Section III – Federal Award Findings and Questioned Costs

None

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section IV – State Award Findings and Questioned Costs

Finding 2022-002

N.C. Department of Public Instruction
Program Name: State Public School Fund

Significant Deficiency and Noncompliance

Activities allowed or unallowed

Criteria: Certified employees must hold a valid and current professional educator's license in the area in which they are teaching to be paid with funds from the State Public School Fund.

Condition: During the year the district paid a teacher who did not hold a current professional educator's license in the area they were teaching with State Public School Fund allotments.

Effect: The salary expenditure for this educator was not allowable to be paid from the State Public School Fund

Cause: Oversight.

Questioned Costs: \$45,632.

Recommendation: We recommend that the Board implement a system of internal controls to ensure that all certified employees have the requisite professional educator's license.

Management Response: The Board agrees with this finding and recommendation.



HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended June 30, 2022

Section II. Financial Statement Findings

Finding: 2022-001

Name of Contact Person: Terry Alston, Chief Finance Officer

Corrective Action Plan: Management will implement controls and procedures to ensure that there are no expenditures in excess of the budget.

Section III. Federal Award Findings and Questioned Costs

None Reported

Section IV. State Award Findings and Questioned Costs

Finding 2022-002

Name of Contact Person: Carolyn Mitchell, Executive Director of Human Resources

Corrective Action: Management will monitor the current license status of all certified personnel and take steps to ensure that all such employees meet all applicable licensure requirements.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

Finding: 2021-001

Status: This finding has not been corrected and is a repeat finding for the current year. See finding 2022-001.

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	035	\$ 200,191
Cash Assistance:			
School Breakfast Program	10.553	035	595,197
National School Lunch Program	10.555	035	1,160,845
After School Snack Program	10.555	035	1,168
Summer Food Service Program for Children	10.559	035	58,708
Supply Chain Assistance	10.559	035	47,064
Cash Assistance Subtotal			1,862,982
Total Child Nutrition Cluster:			2,063,173
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
COVID-19 - State and Local Fiscal Recovery Funds			
ARP - Employee Bonuses	21.027	141	580,464
<u>U.S. Department of Education</u>			
Direct Programs:			
Indian Education Grant	84.060	310	70,248
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	050, 105 & 115	2,747,697
Migrant Education (Title I of IASA)	84.011	51	67,722
Rural and Low Income Schools	84.358	109	57,882
Student Support and Academic Enrichment Program	84.424	108	314,389
Supporting Effective Instruction State Grant	84.367	103	275,057
Education for Homeless Children and Youth	84.196	026	9,979
COVID-19 - Education Stabilization Fund:			
CARES Act:			
ESSER I - K-12 Emergency Relief Fund	84.425D	163	36,363
GEER I - Sp. Inst. Supp. Pers. for COVID-19 Response	84.425C	169	82,775
GEER I - Supplemental Instructional Services	84.425C	170	62,885
CRRSA:			
ESSER II - K-12 Emergency Relief Fund	84.425D	171	5,085,159
ESSER II - School Nutrition COVID Support	84.425D	174	13,126
ESSER II - Summer Career Accelerator Program	84.425D	177	36,453
ARP:			
ESSER III - Homeless II	84.425W	184	423
ESSER III - Teacher Bonuses	84.425U	203	131,797
Total COVID-19 - Education Stabilization Fund	84.425		5,448,981

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
<u>Special Education Cluster:</u>			
Education for the Handicapped	84.027	060	150,700
Education for the Handicapped - Targeted Assistance	84.027	118	13,161
Preschool Targeted Assistance	84.173	119	2,746
Preschool Handicapped	84.173	049	51,089
Total Special Education Cluster			217,696
Career and Technical Education - Basic Grants to States Program Development	84.048	017	92,156
Total U. S. Department of Education			9,301,807
<u>U. S. Department of Defense</u>			
Direct Program: ROTC	12.000		35,537
<u>National Endowment for the Arts</u>			
Passed-through the N.C. Arts Council: Arts in Education - Artist Residencies	45.025	343	16,211
Total federal assistance			11,997,192
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund		Various	20,147,070
Driving Training - SPSF		012	40,092
School Technology Fund - SPSF		015	13,241
Vocational Education			
State Months of Employment		013	399,543
Program Support Funds		014	80,350
State appropriations - buses - noncash		120	560,664
K-12 Athletic Facilities Grant		440	104,607
Passed-through Halifax County:			
Public School Capital Fund - Lottery		076	43,254
Total N.C. Department of Public Instruction			21,388,821
<u>N.C. Department of Health and Human Services:</u>			
Passed-through Halifax-Warren Smart Start Partnership for Children: North Carolina Pre-Kindergarten Program		413	502,326
Total State assistance			21,891,147
Total federal and State assistance			\$ 33,888,339

HALIFAX COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
For the Year Ended June 30, 2022

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

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

Note 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Halifax County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.