

# **Thomasville City Board of Education**

Financial Statements  
For the Year Ended  
June 30, 2021

**THOMASVILLE CITY BOARD OF EDUCATION**

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ANDERSON SMITH &amp; WIKE PLLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Thomasville City Board of Education  
Thomasville, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomasville City Board of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Thomasville City Board of Education as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 51 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021 on our consideration of the Thomasville City Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Thomasville City Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

September 14, 2021  
Statesville, North Carolina  
(704) 562-5039

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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This section of the Thomasville City Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2021. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

Our Board is providing laptops or tablets for our students in grades K-12. Students in grades 2-12 have use of the laptops 24/7 during the school year. Due to the pandemic, they had use of the laptops over the summer as well. Smart Boards and classroom carts of laptops are available to our students in grades K-2, as well as tablets and laptops to create a digital 1:1 in grades K-2. We credit this and the commitment of our excellent staff to the academic success of our students.

In addition, capital funds from our county have been used to purchase classroom instructional technology in the form of Promethean ActivPanels. This infrastructure replaced 18 year-old technology that needed upgrading. This project allowed for teaching the whole classroom environment in enhanced digital capabilities and also allowed our teachers to teach in a remote and hybrid setting during 2020-2021. TCS also purchased an online registration system to accompany our Student Information System to allow parents to register students online versus requiring on-site visit to the school.

***Overview of the Financial Statements***

The audited financial statements of the Thomasville City 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 section that presents budgetary statements for certain governmental funds and budgetary statements for the 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 and liabilities. 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 type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are 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

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

***Government-wide Statements***

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

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

- Over time, increases or decreases in the Board's net position are 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 service and childcare 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.



**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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Thomasville City Board of Education has two types of funds:

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

The governmental fund statements are shown as Exhibits 3, 4 and 5 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. Thomasville City Board of Education has two proprietary funds – both enterprise funds - the School Food Service Fund and the Child Care Fund.

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

***Financial Analysis of the Schools as a Whole***

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$13,725,437 as of June 30, 2021. A significant component of net position is net investment in capital assets of \$18,207,691.

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

Following is a summary of the Statement of Net Position:

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>As of June 30, 2021 and 2020</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Current assets	\$ 2,096,980	\$ 1,005,644	\$ 11,198,079	\$ 5,201,513	\$ 13,295,059	\$ 6,207,157
Capital assets	17,937,210	18,436,681	270,481	345,027	18,207,691	18,781,708
Total assets	20,034,190	19,442,325	11,468,560	5,546,540	31,502,750	24,988,865
Deferred outflow s of resources	7,821,764	7,674,146	579,349	520,776	8,401,113	8,194,922
Current liabilities	1,417,516	1,138,754	31,134	114,069	1,448,650	1,252,823
Long-term liabilities	37,181,960	38,704,640	2,682,799	2,545,016	39,864,759	41,249,656
Total liabilities	38,599,476	39,843,394	2,713,933	2,659,085	41,313,409	42,502,479
Deferred inflow s of resources	11,466,575	10,406,368	849,316	706,187	12,315,891	11,112,555
Net investment in						
capital assets	17,937,210	18,436,681	270,481	345,027	18,207,691	18,781,708
Restricted net position	493,196	469,889	3,098	6,341	496,294	476,230
Unrestricted net position	(40,640,503)	(42,039,861)	8,211,081	2,350,676	(32,429,422)	(39,689,185)
Total net position	\$ (22,210,097)	\$ (23,133,291)	\$ 8,484,660	\$ 2,702,044	\$ (13,725,437)	\$ (20,431,247)

Note that net position of governmental activities increased during the year, indicating an improvement in the financial condition of the Board. The increase is primarily due to additional funding received from Davidson County for capital needs during the year. Also note that the Board carries capital assets for which Davidson County carries the offsetting debt.

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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

<b>Table 2</b>						
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
<b>For the Fiscal Years Ended June 30, 2021 and 2020</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues:						
<b>Program revenues:</b>						
Charges for services	\$ 5,947	\$ 763,105	\$ 4,379	\$ 108,434	\$ 10,326	\$ 871,539
Operating grants and contributions	18,320,503	18,900,481	11,455,115	8,501,197	29,775,618	27,401,678
Capital grants and contributions	-	5,503	-	-	-	5,503
<b>General revenues:</b>						
Other	7,294,334	6,465,156	103,468	17,926	7,397,802	6,483,082
<b>Total revenues</b>	<u>25,620,784</u>	<u>26,134,245</u>	<u>11,562,962</u>	<u>8,627,557</u>	<u>37,183,746</u>	<u>34,761,802</u>
Expenses:						
<b>Governmental activities:</b>						
Instructional services	19,011,902	19,242,870	-	-	19,011,902	19,242,870
System-wide support	5,272,446	5,741,084	-	-	5,272,446	5,741,084
Ancillary services	195,948	80,275	-	-	195,948	80,275
Non-programmed charges	83,577	143,724	-	-	83,577	143,724
Depreciation	49,135	720,539	-	-	49,135	720,539
<b>Business-type activities:</b>						
School food service	-	-	5,864,928	5,522,883	5,864,928	5,522,883
Child care	-	-	-	-	-	-
<b>Total expenses</b>	<u>24,613,008</u>	<u>25,928,492</u>	<u>5,864,928</u>	<u>5,522,883</u>	<u>30,477,936</u>	<u>31,451,375</u>
Increase (decrease) in net position before transfer	1,007,776	205,753	5,698,034	3,104,674	6,705,810	3,310,427
Transfers	(84,582)	(45,902)	84,582	45,902	-	-
Increase (decrease) in net position	923,194	159,851	5,782,616	3,150,576	6,705,810	3,310,427
Beginning net position	(23,133,291)	(23,293,142)	2,702,044	(448,532)	(20,431,247)	(23,741,674)
Ending net position	<u>\$ (22,210,097)</u>	<u>\$ (23,133,291)</u>	<u>\$ 8,484,660</u>	<u>\$ 2,702,044</u>	<u>\$ (13,725,437)</u>	<u>\$ (20,431,247)</u>

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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Total governmental activities generated revenues of \$25.6 million while expenses in this category totaled \$24.6 million for the year ended June 30, 2021. Comparatively, revenues were \$26.1 million and expenses totaled \$25.9 million for the year ended June 30, 2020. Governmental activities transferred \$84,582 to the business-type activities in 2021 and transferred \$45,902 in 2020. The increase in net position stands at \$923,194 at June 30, 2021, compared to an increase of \$159,851 in 2020. Instructional services comprised 77% of total governmental-type expenses while system-wide support services made up 21% of those expenses for 2021. County and City funding comprised 22% of total governmental revenue in 2021 and 2020. Much of the remaining 78% of total governmental revenue for 2021 consists of restricted State and federal money. Business-type activities generated revenue of \$11.6 million and had expenses of \$5.9 million in 2021, as compared to revenue of \$8.6 million and expenses of \$5.5 million in 2020. Net position, after transfers, increased in the business-type activities by approximately \$5.8 million in 2021 and increased by approximately \$3.2 million during 2020.

***Financial Analysis of the Board's Funds***

**Governmental Funds:** The focus of Thomasville City 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.

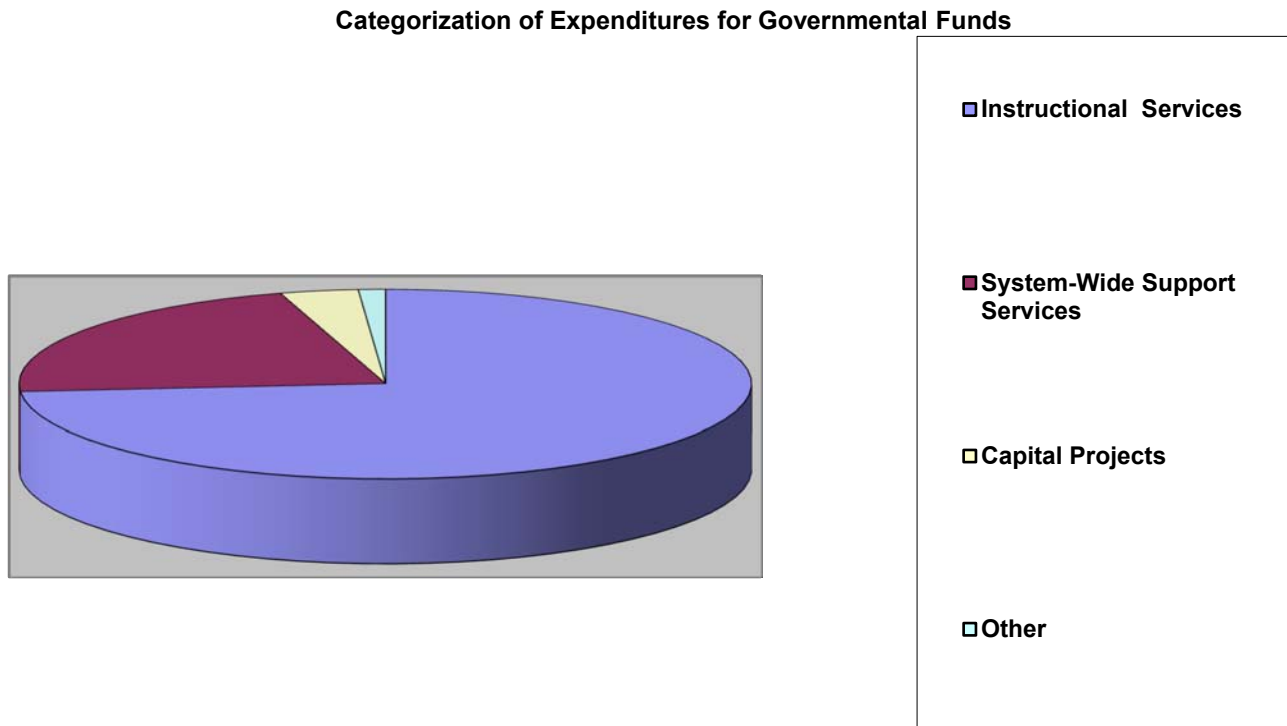
The Board's governmental funds reported a combined fund balance of \$637,643, an increase of \$808,223 from the prior year. The Board's General Fund reported an approximate \$800,000 increase in fund balance, while the Capital Outlay Fund had a decrease in fund balance of \$1,045 and the Individual School Fund had an increase in fund balance of \$6,300. The General Fund increase in fund balance is primarily due to cost savings implemented during the year.

**Proprietary Funds:** The Board's business-type funds showed a combined increase in net position of \$5.8 million in 2021 as compared to a combined increase of \$3.2 million in 2020. The School Food Service Fund reported an increase in net position of \$5,742,037 while the Child Care Fund reported an increase in net position of \$40,579 in 2021.

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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The following chart summarizes expenditures by category.



Expenditures are presented on the modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to change appropriations in light of the adjusted revenue estimates. These adjustments to the budget during the year were not significant.

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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**Capital Assets**

Capital assets decreased by approximately \$575,000 (or 3%) from the previous year. This decrease is due to depreciation expense exceeding capital additions for the year. The following is a summary of the capital assets, net of depreciation at year-end.

A more detailed description of the capital assets is available in Note 3 of the basic financial statements.

<b>Table 3</b>						
<b>Summary of Capital Assets</b>						
<b>As of June 30, 2021 and 2020</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Land	\$ 552,595	\$ 552,595	\$ -	\$ -	\$ 552,595	\$ 552,595
Construction in progress	-	402,118	-	-	-	402,118
Buildings/improvements	17,118,764	17,129,655	-	-	17,118,764	17,129,655
Equipment and furniture	192,582	229,909	270,481	345,027	463,063	574,936
Vehicles	73,269	122,404	-	-	73,269	122,404
Total	<u>\$ 17,937,210</u>	<u>\$ 18,436,681</u>	<u>\$ 270,481</u>	<u>\$ 345,027</u>	<u>\$ 18,207,691</u>	<u>\$ 18,781,708</u>

**Debt Outstanding**

The Board is limited by North Carolina General Statutes with regard to the types of debt it can issue and for what purpose that debt can be used. As of June 30, 2021 the Board had no outstanding debt. Davidson County holds virtually all debt issued for school capital construction.

A more detailed description of the long-term debt is available in Note 3 of the basic financial statements.

**Economic Factors**

Davidson County and Thomasville City funding is a major source of income for the Board; therefore the economic outlook of the County and City directly affects that of the Board. The following factors have positively affected the economic outlook of Davidson County and Thomasville City.

- Davidson County enjoys its close proximity to Winston Salem and High Point drawing many to relocate here.
- Davidson County continues to maintain a low property tax rate which is below the state average.
- Our County and City Commissioners understand the value of good schools to attract new business and industry to our county.

**THOMASVILLE CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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***Impact of Coronavirus on School***

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 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 Thomasville City Board of Education. Questions or requests for additional information should be addressed to:

Carol Chapman, Finance Officer  
Thomasville City Board of Education  
400 Turner Street  
Thomasville, NC 27360

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,237,206	\$ 10,873,473	\$ 12,110,679
Due from other governments	754,054	246,033	1,000,087
Receivables (net)	307	-	307
Net OPEB asset	41,821	3,098	44,919
Inventories	-	139,067	139,067
Internal balance	63,592	(63,592)	-
Capital assets:			
Land, improvements, and construction in progress	552,595	-	552,595
Other capital assets, net of depreciation	17,384,615	270,481	17,655,096
Total capital assets	17,937,210	270,481	18,207,691
Total assets	20,034,190	11,468,560	31,502,750
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	7,821,764	579,349	8,401,113
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	885,062	27,950	913,012
Accrued salaries and wages payable	532,454	-	532,454
Unearned revenues	-	3,184	3,184
Long-term liabilities:			
Net pension liability	11,605,397	859,599	12,464,996
Net OPEB liability	23,741,757	1,758,525	25,500,282
Due within one year	720,099	24,798	744,897
Due in more than one year	1,114,707	39,877	1,154,584
Total liabilities	38,599,476	2,713,933	41,313,409
<b>DEFERRED INFLOWS OF RESOURCES</b>	11,466,575	849,316	12,315,891
<b>NET POSITION</b>			
Net investment in capital assets	17,937,210	270,481	18,207,691
Restricted for:			
Individual schools	83,889	-	83,889
Stabilization by State statute	302,711	-	302,711
School capital outlay	64,775	-	64,775
DIPNC OPEB plan	41,821	3,098	44,919
Unrestricted	(40,640,503)	8,211,081	(32,429,422)
Total net position	\$ (22,210,097)	\$ 8,484,660	\$ (13,725,437)



**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

								<b>Exhibit 2</b>	
								<b>Net (Expense) Revenue and Changes in Net Position</b>	
								<b>Primary Government</b>	
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>		
<b>Primary government:</b>									
Governmental Activities:									
Instructional services:									
Regular instructional	\$ 11,218,901	\$ 697	\$ 9,330,001	\$ -	\$ (1,888,203)	\$ -	\$ (1,888,203)		
Special populations	2,665,588	-	2,461,251	-	(204,337)	-	(204,337)		
Alternative programs	1,837,290	-	1,548,146	-	(289,144)	-	(289,144)		
School leadership	1,428,325	-	1,064,533	-	(363,792)	-	(363,792)		
Co-curricular	167,006	-	-	-	(167,006)	-	(167,006)		
School-based support	1,694,792	-	1,554,713	-	(140,079)	-	(140,079)		
System-wide support services:									
Support and development	209,748	-	152,208	-	(57,540)	-	(57,540)		
Special populations	547,264	-	448,242	-	(99,022)	-	(99,022)		
Alternative programs	59,688	-	40,073	-	(19,615)	-	(19,615)		
Technology support	434,733	-	265,556	-	(169,177)	-	(169,177)		
Operational support	2,114,319	5,250	1,067,478	-	(1,041,591)	-	(1,041,591)		
Financial and human resource services	972,765	-	165,199	-	(807,566)	-	(807,566)		
Accountability	116,419	-	-	-	(116,419)	-	(116,419)		
System-wide pupil support services	238,735	-	78,175	-	(160,560)	-	(160,560)		
Policy, leadership and public relations	578,775	-	144,928	-	(433,847)	-	(433,847)		
Ancillary services	195,948	-	-	-	(195,948)	-	(195,948)		
Non-programmed charges	83,577	-	-	-	(83,577)	-	(83,577)		
Unallocated depreciation expense*	49,135	-	-	-	(49,135)	-	(49,135)		
Total governmental activities	24,613,008	5,947	18,320,503	-	(6,286,558)	-	(6,286,558)		
Business-type activities:									
School food service	5,864,928	4,379	11,455,115	-	-	5,594,566	5,594,566		
Total primary government	\$ 30,477,936	\$ 10,326	\$ 29,775,618	\$ -	(6,286,558)	5,594,566	(691,992)		
General revenues:									
Unrestricted county appropriations - operating					3,178,147	-	3,178,147		
Unrestricted county appropriations - capital					964,953	-	964,953		
Unrestricted State appropriations - operating					244,713	-	244,713		
Unrestricted State appropriations - capital					26,056	-	26,056		
Investment earnings, unrestricted					11,892	96,895	108,787		
Miscellaneous, unrestricted					2,868,573	6,573	2,875,146		
Transfers					(84,582)	84,582	-		
Total general revenues and transfers					7,209,752	188,050	7,397,802		
Change in net position					923,194	5,782,616	6,705,810		
Net position-beginning					(23,133,291)	2,702,044	(20,431,247)		
Net position-ending					\$ (22,210,097)	\$ 8,484,660	\$ (13,725,437)		

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

**THOMASVILLE CITY BOARD OF EDUCATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2021**

**Exhibit 3**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants Fund	Individual Schools	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 709,238	\$ 371,663	\$ 72,416	\$ -	\$ 83,889	\$ 1,237,206
Receivables (net)	307	-	-	-	-	307
Due from other governments	78,399	487,913	160,413	27,329	-	754,054
Due from other funds	63,592	-	121,081	-	-	184,673
Total assets	<u>\$ 851,536</u>	<u>\$ 859,576</u>	<u>\$ 353,910</u>	<u>\$ 27,329</u>	<u>\$ 83,889</u>	<u>\$ 2,176,240</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 384,677	\$ 371,663	\$ 128,722	\$ -	\$ -	\$ 885,062
Due to other funds	121,081	-	-	-	-	121,081
Accrued salaries and wages payable	17,212	487,913	-	27,329	-	532,454
Total liabilities	<u>522,970</u>	<u>859,576</u>	<u>128,722</u>	<u>27,329</u>	<u>-</u>	<u>1,538,597</u>
Fund balances:						
Restricted:						
Stabilization by State statute	142,298	-	160,413	-	-	302,711
School capital outlay	-	-	64,775	-	-	64,775
Other specific revenue	219,595	-	-	-	-	219,595
Individual schools	-	-	-	-	83,889	83,889
Unassigned	(33,327)	-	-	-	-	(33,327)
Total fund balances	<u>328,566</u>	<u>-</u>	<u>225,188</u>	<u>-</u>	<u>83,889</u>	<u>637,643</u>
Total liabilities and fund balances	<u>\$ 851,536</u>	<u>\$ 859,576</u>	<u>\$ 353,910</u>	<u>\$ 27,329</u>	<u>\$ 83,889</u>	

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

Net OPEB asset	41,821
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,937,210
Deferred outflows of resources related to pensions	4,389,549
Deferred outflows of resources related to OPEB	3,432,215
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,834,806)
Net pension liability	(11,605,397)
Net OPEB liability	(23,741,757)
Deferred inflows of resources related to pensions	(218,366)
Deferred inflows of resources related to OPEB	(11,248,209)
Net position of governmental activities	<u>\$ (22,210,097)</u>

**THOMASVILLE CITY BOARD OF EDUCATION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS****For the Year Ended June 30, 2021**

	Major Funds				Non-major Fund	Exhibit 4
	General	State Public School	Capital Outlay	Federal Grants Fund	Individual Schools	Total Governmental Funds
REVENUES						
State of North Carolina	\$ 244,713	\$ 15,365,088	\$ 26,056	\$ -	\$ -	\$ 15,635,857
Davidson County	3,178,147	-	964,953	-	-	4,143,100
U.S. Government	43,655	584,195	-	2,596,159	-	3,224,009
City of Thomasville	1,613,165	-	-	-	-	1,613,165
Other	810,281	-	39,635	-	154,737	1,004,653
Total revenues	5,889,961	15,949,283	1,030,644	2,596,159	154,737	25,620,784
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	700,237	9,081,337	-	269,872	148,437	10,199,883
Special populations	274,191	2,200,632	-	240,321	-	2,715,144
Alternative programs	335,746	616,472	-	859,109	-	1,811,327
School leadership	382,757	1,009,649	18,640	50,609	-	1,461,655
Co-curricular	146,416	-	25,000	-	-	171,416
School-based support	183,876	1,089,257	-	429,203	-	1,702,336
System-wide support services:						
Support and development	63,061	143,623	-	7,916	-	214,600
Special populations	112,880	159,607	-	266,154	-	538,641
Alternative programs	21,108	-	-	36,952	-	58,060
Technology support	95,561	265,556	85,096	-	-	446,213
Operational support	1,044,849	814,209	57,305	233,543	-	2,149,906
Financial and human resource services	833,245	164,901	8	275	-	998,429
Accountability	119,493	-	-	-	-	119,493
System-wide pupil support services	128,552	78,175	-	-	-	206,727
Policy, leadership and public relations	449,130	144,928	-	-	-	594,058
Ancillary services	64,188	136,934	-	-	-	201,122
Non-programmed charges	91,124	-	-	202,205	-	293,329
Capital outlay	-	-	845,640	-	-	845,640
Total expenditures	5,046,414	15,905,280	1,031,689	2,596,159	148,437	24,727,979
Revenues over (under) expenditures	843,547	44,003	(1,045)	-	6,300	892,805
OTHER FINANCING USES						
Transfers to other funds	(40,579)	(44,003)	-	-	-	(84,582)
Net change in fund balance	802,968	-	(1,045)	-	6,300	808,223
Fund balances-beginning	(474,402)	-	226,233	-	77,589	(170,580)
Fund balances-ending	\$ 328,566	\$ -	\$ 225,188	\$ -	\$ 83,889	\$ 637,643

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

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 4**  
**(Continued)**

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

Net changes in fund balances - total governmental funds	\$ 808,223
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 depreciation expense exceeded capital outlays the current period.	(499,471)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	2,050,252
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	939,120
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	406,696
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.	
Pension expense	(3,225,543)
Net OPEB expense	470,512
Compensated absences	(26,595)
Total changes in net position of governmental activities	<u>\$ 923,194</u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY**  
**BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 5**

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
State of North Carolina	\$ 217,000	\$ 231,603	\$ 244,713	\$ 13,110
Davidson County	3,136,458	3,171,902	3,178,147	6,245
U.S. Government	76,000	76,000	43,655	(32,345)
City of Thomasville	1,555,428	1,555,428	1,613,165	57,737
Other	623,231	740,861	810,281	69,420
Total revenues	5,608,117	5,775,794	5,889,961	114,167
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional			700,237	
Special populations			274,191	
Alternative programs			335,746	
School leadership			382,757	
Co-curricular			146,416	
School-based support			183,876	
System-wide support services				
Support and development			63,061	
Special populations			112,880	
Alternative programs			21,108	
Technology support			95,561	
Operational support			1,044,849	
Financial and human resource services			833,245	
Accountability			119,493	
System-wide pupil support services			128,552	
Policy, leadership and public relations			449,130	
Ancillary services			64,188	
Non-programmed charges			91,124	
Total expenditures	5,690,893	5,858,570	5,046,414	812,156
Revenues over (under) expenditures	(82,776)	(82,776)	843,547	926,323
Other financing uses:				
Transfers to other funds	-	-	(40,579)	(40,579)
Revenues under expenditures and other uses	(82,776)	(82,776)	802,968	885,744
Appropriated fund balance	82,776	82,776	-	(82,776)
Net change in fund balance	\$ -	\$ -	802,968	\$ 802,968
Fund balances, beginning of year			(474,402)	
Fund balances, end of year			\$ 328,566	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY**  
**BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 5**  
**(Continued)**

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ 15,256,690	\$ 15,960,705	\$ 15,365,088	\$ (595,617)
Davidson County	-	-	-	-
U.S. Government	606,978	674,629	584,195	(90,434)
City of Thomasville	-	-	-	-
Other	-	-	-	-
Total revenues	15,863,668	16,635,334	15,949,283	(686,051)
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional			9,081,337	
Special populations			2,200,632	
Alternative programs			616,472	
School leadership			1,009,649	
Co-curricular			-	
School-based support			1,089,257	
System-wide support services				
Support and development			143,623	
Special populations			159,607	
Alternative programs			-	
Technology support			265,556	
Operational support			814,209	
Financial and human resource services			164,901	
Accountability			-	
System-wide pupil support services			78,175	
Policy, leadership and public relations			144,928	
Ancillary services			136,934	
Non-programmed charges			-	
Total expenditures	15,816,627	16,588,293	15,905,280	683,013
Revenues over expenditures	47,041	47,041	44,003	(3,038)
Other financing uses:				
Transfers to other funds	(47,041)	(47,041)	(44,003)	3,038
Revenues under expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

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

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY**  
**BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 5**  
**(Continued)**

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Davidson County	-	-	-	-
U.S. Government	3,273,111	7,780,596	2,596,159	(5,184,437)
City of Thomasville	-	-	-	-
Other	-	-	-	-
Total revenues	3,273,111	7,780,596	2,596,159	(5,184,437)
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional			269,872	
Special populations			240,321	
Alternative programs			859,109	
School leadership			50,609	
Co-curricular			-	
School-based support			429,203	
Support and development			7,916	
Special populations			266,154	
Alternative programs			36,952	
Technology support			-	
Operational support			233,543	
Financial and human resource services			275	
Accountability			-	
System-wide pupil support services			-	
Policy, leadership and public relations			-	
Ancillary services			-	
Non-programmed charges			202,205	
Total expenditures	3,273,111	7,780,596	2,596,159	5,184,437
Revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues under expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2021**

Exhibit 6

	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,873,473	\$ -	\$ 10,873,473
Due from other governments	246,033	-	246,033
OPEB asset	3,098	-	3,098
Inventories	139,067	-	139,067
Total current assets	11,261,671	-	11,261,671
Noncurrent assets:			
Capital assets, net	270,481	-	270,481
Total assets	11,532,152	-	11,532,152
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	579,349	-	579,349
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	27,950	-	27,950
Compensated absences	24,798	-	24,798
Due to other funds	63,592	-	63,592
Unearned revenues	3,184	-	3,184
Total current liabilities	119,524	-	119,524
Noncurrent liabilities:			
Net pension liability	859,599	-	859,599
Net OPEB liability	1,758,525	-	1,758,525
Compensated absences	39,877	-	39,877
Total noncurrent liabilities	2,658,001	-	2,658,001
Total liabilities	2,777,525	-	2,777,525
<b>DEFERRED INFLOWS OF RESOURCES</b>	849,316	-	849,316
<b>NET POSITION</b>			
Net investment in capital assets	270,481	-	270,481
DIPNC OPEB plan	3,098	-	3,098
Unrestricted	8,211,081	-	8,211,081
Total net position	\$ 8,484,660	\$ -	\$ 8,484,660



**THOMASVILLE CITY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENSES, AND  
POSITION - PROPRIETARY FUNDS  
For the Year Ended June 30, 2021**

**Exhibit 7**

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Food sales	\$ 4,379	\$ -	\$ 4,379
Other	6,573	-	6,573
Total operating revenues	<u>10,952</u>	<u>-</u>	<u>10,952</u>
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	3,175,001	-	3,175,001
Salaries and benefits	1,840,866	-	1,840,866
Supplies and materials	306,615	-	306,615
Repairs and maintenance	47,387	-	47,387
Equipment rental	32,944	-	32,944
Indirect costs	342,936	-	342,936
Depreciation	74,546	-	74,546
Non-capitalized equipment	32,696	-	32,696
Other	11,937	-	11,937
Total operating expenses	<u>5,864,928</u>	<u>-</u>	<u>5,864,928</u>
Operating loss	<u>(5,853,976)</u>	<u>-</u>	<u>(5,853,976)</u>
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	11,235,576	-	11,235,576
Federal commodities	219,539	-	219,539
Interest earned	96,895	-	96,895
Total nonoperating revenues	<u>11,552,010</u>	<u>-</u>	<u>11,552,010</u>
Income (loss) before transfers	5,698,034	-	5,698,034
Transfers from other funds	<u>44,003</u>	<u>40,579</u>	<u>84,582</u>
Change in net position	5,742,037	40,579	5,782,616
Total net position - beginning	<u>2,742,623</u>	<u>(40,579)</u>	<u>2,702,044</u>
Total net position - ending	<u>\$ 8,484,660</u>	<u>\$ -</u>	<u>\$ 8,484,660</u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY**  
**For the Year Ended June 30, 2021**

**Exhibit 8**

	<u>Major Fund</u>	<u>Non-major Fund</u>	
	<u>School Food Service</u>	<u>Child Care</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 5,933	\$ -	\$ 5,933
Cash paid for goods and services	(3,867,383)	-	(3,867,383)
Cash paid to employees for services	(1,575,079)	-	(1,575,079)
Other operating revenues	6,573	-	6,573
Net cash provided (used) by operating activities	(5,429,956)	-	(5,429,956)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal and State reimbursements	14,159,768	-	14,159,768
Increase (decrease) in due to other funds	60,496	-	60,496
Net cash provided from noncapital financing	14,220,264	-	14,220,264
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	96,895	-	96,895
Net increase (decrease) in cash and cash equivalents	8,887,203	-	8,887,203
Balances-beginning of the year	1,986,270	-	1,986,270
Balances-end of the year	<u>\$ 10,873,473</u>	<u>\$ -</u>	<u>\$ 10,873,473</u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2021**

**Exhibit 8**  
**(Continued)**

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (5,853,976)	\$ -	\$ (5,853,976)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	74,546	-	74,546
Expenses paid by other funds	44,003	-	44,003
Donated commodities consumed	219,539	-	219,539
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	1,557	-	1,557
(Increase) decrease in net OPEB asset	(555)	-	(555)
(Increase) decrease in inventories	(67,515)	-	(67,515)
Increase (decrease) in accounts payable	(21,243)	-	(21,243)
Increase (decrease) in accrued salaries and wages	(48,648)	-	(48,648)
(Increase) decrease in deferred outflows	(58,573)	-	(58,573)
Increase (decrease) in net pension liability	173,586	-	173,586
Increase (decrease) in net OPEB liability	(59,289)	-	(59,289)
Increase (decrease) in deferred inflows	143,129	-	143,129
Increase (decrease) in unavailable revenues	(3)	-	(3)
Increase (decrease) in compensated absences	23,486	-	23,486
Total adjustments	424,020	-	424,020
Net cash provided (used) by operating activities	\$ (5,429,956)	\$ -	\$ (5,429,956)

**Noncash investing, capital, and financing activities:**

The School Food Service Fund received donated commodities with a value of \$219,539 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund contributed \$44,003 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

The General Fund forgave \$40,579 that was due from the Child Care Fund during the fiscal year. This is reflected as a transfer in on Exhibit 7.

**THOMASVILLE CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Thomasville City 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 within the City of Thomasville, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

The members of the Board are appointed by the City of Thomasville, North Carolina. In addition, the City sets the rate and levies the school supplement tax rendered to the Board. Therefore, the Board is included in the reporting entity of the City of Thomasville under Governmental Accounting Standards Board (GASB) Statement Number 14.

Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. 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

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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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

*Federal Grants Fund.* The Federal Grants Fund includes appropriations from the federal government, generally the U.S. Department of Education, which are passed-through the North Carolina Department of Public Instruction for the current operating expenditures of the school system.

*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 Davidson County appropriations, restricted sales tax moneys, proceeds of Davidson County bonds issued for public school construction, as well as certain State assistance.

The Board reports the following major enterprise fund:

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

**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 60 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.

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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.

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 Superintendent is authorized by the governing Board to transfer moneys from one appropriation to another within the same fund under the following conditions:

- 1) The Superintendent may transfer amounts between sub-functions and objects of expenditure within a function without limitations and without a report being required.
- 2) The Superintendent may transfer amounts between functions of the same fund with a report on such transfers being required at the next meeting of the Board of Education.
- 3) The Superintendent may not transfer amounts between funds or from any contingency appropriation within a fund.

Amendments which alter the county appropriations or transfer monies to or from the Capital Outlay Fund also require the approval of the Davidson County Board of Commissioners. 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. The primary revenue sources of the Board are the State of North Carolina, the Federal government and Davidson County appropriations. Unexpended allocations from the State of North Carolina revert back to the State at the end of the fiscal year.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2021.

Assets, Liabilities, and Fund Equity

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

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deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

#### 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.

#### Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

#### 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.

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



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

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

	Years
Buildings	20-45
Building Improvements	15-20
Equipment and Furniture	3-15
Vehicles	6-14

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

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.

Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

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, 2021 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



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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.

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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:

*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 other specific revenue - portion of fund balance that has externally enforceable limitation on use from various grantors and other governments.

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.

*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, and lastly 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.

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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 \$(22,847,740) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 41,001,367
Less Accumulated Depreciation	<u>(23,064,157)</u>
Net capital position	17,937,210
Net OPEB Asset	41,821
Pension related deferred outflows of resources	4,389,549
OPEB related deferred outflows of resources	3,432,215
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:	
Net pension liability	(11,605,397)
Net OPEB liability	(23,741,757)
Compensated absences	(1,834,806)
Deferred inflows of resources related to pensions	(218,366)
Deferred inflows of resources related to OPEB	<u>(11,248,209)</u>
Total adjustment	<u>\$ (22,847,740)</u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
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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 \$114,971 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 292,121
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.	(791,592)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,050,252
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	939,120
Revenues in the statement of activities that do not provide current financial resources OPEB nonemployer contributions	406,696
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(3,225,543)
OPEB expense	470,512
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(26,595)
Total adjustment	<u>\$ 114,971</u>

Defined Benefit Pension Plan and OPEB Plans

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

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legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Material Violations of Finance-Related Legal and Contractual Provisions

None.

Excess of Expenditures Over Appropriations

None.

Deficits in Fund Balance or Net Position of Individual Funds

None.

**NOTE 3 – DETAIL NOTES ON ALL FUNDS**

Assets

Deposits

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

At June 30, 2021, the Board had deposits with banks and savings and loans with a carrying amount of \$10,091,004 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$9,593,687 and \$754,311, respectively. Of these balances, \$333,889 was covered by federal depository insurance and \$10,014,109 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

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Investments

At June 30, 2021, the Board had \$2,015,143 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. There was \$4,532 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, 2021. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Receivables at the government-wide level at June 30, 2021, were as follows:

	Due from other governments	Other
Governmental activities:		
General Fund	\$ 78,399	\$ 307
Other Government Funds	675,655	-
Total	<u>\$ 754,054</u>	<u>\$ 307</u>
Business-type activities:		
School Food Service	\$ 246,033	\$ -
Child Care	-	-
Total	<u>\$ 246,033</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 71,766	City of Thomasville - ad valorem
General Fund	6,633	Davidson County fines and forfeitures
State Public School Fund	487,913	Operating funds from DPI
Capital Outlay Fund	160,413	Davidson County
Federal Grants Fund	27,329	Federal grant funds
Total	<u>\$ 754,054</u>	
Business-type activities:		
School Food Service	<u>\$ 246,033</u>	USDA Grant Reimbursement

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Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Retirements	Transfers	Ending Balances
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 552,595	\$ -	\$ -	\$ -	\$ 552,595
Construction in progress	402,118	45,823	-	(447,941)	-
Total capital assets not being depreciated	954,713	45,823	-	(447,941)	552,595
<b>Capital assets being depreciated:</b>					
Buildings and improvements	36,905,605	246,298	-	447,941	37,599,844
Equipment and furniture	2,167,251	-	-	-	2,167,251
Vehicles	681,677	-	-	-	681,677
Total capital assets being depreciated	39,754,533	246,298	-	447,941	40,448,772
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	19,775,950	705,130	-	-	20,481,080
Equipment and furniture	1,937,342	37,327	-	-	1,974,669
Vehicles	559,273	49,135	-	-	608,408
Total accumulated depreciation	22,272,565	791,592	-	-	23,064,157
Total capital assets being depreciated, net	17,481,968				17,384,615
<b>Governmental activity capital assets, net</b>	<u>\$ 18,436,681</u>				<u>\$ 17,937,210</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,242,318	\$ -	\$ -	\$ 1,242,318
Less accumulated depreciation for:				
Furniture and office equipment	897,291	74,546	-	971,837
School Food Service capital assets, net:	<u>\$ 345,027</u>			<u>\$ 270,481</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 705,130
System-wide support services	37,327
Unallocated depreciation	49,135
Total	<u>\$ 791,592</u>

Liabilities

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](http://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

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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.

*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, 2021 was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$2,202,112 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Board reported a liability of \$12,464,996 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's 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, 2020 and at June 30, 2019, the Board's proportion was .10%



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For the year ended June 30, 2021, the Board recognized pension expense of \$3,503,311. At June 30, 2021, 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	\$ 686,888	\$ -
Changes of assumptions	422,404	-
Net difference between projected and actual earnings on pension plan investments	1,378,501	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	24,773	234,540
Board contributions subsequent to the measurement date	2,202,112	-
Total	<u>\$ 4,714,678</u>	<u>\$ 234,540</u>

\$2,202,112 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 792,326
2023	578,076
2024	496,957
2025	410,667
2026	-
Thereafter	-
Total	<u>\$ 2,278,026</u>

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

Inflation	3.0%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, 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.

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The actuarial assumptions used in the December 31, 2019 actuarial valuation were based on the actuarial experience study for the prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00% which is the same as in the prior year. 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.

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*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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discounted Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 22,434,066	\$ 12,464,996	\$ 4,103,010

*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, 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

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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 intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll which amounted to \$995,271. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$475.2 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 \$436,819.

At June 30, 2021, Board reported a liability of \$25,500,282 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing

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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, 2020 and at June 30, 2019, the Boards proportion was 0.09%.

\$995,271 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2022	\$ (3,218,316)
2023	(3,215,516)
2024	(1,583,874)
2025	(661,555)
2026	(746,466)
Thereafter	--
Total	<u>\$ (9,425,727)</u>

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

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%

Healthcare cost trend rates:

Medical	5.00-6.50%
Prescription drug	5.00-9.50%
Administrative costs	3.00%
Post-retirement mortality rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78 and projected for mortality improvement using Scale MP-2015

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.21%, a decrease of 1.29% from the prior year discount rate of 3.5%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount

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rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discounted Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 30,240,664	\$ 25,500,282	\$ 21,679,505

*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:

	<b>Healthcare Trend Rates</b>		
	<b>1% Decrease (Medical- 5.50%, Pharmacy- 6.25%, Administrative - 2.00%)</b>	<b>(Medical - 6.50%, Pharmacy - 7.25%, Administrative - 3.00%)</b>	<b>1% Increase (Medical- 7.50%, Pharmacy- 8.25%, Administrative - 4.00%)</b>
Net OPEB liability	\$ 20,557,119	\$ 25,500,282	\$ 32,105,401

*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



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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 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, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$13,409 for the year ended June 30, 2021.

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, 2021, Board reported an OPEB asset of \$44,919 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2020 and at June 30, 2019, the Boards proportion was .09%.

\$13,409 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**THOMASVILLE CITY BOARD OF EDUCATION**  
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**Year ended June 30:**

2022	\$	8,503
2023		5,447
2024		2,341
2025		4,317
2026		325
Thereafter		<u>1,198</u>
Total	\$	<u>22,131</u>

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

Inflation	3.00%
Salary increases	3.5% to 8.10%, including a 3.5% inflation and productivity factor
Investment rate of return	3.75%, 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 proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	<u>1% Decrease (2.75%)</u>	<u>Discounted Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 38,794	\$ 44,919	\$ 50,866

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 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, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on 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, 2020. The long-term expected rate of return was determined based on the combination of expected future real rates of return



**THOMASVILLE CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

***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	\$ (334,012)	\$ 35,573	\$ (298,439)
OPEB liability (asset)	25,500,282	(44,919)	25,455,363
Proportionate share of the net OPEB liability (asset)	0.092%	0.091%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	23,101	32,540	55,641
Changes of assumptions	1,118,333	3,493	1,121,826
Net difference between projected and actual earnings on plan investments	53,719	-	53,719
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,446,319	250	1,446,569
Board contributions subsequent to the measurement date	995,271	13,409	1,008,680
Deferred of Inflows of Resources			
Differences between expected and actual experience	997,602	-	997,602
Changes of assumptions	10,348,417	3,537	10,351,954
Changes in proportion and differences between Board contributions and proportionate share of contributions	721,180	3,005	724,185
Net difference between projected and actual earnings on plan investments	-	7,610	7,610

**THOMASVILLE CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental Activities		
General	\$ 384,677	\$ 17,212
Other Governmental	500,385	515,242
Total - governmental activities	<u>\$ 885,062</u>	<u>\$ 532,454</u>
Business-type Activities		
School Food Service	27,949	-
Child Care	-	-
Total - business-type activities	<u>\$ 27,949</u>	<u>\$ -</u>

Unearned Revenues

The balance in unearned revenues in business-type activities at year-end is composed of the following elements:

	<u>Unearned Revenues</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 3,184</u>

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:

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 1,471,342	\$ 958,725
Changes of assumptions	1,544,230	10,351,954
Difference between projected and actual earnings on plan investments	1,432,220	7,610
Employer contributions subsequent to the measurement date	3,210,792	-
Difference between expected and actual experience	<u>742,529</u>	<u>997,602</u>
Totals	<u>\$ 8,401,113</u>	<u>\$ 12,315,891</u>

**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 has property insurance coverage through Surry Insurance at replacement value with \$5,000 deductible except for earthquake and flood claims which have a \$50,000 deductible. In addition to property coverage, the board has inland marine and fleet coverage. Statutory workers' compensation coverage is either purchased through private insurers or self-insured by the local board. Coverage is provided to the extent employees are paid from federal or local funds. 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 has Liability and Errors and Omission insurance. The Liability coverage is a \$3 million aggregate and \$1 million per occurrence limit with \$1,000 deductible. The Errors and Omissions coverage is \$1 million each loss and a \$2,500 deductible. The district has Cyber Liability coverage for up to \$1 million per claim.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**THOMASVILLE CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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

Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2021:

	July 1, 2020	Increases	Decreases	June 30, 2021	Current Portion
Governmental activities:					
Net pension liability	\$ 10,109,099	\$ 1,496,298	\$ -	\$ 11,605,397	\$ -
Net OPEB liability	26,787,330	-	3,045,573	23,741,757	-
Compensated absences	1,808,211	1,211,876	1,185,281	1,834,806	720,099
Total governmental activities	<u>\$ 38,704,640</u>	<u>\$ 2,708,174</u>	<u>\$ 4,230,854</u>	<u>\$ 37,181,960</u>	<u>\$ 720,099</u>
Business-type activities:					
Net pension liability	\$ 686,013	\$ 173,586	\$ -	\$ 859,599	\$ -
Net OPEB liability	1,817,814	-	59,289	1,758,525	-
Compensated absences	89,094	79,585	104,004	64,675	39,877
Total business-type activities	<u>\$ 2,592,921</u>	<u>\$ 253,171</u>	<u>\$ 163,293</u>	<u>\$ 2,682,799</u>	<u>\$ 39,877</u>

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

Due to/from other Funds

As of June 30, 2021, there was \$150,000 due to the Capital Outlay Fund from the General Fund for operations. There was \$28,919 due to the General Fund from the Capital Outlay Fund for General Fund monies deposited into the Capital Outlay Fund bank account. There was also \$63,592 due to the General Fund from the School Food Service Fund for indirect costs. All of these items occurred in the normal operating cycle of the Board.

Transfers to/from other Funds

During the year ended June 30, 2021, the State Public School Fund transferred \$44,003 to the School Food Service Fund to pay for administrative costs. The General Fund transferred \$40,579 to the Child Care Fund to forgive amounts due to the General Fund.

**THOMASVILLE CITY BOARD OF EDUCATION**  
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Fund Balance

Restricted for other specific revenue portion of fund balance consists of the following:

General Fund:

Medicaid fee-for-service reimbursement	\$ 144,244
McKinney Vento Homeless Assistance Grant	31,359
ABC Board Revenue	19,278
Brown F. Finch Foundation Grant	8,906
Golden Leaf Grant	<u>15,808</u>
	<u>\$ 219,595</u>

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

Total fund balance - General Fund	\$ 328,566
Less:	
Stabilization by State statute	(142,298)
Restricted for other specific revenue	<u>(219,595)</u>
Remaining fund balance	<u>\$ (33,327)</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. For the year ended June 30, 2021, the Board reported questioned costs of \$22,875 relating to federal grants. This amount is considered immaterial to the Board. Management believes that any other amounts required to be refunded will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**  
*Last Eight Fiscal Years\**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Board's proportion of the net pension liability (asset)	0.103%	0.104%	0.105%	0.101%	0.101%
Board's proportionate share of the net pension liability (asset)	\$ 12,464,996	\$ 10,795,112	\$ 10,446,924	\$ 8,049,490	\$ 9,267,319
Board's covered-employee payroll	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719	\$ 13,672,492
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	82.38%	71.04%	70.80%	57.25%	67.78%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Board's proportion of the net pension liability (asset)	0.103%	0.101%	0.107%
Board's proportionate share of the net pension liability (asset)	\$ 3,811,232	\$ 1,182,856	\$ 6,471,706
Board's covered-employee payroll	\$ 13,863,934	\$ 13,511,577	\$ 13,811,321
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.49%	8.75%	46.86%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**This schedule is required supplementary information.**

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF BOARD CONTRIBUTIONS**  
**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**  
*Last Eight Fiscal Years\**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 2,202,112	\$ 1,962,475	\$ 1,867,652	\$ 1,590,656	\$ 1,403,160
Contributions in relation to the contractually required contribution	2,202,112	1,962,475	1,867,652	1,590,656	1,403,160
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 14,899,271	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,251,033	\$ 1,268,550	\$ 1,174,156
Contributions in relation to the contractually required contribution	1,251,033	1,268,550	1,174,156
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 13,672,492	\$ 13,863,934	\$ 13,511,577
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%

**This schedule is required supplementary information.**

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**RETIREE HEALTH BENEFIT FUND**  
*Last Five Fiscal Years\**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Board's proportion of the net OPEB liability (asset)	0.092%	0.090%	0.093%	0.092%	0.086%
Board's proportionate share of the net OPEB liability (asset)	\$ 25,500,282	\$ 28,605,144	\$ 26,446,913	\$ 30,270,973	\$ 37,359,877
Board's covered-employee payroll	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719	\$ 13,672,492
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	168.53%	188.23%	179.23%	215.30%	273.25%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	3.52%	2.41%

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

**This schedule is required supplementary information.**



**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF BOARD CONTRIBUTIONS**  
**RETIREE HEALTH BENEFIT FUND**  
*Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 995,271	\$ 979,723	\$ 952,822	\$ 892,715	\$ 816,870
Contributions in relation to the contractually required contribution	995,271	979,723	952,822	892,715	816,870
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 14,899,271	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719
Contributions as a percentage of covered-employee payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 765,660	\$ 789,599	\$ 729,625	\$ 732,000	\$ 686,189
Contributions in relation to the contractually required contribution	765,660	789,599	729,625	732,000	686,189
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 13,672,492	\$ 13,863,934	\$ 13,511,577	\$ 13,811,321	\$ 13,723,780
Contributions as a percentage of covered-employee payroll	5.60%	5.70%	5.40%	5.30%	5.00%

**This schedule is required supplementary information.**

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET**  
**DISABILITY INCOME PLAN OF NORTH CAROLINA**  
*Last Five Fiscal Years\**

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Board's proportion of the net OPEB asset	0.091%	0.093%	0.093%	0.090%	0.090%
Board's proportionate share of the net OPEB asset	\$ 44,919	\$ 40,013	\$ 28,213	\$ 55,259	\$ 56,207
Board's covered-employee payroll	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719	\$ 13,672,492
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.30%	0.26%	0.19%	0.39%	0.41%
Plan fiduciary net position as a percentage of the total OPEB asset	115.57%	113.00%	108.47%	116.23%	116.06%

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

**This schedule is required supplementary information.**

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF BOARD CONTRIBUTIONS**  
**DISABILITY INCOME PLAN OF NORTH CAROLINA**  
*Last Ten Fiscal Years*

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 13,409	\$ 15,143	\$ 21,275	\$ 20,430	\$ 53,481
Contributions in relation to the contractually required contribution	13,409	15,143	21,275	20,430	53,481
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 14,899,271	\$ 15,130,879	\$ 15,196,517	\$ 14,755,622	\$ 14,059,719
Contributions as a percentage of covered-employee payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually required contribution	\$ 55,432	\$ 56,842	\$ 59,451	\$ 60,770	\$ 71,364
Contributions in relation to the contractually required contribution	55,432	56,842	59,451	60,770	71,364
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 13,672,492	\$ 13,863,934	\$ 13,511,577	\$ 13,811,321	\$ 13,723,780
Contributions as a percentage of covered-employee payroll	0.41%	0.41%	0.44%	0.44%	0.52%

**This schedule is required supplementary information.**

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2021**

**Exhibit A-1**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
State of North Carolina:			
NC Pre-Kindergarten Program	\$ 231,603	\$ 244,713	\$ 13,110
Davidson County appropriations	3,171,902	3,178,147	6,245
U.S. Government:			
JROTC	76,000	43,655	(32,345)
City of Thomasville	1,555,428	1,613,165	57,737
Other :			
ABC revenues		27,130	
Sales tax refund		30,192	
School nurse reimbursement		52,099	
Medicaid reimbursements		65,708	
Tuition and fees		697	
Fines and forfeitures		33,825	
Rental of school property		7,225	
Interest		21	
Miscellaneous		11,892	
Indirect cost allocated		552,284	
Private grants and donations		29,208	
Total	740,861	810,281	69,420
Total revenues	5,775,794	5,889,961	114,167
<b>Expenditures:</b>			
Instructional services:			
Regular instructional		700,237	
Special populations		274,191	
Alternative programs		335,746	
School leadership		382,757	
Co-curricular		146,416	
School-based support		183,876	
Total instructional services		2,023,223	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2021**

			<b>Exhibit A-1</b>
			<b>(Continued)</b>
	Budget	Actual	Variance Positive (Negative)
System-wide support services:			
Support and development		63,061	
Special populations support and development		112,880	
Alternative programs		21,108	
Technology support		95,561	
Operational support		1,044,849	
Financial and human resource services		833,245	
Accountability		119,493	
System-wide pupil support services		128,552	
Policy, leadership and public relations		449,130	
Total system-wide support services		2,867,879	
Ancillary services		64,188	
Non-Programmed charges		91,124	
Total expenditures	5,858,570	5,046,414	812,156
Revenues over (under) expenditures	(82,776)	843,547	926,323
Other financing uses:			
Operating transfers out	-	(40,579)	(40,579)
Revenues over (under) expenditures and other uses	(82,776)	802,968	885,744
Appropriated fund balance	82,776	-	(82,776)
Revenues and appropriated fund balance over (under) expenditures and other uses	\$ -	802,968	\$ 802,968
Fund balances:			
Beginning of year, July 1		(474,402)	
End of year, June 30		\$ 328,566	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2021**

**Exhibit B-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - lottery proceeds	\$ -	\$ 26,056	\$ 26,056
Davidson County			
Appropriations - operating	2,975,394	964,953	(2,010,441)
Other:			
Local grants		20,720	
Other		18,915	
Total other	86,278	39,635	(46,643)
Total revenues	3,061,672	1,030,644	(2,031,028)
Expenditures:			
Current:			
Instructional services		43,640	
System-wide support services		142,409	
Capital Outlay		845,640	
Total expenditures	3,072,273	1,031,689	2,040,584
Revenues over (under) expenditures	(10,601)	(1,045)	9,556
Appropriated fund balance	10,601	-	(10,601)
Revenues and appropriated fund balance over (under) expenditures	\$ -	(1,045)	\$ (1,045)
Fund balance:			
Beginning of year, July 1		226,233	
End of year, June 30		\$ 225,188	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) -**  
**SCHOOL FOOD SERVICE FUND**  
**For the Year Ended June 30, 2021**

**Exhibit C-1**

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 32,000	\$ 10,952	\$ (21,048)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		3,242,516	
Salaries and benefits		1,619,082	
Supplies and materials		306,615	
Repairs and maintenance		47,387	
Indirect costs paid		32,944	
Workshops		342,936	
Non-capitalized equipment		32,696	
Other		11,937	
Total operating expenditures	9,427,000	5,636,113	3,790,887
Operating loss	(9,395,000)	(5,625,161)	3,769,839
Nonoperating revenues:			
Federal reimbursements	9,250,000	11,235,576	1,985,576
Federal commodities	145,000	219,539	74,539
Interest earned	-	96,895	96,895
Total nonoperating revenues	9,395,000	11,552,010	2,157,010
Revenues over (under) expenditures before other financing sources	-	5,926,849	5,926,849
Transfers from other funds	-	44,003	44,003
Revenues and other sources over (under) expenditures	\$ -	\$ 5,970,852	\$ 5,970,852
Reconciliation of modified accrual to full accrual basis:			
Revenues under expenditures		\$ 5,970,852	
Depreciation		(74,546)	
Net pension liability		(173,586)	
Net OPEB liability		59,844	
Deferred outflows		58,573	
Deferred inflows		(143,129)	
Increase (decrease) in inventories		67,515	
(Increase) decrease in compensated absences		(23,486)	
Change in net position (full accrual)		\$ 5,742,037	

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-**  
**GAAP) - CHILD CARE FUND**  
**For the Year Ended June 30, 2021**

**Exhibit D-1**

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ -	\$ -	\$ -
Total operating expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources:			
Transfers from other funds	-	40,579	40,579
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 40,579</u>	<u>\$ 40,579</u>
Reconciliation of modified accrual to full accrual basis:			
Change in net position (full accrual)		<u>\$ 40,579</u>	



***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 Thomasville City Board of Education  
Thomasville, 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 Thomasville City Board of Education, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Thomasville City Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 14, 2021.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Thomasville City Board of Education's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 21-01 and 21-03.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 21-02 and 21-04.

#### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Thomasville City 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*.

#### *Thomasville City Board of Education's Response to Findings*

The Thomasville City Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Thomasville City Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### *Purpose of this Report*

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

*Anderson Smith & Wike PLLC*

**September 14, 2021**  
**Statesville, North Carolina**

**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 Thomasville City Board of Education  
Thomasville, North Carolina**

*Report on Compliance for Each Major Federal Program*

We have audited the Thomasville City 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 the Thomasville City Board of Education's major federal programs for the year ended June 30, 2021. The Thomasville City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, the Thomasville City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

#### *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 which is described in the accompanying schedule of findings and questioned costs as item 21-05. Our opinion on each major federal program is not modified with respect to these matters.

The Thomasville City Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Thomasville City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### *Report on Internal control Over Compliance*

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency

in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 21-05 that we consider to be a material weakness.

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

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

*Anderson Smith & Wike PLLC*

**September 14, 2021**  
**Statesville, North Carolina**

**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 Thomasville City Board of Education  
Thomasville, North Carolina**

*Report on Compliance for Each Major State Program*

We have audited the Thomasville City 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 Thomasville City Board of Education's major state programs for the year ended June 30, 2021. The Thomasville City Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

*Opinion on Each Major State Program*

In our opinion, the Thomasville City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

*Report on Internal Control over Compliance*

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

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

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

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

*Anderson Smith & Wike PLLC*

**September 14, 2021**  
**Statesville, North Carolina**



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

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**Section I. Summary of Auditors' Results**

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**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? X\_yes    \_\_\_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X\_yes    \_\_\_none reported

Noncompliance material to financial statements noted?

\_\_\_yes    X\_no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? X\_yes    \_\_\_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes    X\_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)?

X\_yes    \_\_\_no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster:
10.559	National School Lunch Program
10.582	Summer Food Service Program
	Fresh Fruit and Vegetable Program
10.558	Child and Adult Care Food Program
84.010	Title I

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

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

Auditee qualified as low-risk auditee?   yes   X  no

State Awards

Internal control over major State programs:

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

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?   yes   X  no

Identification of major State programs:

Program Name

State Public School Fund

Career and Technical Education – State Months of Employment

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

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Section II. Financial Statement Findings

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**Finding 21-01**

**MATERIAL WEAKNESS**

General Ledger

Criteria: Management is responsible for designing and maintaining internal controls that provide assurance that transactions are processed according to established procedures and in accordance with accounting principles generally accepted in the United States of America.

Condition: The Board is required to maintain a system of controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. These controls should include all year-end closing adjusting journal entries needed to ensure the accuracy of financial reporting.

Effect: Numerous audit adjustments were necessary to properly reflect account balances as of June 30, 2021.

Cause: Insufficient monitoring and oversight of the general ledger.

Recommendation: We recommend the Board take action to ensure that account balances are monitored on regular basis and adjusted as needed.

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

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

**Finding 21-02**

**SIGNIFICANT DEFICIENCY**

**Federal Grants Fund Budget**

Criteria: North Carolina State Law requires the usage of a balanced budget to ensure that expenditures in excess of amounts approved by the governing Board are not incurred

Condition: The Board approved an original budget for the Federal Grants Fund detailing expenses at the PRC (program report code) level. The original budgets for all other funds were approved by the Board at the fund level. In addition, all budget amendments for all funds were approved at the purpose code level.

Effect: The Board approved budget amendments at a level of detail that was different than what the original budget was approved.

Cause: Oversight.

Recommendation: The Board should approve all budgets at the purpose code level.

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

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

**Finding 21-03****MATERIAL WEAKNESS****Bank Account**

**Criteria:** A primary component of a sound internal control environment requires the timely preparation of bank reconciliations.

**Condition:** During the year, the district requested and received approximately \$370,000 of funds from the North Carolina Department of Public Instruction in excess of what was allowable. These excess funds were not spent by the district. Therefore, the district needs to repay this amount to the State. These excess funds are reported as cash and a corresponding account payable to the North Carolina Department of Public Instruction in the accompanying financial statements. In addition, the bank reconciliation for this cash account was not prepared in a timely manner during the year.

**Effect:** As of June 30, 2021 the district has excess cash in the State bank account. In addition, there was a risk of material misstatement of cash due to the lack of timely completion of bank reconciliations.

**Cause:** Oversight.

**Recommendation:** Bank reconciliations should be prepared monthly and any errors should be immediately corrected.

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

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

**Finding 21-04**

**SIGNIFICANT DEFICIENCY**

Internal Controls over Disbursements

Criteria: A primary component of a sound internal control environment requires purchase orders to be issued for expenditures and evidence of receipt of goods be present prior to payment.

Condition: We tested seventeen purchases made with P-Cards (purchase cards). We noted that ten of these purchases did not have a purchase order issued and four of the purchases did not have evidence of receipt of goods.

Effect: Lack of purchase order: These purchases could have been for items in which there was not current availability for purchase within the appropriate budget code. In addition, there was no documentation of approval for the purchase prior to the purchase being made thus increasing the likelihood of misappropriation of assets.

Evidence of Receipt of Goods: Since there is no evidence of receipt of goods, the purchase could have been made for items that were never received by the district.

Cause: Oversight.

Recommendation: We recommend P-Card purchases follow the same internal control requirements as all other traditional purchases.

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

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

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Section III. Federal Award Findings and Questioned Costs

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**Finding: 21-05**

**MATERIAL WEAKNESS AND NON COMPLIANCE**

**NATIONAL SCHOOL LUNCH PROGRAM**

CFDA# 10.555

**Allowable costs/cost principles**

Criteria: Payroll expenditures with the Child Nutrition Program can only be made to employees who perform services for the Child Nutrition Program.

Condition: We noted bonus payments of \$40,250 to employees who did not perform services for the Child Nutrition Program. Three employees reimbursed the Child Nutrition Program \$17,375 for the unallowable payroll expenditures.

Effect: The Child Nutrition Program paid for unallowable expenditures.

Cause: Override of controls by certain members of management.

Questioned Cost: \$22,875.

Recommendation: We recommend that management adhere to current policies and procedures that require all expenditures be allowable expenditures of the program.

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

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

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Section IV. State Award Findings and Questioned Costs

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Finding: None reported





**DRAFT**  
Cate Gentry, Ed.D.  
Superintendent of Schools

Board of Education:  
James Carmichael  
Dr. Cheraton Love  
Kimberly Oliver  
Elizabeth Irizarry DeToro  
Judy Younts

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**Corrective Action Plan  
For the Year Ended June 30, 2021**

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**Section II. Financial Statement Findings**

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**Finding 21-01**

Name of Contact Person: Carol Chapman, Finance Officer

Corrective Action Plan: Management has taken steps to ensure that adjusting journal entries are recorded in a timely manner.

Proposed Completion Date: Immediately.

**Finding 21-02**

Name of Contact Person: Carol Chapman, Finance Officer

Corrective Action Plan: Management has taken steps to ensure that all future budget resolutions and budget amendments will be posted in a consistent manner.

Proposed Completion Date: Immediately.

**Finding 21-03**

Name of Contact Person: Carol Chapman, Finance Officer

Corrective Action Plan: Management is currently in communication with the North Carolina Department of Public Instruction with the intent of refunding this amount.

Proposed Completion Date: Immediately.



DRAFT  
Cate Gentry, Ed.D.  
Superintendent of Schools

Board of Education:  
James Carmichael  
Dr. Cheraton Love  
Kimberly Oliver  
Elizabeth Irizarry DeToro  
Judy Younts

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**Corrective Action Plan  
For the Year Ended June 30, 2021**

**Finding 21-04**

Name of Contact Person: Carol Chapman, Finance Officer

Corrective Action Plan: Management has taken steps to ensure that purchases made with P-Cards have the requisite purchase orders and evidence of receipt of goods prior to payment.

Proposed Completion Date: Immediately.

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**Section III. Federal Award Findings and Questioned Costs**

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**Finding 21-05**

Name of Contact Person: Carol Chapman, Finance Officer

Corrective Action Plan: The employees who received these bonus payments are no longer employed by the Board. In addition, policies and procedures are in place to require approval of payment for any future bonuses.

Proposed Completion Date: Immediately.

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**Section IV. State Award Findings and Questioned Costs**

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Finding: None Reported

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

**Finding: 2020-001**

Status: Repeat finding. Similar to current year finding 21-01.

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

Page 1 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 219,539
Cash Assistance:			
Summer Food Service Program for Children	10.559		<u>7,773,687</u>
Total Child Nutrition Cluster			<u>7,993,226</u>
Fresh Fruit and Vegetable Program	10.582		46,043
Total School Nutrition Program (Note 3):			<u>8,039,269</u>
Passed-through the N.C. Department of Health and Human Services			
Child and Adult Care Food Program	10.558		<u>3,415,846</u>
Total U.S. Department of Agriculture			<u>11,455,115</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	1,107,403
Supporting Effective Instruction State Grants	84.367	PRC 103	110,587
Targeted Support and Improvement	84.010	PRC 115	1,229
Education for Homeless Children and Youth	84.196	PRC 026	8,803
Student Support and Academic Enrichment Program	84.424	PRC 108	52,216
Language Acquisition Grant	84.365	PRC 104	15,759
Language Acquisition Grant - Significant Increase	84.365	PRC 111	3,199
Special Education State Improvement	84.323A	PRC 082	9,129
Education Stabilization Fund			
COVID-19 - CARES Act - K-12 Emergency Relief Fund - ESSER I	84.425	PRC 163	646,563
COVID-19 - CARES Act - ESSER I - Digital Curricula	84.425	PRC 165	12,500
Support Personnel for COVID-19 Response	84.425	PRC 169	37,003
COVID-19 - CRRSA - K-12 Emergency Relief Fund - ESSER II	84.425	PRC 171	<u>21,295</u>
Total Education Stabilization Fund			<u>717,361</u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	471,309
Special Education - Targeted Assistance	84.027	PRC 118	8,075
Special Education - Targeted Assistance for Preschool	84.173	PRC 119	2,130
Special Education - Preschool Grants	84.173	PRC 049	31,567
Total Special Education Cluster			<u>513,081</u>
Office of Vocational and Adult Education			
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	<u>57,392</u>
Total U.S. Department of Education			<u>2,596,159</u>
<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:			
Coronavirus Relief Fund			
COVID 19 - Summer Learning Program	21.019	PRC 121	143,053
COVID 19 - Instructional Support	21.019	PRC 122	14,853
COVID 19 - Nondigital Resources	21.019	PRC 123	4,413
COVID 19 - Student Computers and Devices	21.019	PRC 124	60,647
COVID 19 - School Nutrition	21.019	PRC 125	169,261
COVID 19 - Personnel Computers and Devices	21.019	PRC 126	7,490
COVID 19 - Home and Community WiFi	21.019	PRC 128	17,240
COVID 19 - Grants for Exceptional Children Services	21.019	PRC 132	47,105
COVID-19 - Low Wealth Supplemental Funds	21.019	PRC 134	88,340
COVID 19 - Cybersecurity	21.019	PRC 135	6,688
COVID 19 - Personal Protective Equipment	21.019	PRC 137	24,205
COVID 19 - Gaggle Safety Management	21.019	PRC 138	900
Total Coronavirus Relief Fund			<u>584,195</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	12.000		<u>43,655</u>
<b>Total Federal Assistance</b>			<u><b>14,679,124</b></u>

**THOMASVILLE CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

Page 3 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction (cash assistance):</u>			
State Public School Fund			14,379,617
Career and Technical Education			
State Months of Employment		PRC 013	875,520
Program Support Funds		PRC 014	68,959
Driver Training		PRC 012	33,147
School Technology Fund		PRC 015	7,845
Passed-through Davidson County:			
Public School Capital Fund - Lottery			26,056
Total N.C. Department of Public Instruction (cash assistance)			15,391,144
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program			244,713
<b>Total State Assistance</b>			<b>15,635,857</b>
<b>Total Federal and State Assistance</b>			<b>\$ 30,314,981</b>

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 Thomasville City Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Thomasville City Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Thomasville City 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.

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

Note 3. Cluster of Programs

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