



Asheboro, North Carolina

Financial Statements

June 30, 2019

Prepared by:

Finance Division
Todd Lowe, Finance Officer

BOARD OF EDUCATION OF RANDOLPH COUNTY
ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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BOARD OF EDUCATION OF RANDOLPH COUNTY
ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

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BOARD OF EDUCATION OF RANDOLPH COUNTY
ASHEBORO, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2019

BOARD OF EDUCATION MEMBERS

Gary Cook, Chair

Brian Biggs, Vice Chair

Tracy Boyles

Fred Burgess

Todd Cutler

Sharon P. Farlow

Matthew Lambeth

SUPERINTENDENT OF SCHOOLS

Dr. Stephen Gainey

FINANCE OFFICER

Todd Lowe

Financial Section



WILLIAM R. HUNEYCUTT

CERTIFIED PUBLIC ACCOUNTANT PLLC

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Asheboro, NC 27203
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INDEPENDENT AUDITOR'S REPORT

The Board of Education
of Randolph County
Asheboro, North Carolina

Report on the Financial Statements

I 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 Board of Education of Randolph County, Asheboro, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board of Education of Randolph County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Randolph County, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the State Public School 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, Schedule of Proportionate Share of Net Pension Liability and the Schedule of Contributions and Schedule of Proportionate Share of Net OPEB Liability and the Schedule of Contributions and Schedule of Proportionate Share of Net OPEB Asset and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a required 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Board of Education of Randolph County, Asheboro, North Carolina. The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied by me 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 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 my opinion, the combining and individual non-major fund financial statements, budgetary schedules, and other schedules 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*, I have also issued my report dated November 27, 2019, on my consideration of the Board of Education of Randolph County's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of the report is to describe the scope of my 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 of the Board of Education of Randolph County's internal control over financial reporting and compliance.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

November 27, 2019

Management's Discussion and Analysis

This section of Randolph County Board of Education's (the Board) annual financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Randolph County Board of Education continued to work diligently with the Randolph County Board of Commissioners in an effort to meet the financial needs of the school system.
- The Randolph County Board of Commissioners funded an increase of \$218,521 in current expense appropriations to help support continuation costs.
- The Randolph County Board of Commissioners continued the funding of \$750,000 to help support the Randolph County School System's 9-Year Facility Plan.
- State Public School Fund revenues totaled \$105,566,712. The increase of \$2,365,749 from prior year was mainly due to increases in employee salaries and matching benefits.

Overview of the Financial Statements

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

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a reconciliation from the governmental fund financial statements to the

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

Government-wide Statements

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

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

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, one should 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 is included here.

The government-wide statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. 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, such as the Federal Grants fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Randolph County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the

Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the governmental funds statements, 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 Exhibits 3, 4, and 5 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Randolph County Board of Education has one proprietary fund – an enterprise fund – the School Food Service Fund.

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$121,293,288 as of June 30, 2019. The largest component of net position is net investment in capital assets, of \$139,767,248.

The following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 14,400,724	\$ 15,299,579	\$ 5,138,823	\$ 5,335,966	\$ 19,539,547	\$ 20,635,545
Capital assets	140,734,254	142,922,164	338,058	400,790	141,072,312	143,322,954
Total assets	155,134,978	158,221,743	5,476,881	5,736,756	160,611,859	163,958,499
Deferred outflows of resources	43,581,033	36,326,648	1,503,399	1,260,326	45,084,432	37,586,974
Current and other liabilities	221,321,651	240,748,408	7,735,359	8,375,339	229,057,010	249,123,747
Long-term liabilities	7,156,025	9,338,085	-	-	7,156,025	9,338,085
Total liabilities	228,477,676	250,086,493	7,735,359	8,375,339	236,213,035	258,461,832
Deferred inflows of resources	87,684,773	66,505,902	3,091,771	2,382,185	90,776,544	68,888,087
Net investment in capital assets	139,429,190	141,108,032	338,058	400,790	139,767,248	141,508,822
Restricted net position	3,486,999	4,163,895	5,913	11,683	3,492,912	4,175,578
Unrestricted net position	(260,362,627)	(267,315,931)	(4,190,821)	(4,172,915)	(264,553,448)	(271,488,846)
Total net position	\$ (117,446,438)	\$ (122,044,004)	\$ (3,846,850)	\$ (3,760,442)	\$ (121,293,288)	\$ (125,804,446)

Note that net position increased during the year by 3.7%. A large contributing factor to the increase in net position is the decrease in liability associated with OPEB. Also note that the Board carries capital assets for which Randolph County carries the offsetting debt.

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

Table 2 Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total Primary Government	Total Primary Government
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,463,819	\$ 2,562,077	\$ 2,146,571	\$ 2,254,190	\$ 4,610,390	\$ 4,816,267
Operating grants and contributions	117,774,475	115,808,549	6,219,465	6,514,153	123,993,940	122,322,702
Capital grants and contributions	1,294,486	822,079	-	-	1,294,486	822,079
General revenues:						
County appropriations:						
Operating	19,025,508	18,806,987	-	-	19,025,508	18,806,987
Capital	3,929,934	3,298,543	-	-	3,929,934	3,298,543
Federal appropriations:						
Operating	408,898	882,883	-	-	408,898	882,883
Supplemental taxes	2,331,908	2,308,308	-	-	2,331,908	2,308,308
Investment earnings	12,443	5,316	37,707	17,336	50,150	22,652
Miscellaneous	3,877,822	3,187,156	-	-	3,877,822	3,187,156
Total revenues	151,119,293	147,681,898	8,403,743	8,785,679	159,523,036	156,467,577
Expenses:						
Governmental activities:						
Instructional services	115,951,074	129,587,444	-	-	115,951,074	129,587,444
System-wide support services	28,772,970	31,041,736	-	-	28,772,970	31,041,736
Ancillary services	-	42,166	-	-	-	42,166
Non-programmed charges	1,542,589	968,295	-	-	1,542,589	968,295
Interest on long-term debt	-	-	-	-	-	-
Business-type activities:						
Food service	-	-	8,745,245	9,366,049	8,745,245	9,366,049
Total expenses	146,266,633	161,639,641	8,745,245	9,366,049	155,011,878	171,005,690
Transfers in (out)	(255,094)	(216,640)	255,094	216,640	-	-
Increase (decrease) in net position	4,597,566	(14,174,383)	(86,408)	(363,730)	4,511,158	(14,538,113)
Net position, beginning	(122,044,004)	120,891,508	(3,760,442)	4,636,971	(125,804,446)	125,528,479
Net position, beginning restated	-	(107,869,621)	-	(3,396,712)	-	(111,266,333)
Net position, ending	\$ (117,446,438)	\$ (122,044,004)	\$ (3,846,850)	\$ (3,760,442)	\$ (121,293,288)	\$ (125,804,446)

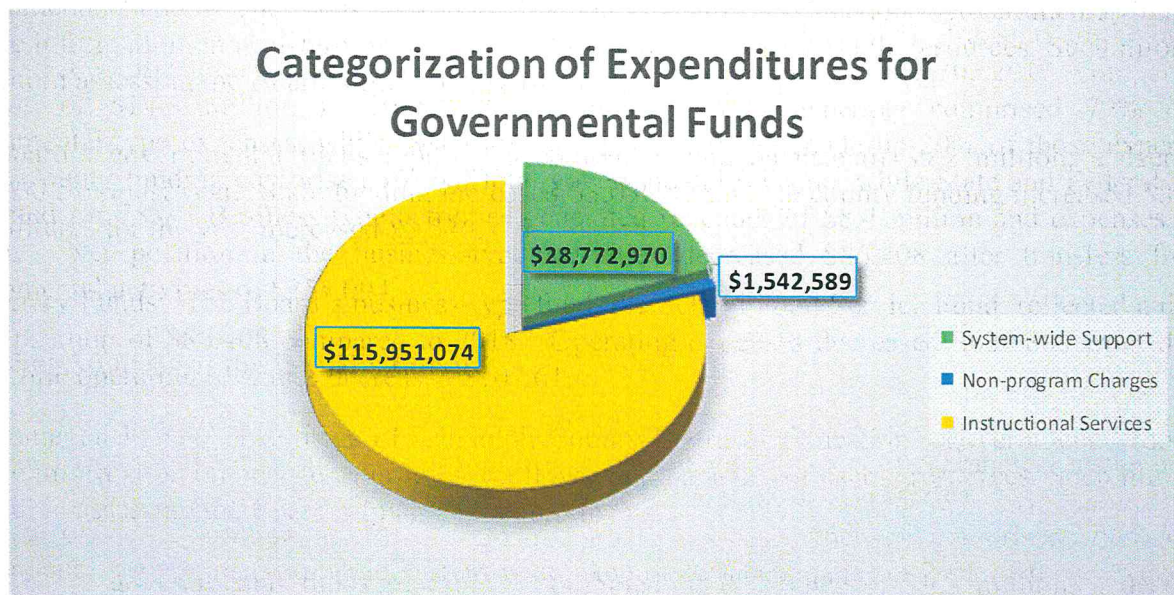
Total governmental activities generated revenues of \$151.1 million while expenses in this category totaled \$146.3 million for the year ended June 30, 2019. Comparatively, revenues were \$147.7 million and expenses totaled \$161.6 million for the year ended June 30, 2018. After transfers to the business-type activities, the increase in net position stands at \$4.6 million at June 30, 2019, compared to a decrease of \$14.2 million in 2018. Instructional services expenses comprised 79% of total governmental-type expenses, while system-wide support services made up 20% of those expenses for 2019. County funding comprised 15% of total governmental revenue, while State and Federal funding accounted for 78%. Business-type activities generated revenues of \$8.4 million and expenses of \$8.7 million. Net position in the business-type activities decreased \$86,408 after transfers from the governmental activities of \$255,094.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Randolph County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$9.2 million, a decrease of \$807,900 from last year. State funding increased \$3,080,322, while county funding increased \$849,912. Expenditures for the year increased \$3,546,715.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, reflected a decrease in net position of \$86,408 compared to 2018. Operating expenses decreased \$620,804 from the prior year, while operating revenues decreased \$107,619.



General Fund Budgetary Highlights

General Fund expenditures increased \$557,696 compared to prior year, as the effort to maintain practical and student-focused spending continued. Revenues increased \$378,253 from prior year. Expenditures exceeded revenues by \$112,158 in the general fund, and resulted in a decrease of \$346,571 in the general fund balance, after transfers to other funds totaling \$237,676.

Capital Assets

Capital assets decreased (net of depreciation) approximately \$2.3 million from the previous year. The following is a summary of the capital assets, net of depreciation at year-end. More detailed information can be found in the Notes to Financial Statements.

Table 3							
Summary of Capital Assets							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2019	2018	2019	2018	2019	2018	
Land	\$ 5,536,989	\$ 5,536,989	\$ -	\$ -	\$ 5,536,989	\$ 5,536,989	
Construction in progress	1,181,712	415,766	-	-	1,181,712	415,766	
Buildings	127,092,081	130,247,573	-	-	127,092,081	130,247,573	
Furniture and equipment	2,249,932	2,422,165	338,058	400,790	2,587,990	2,822,955	
Vehicles and motorized equipment	4,410,385	4,182,316	-	-	4,410,385	4,182,316	
Library Books	-	-	-	-	-	-	
Computer Equipment	263,155	117,355	-	-	263,155	117,355	
Total	\$ 140,734,254	\$ 142,922,164	\$ 338,058	\$ 400,790	\$ 141,072,312	\$ 143,322,954	

Debt Outstanding

During the year the Board's outstanding debt decreased \$22,377,242 mainly due to the decrease in net OPEB liability of \$31,687,162.

Economic Factors

Continued maintenance of facilities, technology upgrades, and retention of employees and services are top priorities for the Board of Education. County funding is a major source of income for the Board; therefore, the county's economic outlook directly affects that of the schools. The following factors have affected the economic outlook of Randolph County.

- As of June 2019, the county's unemployment rate was 4.4%, which was slightly higher than the state average of 4.1%.
- As of June 2019, the county's property tax rate was \$.6525, unchanged from the previous year. The Archdale/Trinity school tax rate remained at \$.0954.
- Limited local resources continue to create challenges for the county commissioners with regard to prioritizing and funding projects and services throughout the county.

Requests for Information

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

Todd Lowe, Finance Officer
Randolph County Board of Education
2222-C South Fayetteville Street
Asheboro, North Carolina 27205

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RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 6,523,980	\$ 4,867,455	\$ 11,391,435
Due from Other Governments	4,793,488	145,138	4,938,626
Accounts Receivable	144,835	6,383	151,218
Taxes Receivable	32,422	-	32,422
Net OPEB Asset	160,472	5,913	166,385
Inventories	788,890	113,934	902,824
Prepaid Expenses	1,956,637	-	1,956,637
Capital Assets:			
Land, Improvements and Construction in Progress	6,718,701	-	6,718,701
Other Capital Assets, Net of Depreciation	134,015,553	338,058	134,353,611
Total Capital Assets	140,734,254	338,058	141,072,312
Total Assets	155,134,978	5,476,881	160,611,859
Deferred Outflows of Resources	43,581,033	1,503,399	45,084,432
Liabilities:			
Accounts Payable	389,424	58,764	448,188
Accrued Compensation	3,633,054	-	3,633,054
Accrued Employee Benefits	937,401	-	937,401
Unearned Revenue	-	90,299	90,299
Long-Term Liabilities:			
Net Pension Liability	59,401,493	2,117,174	61,518,667
Net OPEB Liability	152,152,311	5,392,797	157,545,108
Due Within One Year	4,807,968	76,325	4,884,293
Due in More Than One Year	7,156,025	-	7,156,025
Total Liabilities	228,477,676	7,735,359	236,213,035
Deferred Inflows of Resources	87,684,773	3,091,771	90,776,544
Net Position:			
Net Investment in Capital Assets	139,429,190	338,058	139,767,248
Restricted:			
Individual Schools	1,487,612	-	1,487,612
Stabilization by State Statute	449,165	-	449,165
School Capital Outlay	371,020	-	371,020
Trinity/Archdale Tax District	1,018,730	-	1,018,730
DIPNC OPEB Plan	160,472	5,913	166,385
Unrestricted	(260,362,627)	(4,190,821)	(264,553,448)
Total Net Position	<u>\$ (117,446,438)</u>	<u>\$ (3,846,850)</u>	<u>\$ (121,293,288)</u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
Instructional Services:						
Regular Instructional	\$ 67,008,986	\$ 152,741	\$ 61,551,964	\$ -	\$ (5,304,281)	\$ -
Special Populations	15,913,250	-	16,007,642	-	94,392	-
Alternative Programs	9,400,837	-	8,491,568	-	(909,269)	-
School Leadership	8,709,454	-	7,983,541	-	(725,913)	-
Co-curricular	5,688,680	2,311,078	2,717,327	84,496	(575,779)	-
School-based Support	9,229,867	-	8,419,562	-	(810,305)	-
System-wide Support Services:						
Support and Development	543,647	-	285,301	-	(258,346)	-
Special Population Support and Development	1,317,712	-	1,194,856	-	(122,856)	-
Alternative Programs and Services Support and Development	223,184	-	88,921	-	(134,263)	-
Technology Support	884,132	-	143,759	-	(740,373)	-
Operational Support	21,923,118	-	9,140,194	1,209,990	(11,572,934)	-
Financial and Human Resource	2,081,002	-	795,033	-	(1,285,969)	-
Accountability	189,563	-	22,859	-	(166,704)	-
System-wide Pupil Support	418,846	-	167,602	-	(251,244)	-
Policy, Leadership and Public Relations	1,191,766	-	764,346	-	(427,420)	-
Ancillary Services	-	-	-	-	-	-
Nonprogram Charges	1,542,589	-	-	-	(1,542,589)	-
Total Governmental Activities	146,266,633	2,463,819	117,774,475	1,294,486	(24,733,853)	-
Business-Type Activities:						
School Food Service	8,745,245	2,146,571	6,219,465	-	-	(379,209)
Total Business-Type Activities	8,745,245	2,146,571	6,219,465	-	-	(379,209)
Total	\$ 155,011,878	\$ 4,610,390	\$ 123,993,940	\$ 1,294,486	(24,733,853)	(25,113,062)
General Revenues:						
Unrestricted County Appropriations - Operating					19,025,508	-
Unrestricted County Appropriations - Capital					3,929,934	-
Unrestricted Federal Appropriations - Operating					408,898	-
Supplemental School Taxes					2,331,908	-
Investment Earnings, Unrestricted					12,443	37,707
Miscellaneous, Unrestricted					3,877,822	-
Transfers					(255,094)	255,094
Total General Revenues, Special Items, and Transfers					29,331,419	292,801
Change in Net Position					4,597,566	(86,408)
Net Position Beginning of Year, Previously Reported					(122,044,004)	(3,760,442)
Net Position End of Year					\$ (117,446,438)	\$ (3,846,850)

The Notes to Financial Statements are an integral part of these Statements.

**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

Exhibit 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	Major Funds			Total Non-Major Fund	Total Governmental Funds
	General	State Public School	Individual Schools		
Assets:					
Cash and Cash Equivalents	\$ 4,632,205	\$ -	\$ 1,487,612	\$ 404,163	\$ 6,523,980
Receivables:					
Due from Other Governments	211,737	4,167,699	-	414,052	4,793,488
Accounts Receivable	144,835	-	-	-	144,835
Taxes Receivable	32,422	-	-	-	32,422
Due From Other Funds	33,143	-	-	-	33,143
Inventories	494,365	294,525	-	-	788,890
Prepaid Insurance	1,956,637	-	-	-	1,956,637
Total Assets	\$ 7,505,344	\$ 4,462,224	\$ 1,487,612	\$ 818,215	\$ 14,273,395
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts Payable	\$ 389,424	\$ -	\$ -	\$ -	\$ 389,424
Accrued Compensation	112,750	3,248,389	-	271,915	3,633,054
Accrued Employee Benefits	28,919	838,721	-	69,761	937,401
Due to Other Funds	-	-	-	33,143	33,143
Total Liabilities	531,093	4,087,110	-	374,819	4,993,022
Deferred Inflows of Resources	32,422	80,589	-	12,927	125,938
Fund Balances:					
Nonspendable:					
Inventories	494,365	294,525	-	-	788,890
Prepaid Assets	1,956,637	-	-	-	1,956,637
Restricted:					
Individual Schools	-	-	1,487,612	-	1,487,612
Stabilization by State Statute	389,716	-	-	59,449	449,165
School Capital Outlay	-	-	-	371,020	371,020
Trinity/Archdale Tax District	1,018,730	-	-	-	1,018,730
Unassigned:	3,082,381	-	-	-	3,082,381
Total Fund Balances	6,941,829	294,525	1,487,612	430,469	9,154,435
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,505,344	\$ 4,462,224	\$ 1,487,612	\$ 818,215	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	140,734,254
Net OPEB asset	160,472
Deferred outflows of resources related to pensions	32,429,676
Deferred outflows of resources related to OPEB	11,151,357
Liabilities for earned but unavailable revenues in fund statements.	125,938
Some liabilities, compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(11,963,993)
Net pension liability	(59,401,493)
Net OPEB liability	(152,152,311)
Deferred inflows of resources related to OPEB	(85,268,657)
Deferred inflows of resources related to pensions	(2,416,116)
Net position of governmental activities	<u>\$ (117,446,438)</u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 4
(Page 1 of 2)

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>Major Funds</u>			<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Individual Schools</u>		
Revenues:					
State of North Carolina	\$ 1,524,739	\$ 105,566,712	\$ -	\$ 1,209,990	\$ 108,301,441
Randolph County	19,025,508	-	-	3,929,934	22,955,442
Supplemental School Taxes	2,327,234	-	-	-	2,327,234
United States Government	314,463	-	-	9,175,973	9,490,436
Other	3,287,104	-	5,028,405	104,056	8,419,565
Total Revenues	<u>26,479,048</u>	<u>105,566,712</u>	<u>5,028,405</u>	<u>14,419,953</u>	<u>151,494,118</u>
Expenditures:					
Current:					
Instructional Services:					
Regular Instructional	5,614,131	60,323,290	-	774,596	66,712,017
Special Populations	822,770	13,197,741	-	2,809,901	16,830,412
Alternative Programs	1,533,346	4,130,508	-	4,361,060	10,024,914
School Leadership	1,253,220	7,983,541	-	-	9,236,761
Co-curricular	588,616	-	5,141,570	-	5,730,186
School-based Support	1,568,363	8,252,541	-	167,021	9,987,925
System-wide Support Services:					
Support and Development	288,702	283,683	-	1,618	574,003
Special Population Support and Development	205,155	685,216	-	509,640	1,400,011
Alternative Programs and Services Support and Development	154,025	-	-	88,921	242,946
Technology Support	902,766	143,759	-	-	1,046,525
Operational Support	9,776,892	8,812,534	-	327,660	18,917,086
Financial and Human Resource	1,350,106	791,107	-	3,926	2,145,139
Accountability	177,483	22,859	-	-	200,342
System-wide Pupil Support	286,200	167,602	-	-	453,802
Policy, Leadership and Public Relations	480,465	754,913	-	9,433	1,244,811
Ancillary Services	8,487	-	-	-	8,487
Nonprogram Charges	1,542,589	-	-	122,197	1,664,786
Debt Service:					
Principal	-	-	-	1,209,990	1,209,990
Capital Outlay:					
Real Property and Buildings	-	-	-	1,770,364	1,770,364
Furniture and Equipment	-	-	-	14,265	14,265
Buses and Motor Vehicles	-	-	-	796,840	796,840
Other Costs and Projects	37,890	-	-	2,772,192	2,810,082
Total Expenditures	<u>26,591,206</u>	<u>105,549,294</u>	<u>5,141,570</u>	<u>15,739,624</u>	<u>153,021,694</u>
Revenues Over (Under) Expenditures	<u>(112,158)</u>	<u>17,418</u>	<u>(113,165)</u>	<u>(1,319,671)</u>	<u>(1,527,576)</u>
Other Financing Sources (Uses):					
Installment Purchase Obligations Issued	-	-	-	700,924	700,924
Insurance Recovery	3,263	-	-	225,112	228,375
Transfer to Other Funds	(237,676)	(17,418)	-	-	(255,094)
Total Other Financing Sources (Uses)	<u>(234,413)</u>	<u>(17,418)</u>	<u>-</u>	<u>926,036</u>	<u>674,205</u>
Net Change in Fund Balances	<u>(346,571)</u>	<u>-</u>	<u>(113,165)</u>	<u>(393,635)</u>	<u>(853,371)</u>
Fund Balances - Beginning of Year	7,325,144	212,310	1,600,777	824,104	9,962,335
Increase (Decrease) in Reserve for Inventories	<u>(36,744)</u>	<u>82,215</u>	<u>-</u>	<u>-</u>	<u>45,471</u>
Fund Balances - End of Year	<u>\$ 6,941,829</u>	<u>\$ 294,525</u>	<u>\$ 1,487,612</u>	<u>\$ 430,469</u>	<u>\$ 9,154,435</u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 4
(Page 2 of 2)

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$ (853,371)
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 exceeded capital outlays in the current period.	(2,150,776)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenues	8,512
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	10,490,631
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	5,471,515
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	509,066
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	(12,648,356)
Net OPEB expense	2,523,818
Compensated absences	1,238,190
Loss on Disposal of Assets	(37,134)
Increase in inventories included in governmental activities	<u>45,471</u>
Total changes in net position of governmental activities	<u>\$ 4,597,566</u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	General Fund			State Public School Fund		
	Original	Final	Actual	Original	Final	Variance With Final Budget - Positive (Negative)
Revenues:						
State of North Carolina	\$ 740,000	\$ 1,553,000	\$ 1,524,739	\$ 102,932,288	\$ 106,680,743	\$ (1,114,031)
Randolph County	19,025,508	19,025,508	19,025,508	-	-	-
Supplemental School Taxes	2,280,000	2,280,000	2,327,234	-	-	-
United States Government	270,000	270,000	314,463	-	-	-
Other	3,444,000	3,100,000	3,287,104	-	-	-
Total Revenues	25,759,508	26,228,508	26,479,048	102,932,288	106,680,743	(1,114,031)
Expenditures:						
Current:						
Instructional Services:						
Regular Instructional	8,011,981	5,738,985	5,614,131	60,445,159	61,167,707	844,417
Special Populations	-	822,772	822,770	12,931,033	13,203,114	5,373
Alternative Programs	816,100	1,534,363	1,533,346	4,350,300	4,316,440	185,932
School Leadership	743,200	1,258,093	1,253,220	8,087,625	8,043,080	59,539
Co-curricular	399,119	589,157	588,616	-	-	-
School-based Support	510,500	1,571,142	1,568,363	7,750,892	8,253,430	889
System-wide Support Services:						
Support and Development	1,542,400	290,013	288,702	141,000	283,683	-
Special Population Support and Development	12,400	205,339	205,155	629,000	685,217	1
Alternative Programs and Services Support and Development	-	154,025	154,025	-	-	-
Technology Support	842,000	903,392	902,766	-	143,759	-
Operational Support	8,276,808	9,831,331	9,776,892	7,202,754	8,830,414	17,880
Financial and Human Resource	1,186,100	1,300,423	1,350,106	692,000	791,107	-
Accountability	16,000	177,483	177,483	-	22,859	-
System-wide Pupil Support	1,961,600	286,200	286,200	50,000	167,602	-
Policy, Leadership and Public Relations	329,300	500,465	480,465	652,525	754,913	-
Ancillary Services	1,112,000	10,037	8,487	-	-	-
Nonprogram Charges	-	1,542,589	1,542,589	-	-	-
Capital Outlay	-	112,203	37,890	-	-	-
Total Expenditures	25,759,508	26,828,012	26,591,206	102,932,288	106,663,325	1,114,031
Revenues Over (Under) Expenditures	-	(599,504)	(112,158)	-	17,418	-
Other Financing Sources (Uses):						
Insurance Recovery	-	-	3,263	-	-	-
Transfer to Other Funds	-	(237,676)	(237,676)	-	(17,418)	-
Total Other Financing Sources (Uses)	-	(237,676)	(234,413)	-	(17,418)	-
Appropriated Fund Balances:						
Appropriated Fund Balance	-	837,180	-	-	-	-
Total Appropriated Fund Balances	-	837,180	-	-	-	-
Net Change in Fund Balances	-	-	(346,571)	-	-	-
Fund Balances - Beginning of Year	-	-	7,325,144	-	-	-
Increase (Decrease) in Reserve for Inventories	-	-	(36,744)	-	-	-
Fund Balances - End of Year	-	-	\$ 6,941,829	\$ 6,941,829	\$ 294,525	\$ -

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 6

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2019

	<u>School Food Service</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,867,455
Due from Other Governments	145,138
Accounts Receivable	6,383
Net OPEB Asset	5,913
Inventories	<u>113,934</u>
Total Current Assets	<u>5,138,823</u>
Noncurrent Assets:	
Capital Assets:	
Equipment, net	<u>338,058</u>
Total Noncurrent Assets	<u>338,058</u>
Total Assets	<u>\$ 5,476,881</u>
Deferred Outflows of Resources	<u>\$ 1,503,399</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	58,764
Unearned Revenues	90,299
Compensated Absences - Current	<u>76,325</u>
Total Current Liabilities	<u>225,388</u>
Noncurrent Liabilities:	
Net Pension Liability	2,117,174
Net OPEB Liability	<u>5,392,797</u>
Total Noncurrent Liabilities	<u>7,509,971</u>
Total Liabilities	<u>7,735,359</u>
Deferred Inflows of Resources	<u>3,091,771</u>
Net Position:	
Net Investment in Capital Assets	338,058
DIPNC OPEB Plan	5,913
Unrestricted	<u>(4,190,821)</u>
Total Net Position	<u>\$ (3,846,850)</u>

The Notes to Financial Statements are an integral part of these Statements.

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RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 7

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2019

	<u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating Revenues:	
Food Sales	<u>\$ 2,146,571</u>
Operating Expenses:	
Food Cost:	
Purchased Food	2,728,164
Donated Commodities	615,853
Salaries and Benefits	4,214,057
Materials and Supplies	390,030
Repairs and Maintenance	58,868
Purchased Services	84,976
Depreciation	106,209
Other	38,286
Indirect Costs	508,802
Total Operating Expenses	<u>8,745,245</u>
Operating Loss	<u>(6,598,674)</u>
Nonoperating Revenues (Expenses):	
Federal Reimbursements	5,678,900
State Reimbursements	46,626
Federal Commodities	493,939
Interest Earned on Investments	37,707
Indirect Costs Not Paid	-
Total Nonoperating Revenues (Expenses)	<u>6,257,172</u>
Loss Before Transfers	(341,502)
Transfers From Other Funds:	
General Fund	237,676
State Public School Fund	17,418
Total Transfers From Other Funds	<u>255,094</u>
Change in Net Position	(86,408)
Total Net Position - Beginning of Year, Previously Reported	<u>(3,760,442)</u>
Total Net Position - End of Year	<u><u>\$ (3,846,850)</u></u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 8
(Page 1 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 2,187,679
Cash Paid For Goods and Services	(3,864,491)
Cash Paid to Employees For Services	(4,437,454)
Net Cash (Used) By Operating Activities	<u>(6,114,266)</u>
Cash Flows from Investing Activities:	
Interest Earned on Investments	<u>37,707</u>
Cash Flows from Noncapital Financing Activities:	
Federal Reimbursements	5,678,900
State Reimbursements	46,626
Transfers From Other Funds	255,094
Net Cash Flows from Noncapital Financing Activities	<u>5,980,620</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(43,476)
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>(43,476)</u>
Net Increase in Cash and Cash Equivalents	(139,415)
Cash and Cash Equivalents at Beginning of Year	5,006,870
Cash and Cash Equivalents at End of Year	<u>\$ 4,867,455</u>
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities:	
Operating Loss	<u>\$ (6,598,674)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation	106,209
Donated Commodities Received	493,939
Indirect Costs Not Paid	-
(Increase) Decrease in Accounts Receivable	33,605
(Increase) Decrease in Net OPEB Asset	5,770
(Increase) Decrease in Inventory	18,353
(Decrease) Increase in Net Pension Liability	359,375
(Decrease) Increase in Net OPEB Liability	(1,027,243)
(Increase) Decrease in Deferred Outflows - Pension	(268,304)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	25,230
Increase (Decrease) in Deferred Inflows - Pension	(18,778)
Increase (Decrease) in Deferred Inflows - OPEB	728,364
Increase (Decrease) in Accounts Payable and Accrued Liabilities	48,196
Increase (Decrease) in Unearned Revenues	7,503
Increase (Decrease) in Accrued Vacation Pay	(27,811)
Total Adjustments	<u>484,408</u>
Net Cash (Used) by Operating Activities	<u>\$ (6,114,266)</u>

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Exhibit 8
(Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2019

Noncash Investing, Capital, and Financing Activities:

The School Food Service Fund received donated commodities with a value of \$493,939 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$615,853 worth of donated commodities during the fiscal year as an operating expense.

The State Public School Fund and the General Fund paid salaries and benefits of \$17,418 and \$237,676, respectively, to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense in Exhibit 7.

The Notes to Financial Statements are an integral part of these Statements.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Randolph County School System conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. **REPORTING ENTITY**

The Randolph County School System (System) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Randolph County, North Carolina. The System is governed by an elected seven-member board. The System receives local, State and federal government funding and must adhere to the legal requirements of each funding source entity. However, the System has discretion regarding the use of appropriations from Randolph County; accordingly, the System is not considered fiscally dependent on Randolph County.

The Randolph County School System provides public education to the children of Randolph County not living within the boundaries of the Asheboro City Local Education Agency. The educational services were provided during the year through eighteen elementary schools, six middle schools, six high schools and one early college high school. Randolph County levies, on behalf of the Randolph County School System, a special property tax levy at the rate of 7.5 cents per \$100 valuation of certain property (Trinity-Archdale District) subject to ad valorem property taxes.

B. **BASIS OF PRESENTATION.**

Government-wide Statements: The statement of net position and the statement of activities display information about the System. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities on revenues and expenses. These statements distinguish between the *governmental* and *business-type* activities of the System. 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 System and for each function of the System'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 System'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 non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Proprietary fund operating expenses are those transactions which are directly related to the principal activity of the fund.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **BASIS OF PRESENTATION (Concluded)**

The System reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the System. The General Fund accounts for all financial resources except those 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.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The Individual Schools Fund is reported as a special revenue fund.

The System reports the following major enterprise fund:

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

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING.**

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the System gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 System considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the System 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 System's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA

The System'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 Fund, as required by the North Carolina General Statutes. No annual 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 functional level for all of the System's annually budgeted funds. The superintendent is authorized by the governing board to transfer appropriations between functions of the same fund up to \$1,000. Such transfers must be reported to the governing board at its next regular meeting. Any revisions that alter the total expenditures of any fund or exceed \$1,000 must be approved by the governing board prior to any expenditures being made. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. Amendments, which alter the county appropriation or transfer monies to or from the Capital Projects Fund also, require the approval of the Randolph County Board of Commissioners. During the year, several amendments to the original budget were necessary, the majority of which was due to the receipt of certain grant revenues from the state of North Carolina. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS
AND FUND EQUITY**

1. Deposits and Investments

All deposits of the System are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The System may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina.

Also, the System may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The System 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 System 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 money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining a AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. The North Carolina State Treasurer's Short Term Investment Fund (STIF) is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. The STIF 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.

Randolph County School System's investments with a maturity of more than one year at acquisition are carried at fair value as determined by quoted market prices. However, the System did not hold any such investments during the year. The System's money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS
AND FUND EQUITY (Continued)**

2. **Cash and Cash Equivalents**

All of the System's cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. **Inventories**

The inventories of the System are valued at cost and the System uses the weighted average method in determining cost. The inventories of the System's General Fund and Special Revenue Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

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

4. **Capital Assets**

The System's capital assets are recorded at original cost. Donated assets received prior to July 1, 2015 are listed at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the System to capitalize all capital assets costing more than \$5,000 with an estimated useful life of one or more years. In addition, other items that are purchased and used in large quantities such as student desks and furniture 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.

Randolph County holds title to certain properties, which are reflected as capital assets in the financial statements of the System. 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 System give the schools full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title of the property back to the System, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

Equipment in the business-type activities of the System are depreciated on a straight-line basis at the following rate per year:

Furniture and Equipment	8.3%
Computer Equipment	20.0%

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS
AND FUND EQUITY (Continued)**

4. **Capital Assets (Concluded)**

Capital assets used in the governmental activities of the System are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-50 years
Furniture and Equipment	5-20 years
Computer Equipment	5 years
Vehicles	6 years

5. **Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The System has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the related plans subsequent to the measurement date. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The System has several items that meet this criterion - property taxes receivable, sales tax receivable and pension and OPEB related deferrals.

6. **Long-Term Obligations**

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

7. **Compensated Absences**

The System follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned leave with such leave being fully vested when earned. The System's liability for accumulated earned vacation and the salary-related payments as of June 30, 2019, is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. The current portion was estimated based on leave used during the current year.

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

8. **Net Position / Fund Balances**

Net Position.

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

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS
AND FUND EQUITY (Continued)**

8. **Net Position / Fund Balances (Continued)**

Fund Balance.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end fund balance of ending inventories, which are not spendable resources.

Prepaid Assets - portion of fund balance not available for appropriation because it represents a deferred charge which is not an expendable, available resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for School Capital Outlay – portion of fund balance that can only be used for School Capital Outlay [G.S. 159-18 through 22].

Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they were collected.

Restricted for Trinity-Archdale Tax District - portion of fund balance restricted for use in the Trinity-Archdale school district.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Randolph County School System's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires a majority vote by quorum by the governing body in the form of a resolution.

Assigned Fund Balance – the portion of fund balance assigned by majority vote of the governing body that the Randolph County School System intends to use for specific purposes.

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

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS
AND FUND EQUITY (Concluded)**

8. **Net Position / Fund Balances (Concluded)**

Fund Balance (Concluded).

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

9. **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 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 System's employer contributions are recognized when due and the System has a 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.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$126,600,873) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 256,952,863
Less Accumulated Depreciation	(116,218,609)
Net Capital Assets	140,734,254
Net OPEB Asset	160,472
Pension related deferred outflows of resources	21,939,046
Contributions made to pension plan in current fiscal year	10,490,631
Deferred outflows of resources related to OPEB	5,679,841
Contributions made to OPEB plan in current fiscal year	5,471,515
Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide statements	125,938
Deferred inflows of resources related to pensions	(2,416,116)
Deferred inflows of resources related to OPEB	(85,268,657)
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 OPEB Liability	(152,152,311)
Net Pension Liability	(59,401,493)
Compensated Absences	(10,658,927)
Installment Financing	(1,305,066)
Total Adjustment	<u>(\$126,600,873)</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

F. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

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

The governmental fund statement of revenues, expenditures, and changes in fund balance 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 \$5,450,937 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,137,973
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(5,288,749)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(700,924)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	1,209,990
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	10,490,631
Contributions to the OPEB plans in the current fiscal year are not included in the statement of activities	5,471,515
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	(12,648,356)
Net OPEB expense	2,523,818
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	1,238,190
Loss on disposal of assets	(37,134)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows – taxes receivable at June 30, 2019	4,674
Increase in deferred inflows – sales tax refund receivable at June 30, 2019	3,838
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	45,471
Total Adjustment	<u>\$ 5,450,937</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations.

Pursuant to the General Statute 115C- 441(a); “no obligation may be incurred by a local school administrative unit unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.” The recording of audit reclassifications for the year ended June 30, 2019 caused expenditures in the Financial and Human Resource function in the General Fund to exceed budgeted amounts by \$49,683. Management will place a greater focus on monitoring the classification of transactions.

III. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Deposits

All of the System’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 System’s agent in the System’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 System, these deposits are considered to be held by the System’s agent in the System’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 System or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the System 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 System has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the System had deposits with banks and savings and loans with a carrying amount of \$11,391,435 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer was \$11,814,163 and \$420,186, respectively. Of these balances, \$605,635 was covered by federal depository insurance; \$420,186 was covered by collateral held by authorized escrow agents in the name of the State Treasurer; and \$11,208,528 was covered by collateral held under the Pooling Method.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

	<u>Due From Other Governments</u>	<u>Other</u>
Governmental Activities:		
General Fund	\$ 211,737	\$ 144,835
Other Governmental Activities	<u>4,581,751</u>	<u>-- --</u>
Total	<u>\$ 4,793,488</u>	<u>\$ 144,835</u>
Business-type Activities:		
School Food Service	<u>\$ 145,138</u>	<u>\$ 6,383</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. ASSETS (Continued)

2. Accounts Receivable (Concluded)

Due from other governments consists of the following:

Governmental Activities:		Description
General Fund	\$ 211,737	Revenue from federal and state sources and sales tax refund from the Department of Revenue
State Public School Fund	4,167,699	Operating funds from DPI and sales tax refund from the Department of Revenue
Capital Outlay Fund	59,449	Sales tax refund from the Department of Revenue
Federal Grants Fund	354,603	Operating funds from DPI and sales tax refund from the Department of Revenue
Total	<u>\$ 4,793,488</u>	
Business-type Activities:		
School Food Service	<u>\$ 145,138</u>	Revenue from federal sources and sales tax refund from the Department of Revenue

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. ASSETS (Concluded)

3. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 5,536,989	\$ -	\$ -	\$ 5,536,989
Construction in Progress	415,766	1,191,248	425,302	1,181,712
Total Capital Assets Not Being Depreciated	5,952,755	1,191,248	425,302	6,718,701
Capital Assets Being Depreciated:				
Buildings	220,374,485	1,162,603	173,431	221,363,657
Furniture and Equipment	7,416,890	130,598	232,807	7,314,681
Computer Equipment	1,632,540	169,699	118,490	1,683,749
Vehicles	18,925,547	1,027,609	81,081	19,872,075
Total Capital Assets Being Depreciated	248,349,462	2,490,509	605,809	250,234,162
Less Accumulated Depreciation For:				
Buildings	90,126,912	4,185,767	41,103	94,271,576
Furniture and Equipment	4,994,725	279,543	209,519	5,064,749
Computer Equipment	1,515,185	23,899	118,490	1,420,594
Vehicles	14,743,231	799,540	81,081	15,461,690
Total Accumulated Depreciation	111,380,053	\$ 5,288,749	\$ 450,193	116,218,609
Total Capital Assets Being Depreciated, Net	136,969,409			134,015,553
Governmental Activity Capital Assets, Net	\$ 142,922,164			\$ 140,734,254

Depreciation expense was charged to governmental functions as follows:

Regular Instructional Services	4,348,313
Technology Support Services	15,435
Operational Support Services	919,968
Policy, Leadership & Public Relations Support Services	5,033
	<u>\$ 5,288,749</u>

Business-type Activities:

Equipment	\$ 3,993,986	\$ 43,476	\$ 6,882	\$ 4,030,580
Less Accumulated Depreciation	3,593,196	<u>106,208</u>	<u>6,882</u>	3,692,522
Business-type Activities Capital Assets, Net	\$ 400,790			\$ 338,058

Construction Commitments:

The System has entered into contract commitments, as of June 30, 2019, for architectural costs associated with the construction of the new Trinity Middle School. At year-end, the System's commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Trinity Middle School	\$ 1,055,700	\$ 631,800

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES

1. Pension Plan and Other Post-employment Obligations

a. Teachers' and State Employees' Retirement System.

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

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of 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. System employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The System's contractually required contribution rate for the year ended June 30, 2019 is 12.29% of annual covered payroll, actuarially determined as an amount that, when combined with employee

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued).

Contributions (Concluded). contributions, is expected to finance the costs of benefits earned by employees during the year. The System's contributions to TSERS for the year ended June 30, 2019 was \$10,842,113.

Refunds of Contributions. System 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, 2019, the System reported a liability of \$61,518,667 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The System's proportion of the net pension liability was based on a projection of the System'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, 2018 and June 30, 2017, the System's proportion was .62% and .64%, respectively.

For the year ended June 30, 2019, the System recognized pension expense of \$13,072,133. At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,489,674	\$ 617,983
Changes of assumptions	12,345,721	- 0 -
Net difference between projected and actual earnings on pension plan investments	5,862,740	- 0 -
Changes in proportion and differences between System contributions and proportionate share of contributions	- 0 -	1,930,498
System contributions subsequent to the measurement date	10,842,113	- 0 -
Total	<u>\$ 33,540,248</u>	<u>\$ 2,548,481</u>

The \$10,842,113 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

<u>Year Ending June 30</u>	
2020	\$ 12,114,242
2021	7,485,939
2022	657,226
2023	(107,753)
2024	--
Thereafter	--
	<u>\$ 20,149,654</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the forgoing 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, 2017 are summarized in the following table:

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

Actuarial Assumptions (Concluded).

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the System's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
System's proportionate share of net pension liability (asset)	\$117,326,537	\$ 61,518,667	\$ 14,690,350

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Concluded).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

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

b. Other Post-employment Benefits

Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of thirteen members; eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan. The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same 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 offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

b. Other Post-employment Benefits (Continued)

Healthcare Benefits (Continued)

Benefits Provided (Concluded). 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 partial contributory basis. For 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 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit 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 System contributed 6.27% of covered payroll which amounted to \$5,531,330.

At June 30, 2019, the System reported a liability of \$157,545,108 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The System's proportion of the net OPEB liability was based on a projection of the System's present value of future salary, actuarially determined. At June 30, 201, the System's proportion was .5530%.

The \$5,531,330 reported as deferred outflows of resources related to OPEB resulting from System contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

b. Other Post-employment Benefits (Continued)

Healthcare Benefits (Continued)

Contributions (Concluded).

<u>Year Ending June 30</u>	
2020	(\$ 18,808,319)
2021	(18,808,319)
2022	(18,808,319)
2023	(18,791,472)
2024	(7,572,037)
Thereafter	--
	<u>(\$ 82,791,466)</u>

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

Inflation	2.75 percent
Salary increases	3.50 to 8.10 percent, including 3.50% inflation and productivity factor
Investment rate of return	7.20 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00 - 6.50 percent
Healthcare cost trend rate - prescription drug	5.00 - 7.25 percent
Healthcare cost trend rate - Medicare advantage	4.00 - 5.00 percent
Healthcare cost trend rate - administrative	3.00 percent

Discount Rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. The projection of cash flows 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 the current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

Sensitivity of the System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the System's proportionate share of the net OPEB liability, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
System's proportionate share of net OPEB liability	\$186,141,132	\$157,545,108	\$134,622,323

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

b. Other Post-employment Benefits (Continued)

Healthcare Benefits (Concluded)

Sensitivity of the System's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rates. The following presents the System's proportionate share of the net OPEB liability, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate:

	1% Decrease (Medical- 4.0 - 5.5%; Pharmacy- 4.0 - 6.25%; Medicare Advantage-3.0 - 4.0%; Administrative- 2.0%)	Healthcare Trend Rates (Medical- 5.0 - 6.5%; Pharmacy- 5.0 - 7.25%; Medicare Advantage-4.0 - 5.0%; Administrative- 3.0%)	1% Increase (Medical- 6.0 - 7.5%; Pharmacy- 6.0 - 8.25%; Medicare Advantage-5.0 - 6.0%; Administrative- 4.0%)
System's proportionate share of net OPEB liability	\$129,970,611	\$157,545,108	\$193,745,016

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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 thirteen members; eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

b. Other Post-employment Benefits (Continued)

Disability Benefits (Concluded)

Benefits Provided (Concluded). 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, 2019, employers make a statutory contribution of .14% of covered payroll which was equal to the actuarially required contribution. System contributions to the plan were \$123,506 for the year ended June 30, 2019. 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB.

At June 30, 2019, the System reported an asset of \$166,385 for its proportionate share of the net OPEB asset. The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB asset/liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The System's proportion of the net OPEB asset/liability was based on a projection of the System's present value of future salary, actuarially determined. At June 30, 2018, the System's proportion was .5477%.

The \$123,506 reported as deferred outflows of resources related to OPEB resulting from System contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	\$ 109,468
2021	109,453
2022	81,528
2023	63,205
2024	44,560
Thereafter	44,545
	<u>\$ 452,759</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Continued)

b. Other Post-employment Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued).

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including 3.50% inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including inflation

Sensitivity of the System's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate. The following presents the System's proportionate share of the net OPEB asset, as well as what the System's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.75%) or 1 percentage point higher (4.75%) than the current rate:

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
System's proportionate share of net OPEB asset	\$ 127,489	\$ 166,385	\$ 203,697

Common Actuarial Assumptions for Both OPEB Plans. The total OPEB asset/liability was determined by an actuarial valuation performed as of December 31, 2017 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, 2018. 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.

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

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Other Post-employment Obligations (Concluded)

b. Other Post-employment Benefits (Concluded)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Concluded).

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	(\$ 2,617,255)	\$ 8,876	(\$ 2,608,379)
OPEB Liability (Asset)	\$157,545,108	(\$ 166,385)	\$157,378,723
Proportionate Share of Net OPEB Liability (Asset)	.55301%	.54775%	

Deferred Outflows of Resources:

Differences Between Expected & Actual			
Experience	\$ - 0 -	\$ 290,242	\$ 290,242
Changes of Assumptions	\$ - 0 -	\$ 31,419	\$ 31,419
Net Difference Between Projected & Actual			
Earnings on Plan Investments	\$ 16,943	\$ 129,581	\$ 146,524
Changes in Proportion & Differences Between			
Contributions & Proportionate Share of Contributions	\$ 5,414,292	\$ 6,874	\$ 5,421,166
System Contributions Subsequent to the Measurement Date	\$ 5,531,330	\$ 123,506	\$ 5,654,836

Deferred Inflows of Resources:

Differences Between Expected & Actual			
Experience	\$ 10,773,629	\$ - 0 -	\$ 10,773,629
Changes of Assumptions	\$ 68,252,177	\$ - 0 -	\$ 68,252,177
Net Difference Between Projected & Actual			
Earnings on Plan Investments	\$ - 0 -	\$ - 0 -	\$ - 0 -
Changes in Proportion & Differences Between			
Contributions & Proportionate Share of Contributions	\$ 9,196,895	\$ 5,357	\$ 9,202,252

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

2. Accounts Payable

Accounts payable as of June 30, 2019 are as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Benefits</u>
Governmental Activities:			
General Fund	\$ 389,424	\$ 112,750	\$ 28,919
Other Governmental Activities	-- --	3,520,304	908,482
Total	<u>\$ 389,424</u>	<u>\$3,633,054</u>	<u>\$ 937,401</u>

3. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,779,916	\$ 11,391,612
Changes of assumptions	12,377,140	68,252,177
Net difference between projected and actual earnings on pension plan investments	6,009,264	- 0 -
Changes in proportion and differences between system contributions and proportionate share of contributions	5,421,166	11,132,755
Taxes receivable - Unavailable revenue (General Fund)	- 0 -	32,422
Sales tax receivable - Unavailable revenue (Special Revenue funds)	- 0 -	93,516
System contributions subsequent to the measurement date	16,496,946	- 0 -
Total	<u>\$ 45,084,432</u>	<u>\$ 90,902,482</u>

4. Risk Management

The System 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 System participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the System maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from Federal or local funds. The State of North Carolina provides workers' compensation through a self-insured fund for employees to the extent they are paid from State funds.

The System also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the System. Coverage is provided on an "all risk" perils contract. Buildings and

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

4. Risk Management (Concluded)

contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

The System does not carry flood insurance because the area has not been designated an "A" area by the Federal Emergency Management Agency.

The System also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the System are eligible to receive health care benefits up to a \$5 million lifetime limit. The System pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the System's employees who have custody of the System's monies at any given time of the System's funds are performance bonded through a commercial surety bond. The finance officer and deputy finance officer are bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

5. Claims and Judgments

At June 30, 2019, the System was a defendant to various lawsuits. In the opinion of the System's management and the System's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the System's financial position.

6. Long-Term Obligations

a. Installment Purchase

The System is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp. at total payments less than the purchase price. In the year ended June 30, 2019, the System entered into direct placement installment purchase contracts to finance the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. All financing contracts require only principal payments of \$106,640, \$127,775, \$84,238, \$21,901, \$145,178, \$21,160, \$131,623 and \$43,608, due at the beginning of each contract year.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Concluded)

6. Long-Term Obligations (Concluded)

a. Installment Purchase (Concluded)

The future minimum payments of the installment purchases as of June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Principal</u>
2020	\$ 682,124
2021	447,709
2022	175,233
	<u>\$ 1,305,066</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the System's long-term obligations for the year ended June 30, 2019:

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Direct Placement:					
Installment Purchase	\$ 1,814,132	\$ 700,924	\$ 1,209,990	\$ 1,305,066	\$ 682,124
Net Pension Liability	48,675,881	10,725,612	- 0 -	59,401,493	- 0 -
Net OPEB Liability	182,812,230	- 0 -	30,659,919	152,152,311	- 0 -
Compensated Absences	11,897,117	2,887,654	4,125,844	10,658,927	4,125,844
Total	<u>\$245,199,360</u>	<u>\$14,314,190</u>	<u>\$35,995,753</u>	<u>\$ 223,517,797</u>	<u>\$4,807,968</u>
Business-type Activities					
Net Pension Liability	\$ 1,757,799	\$ 359,375	\$ - 0 -	\$ 2,117,174	\$ - 0 -
Net OPEB Liability	6,420,040	- 0 -	1,027,243	5,392,797	- 0 -
Compensated Absences	104,136	160,471	188,282	76,325	76,325
	<u>\$ 8,281,975</u>	<u>\$ 519,846</u>	<u>\$ 1,215,525</u>	<u>\$ 7,586,296</u>	<u>\$ 76,325</u>

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

C. INTERFUND BALANCES AND ACTIVITY.

1. Transfers To / From Other Funds

Transfers to / from other funds at June 30, 2019, consists of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 17,418
From the General Fund to the School Food Service Fund for administrative costs.	237,676
	<u>\$ 255,094</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

III. DETAIL NOTES ON ALL FUNDS (Concluded)

C. INTERFUND BALANCES AND ACTIVITY (Concluded).

2. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Outlay Fund:	
	Amounts remitted to Capital Outlay Fund in error.	\$ 33,143

D. FUND BALANCE.

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

Total Fund Balance – General Fund	\$ 6,941,829
Less:	
Prepaid Assets	1,956,637
Inventories	494,365
Stabilization by State Statute	389,716
Appropriated Fund Balance in 2020 budget	- 0 -
Remaining Fund balance	<u>\$ 4,101,111</u>

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

Encumbrances	
General Fund	Non-major Funds
\$ - 0 -	\$ - 0 -

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The System 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Fines, Forfeitures and Supplemental School Tax

Due to a State Supreme Court ruling, Randolph County School System may be required to disburse additional funds to various charter schools in its vicinity. These payments represent a portion of the fines and forfeitures and supplemental school tax revenue that the Randolph County School System has received over the past three years. If requested to do so by a charter school with at least one enrolled student from Randolph County, the Randolph County School System must make these payments to the charter schools during the upcoming fiscal year.

V. JOINTLY GOVERNED ORGANIZATION

The board of trustees of Randolph County Community College is comprised of thirteen members. The Board of Education of Randolph County appoints two trustees, the Asheboro City Board of Education appoints two trustees, the board of county commissioners appoints four trustees, the governor appoints four trustees, and the president of the student body is an ex officio non-voting member of the board.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Position Liability for Teacher's and State Employees' Retirement System.
- Schedule of Contributions to Teacher's and State Employees' Retirement System.
- Schedule of Proportionate Share of Net OPEB Liability for Retiree Health Benefit Fund
- Schedule of Contributions to Retiree Health Benefit Fund
- Schedule of Proportionate Share of Net OPEB Asset for Disability Income Plan Of North Carolina
- Schedule of Contributions to Disability Income Plan of North Carolina

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
System's proportion of the net pension liability (asset)						
System's proportionate share of the net pension liability (asset)	\$ 61,518,667	\$ 50,433,680	\$ 59,327,190	\$ 23,705,397	\$ 7,720,389	\$ 39,838,027
System's covered payroll	\$ 86,990,242	\$ 86,271,669	\$ 83,439,964	\$ 85,290,182	\$ 83,593,947	\$ 84,755,940
System's proportionate share of the net pension liability (asset)						
as a percentage of its covered payroll	70.72%	58.46%	71.10%	27.79%	9.24%	47.00%
Plan fiduciary net position as a percentage of the total pension liability	92.01%	89.51%	87.32%	94.64%	98.24%	90.60%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
Teachers' and State Employees' Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,842,113	\$ 9,377,548	\$ 8,609,912	\$ 7,634,755	\$ 7,804,051	\$ 7,264,314
Contributions in relation to the contractually required contribution	10,842,113	9,377,548	8,609,912	7,634,755	7,804,051	7,264,314
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered payroll	\$ 88,218,985	\$ 86,990,242	\$ 86,271,669	\$ 83,439,964	\$ 85,290,182	\$ 83,593,947
Contributions as a percentage of covered payroll	12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY

Retiree Health Benefit Fund

Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
System's proportion of the net OPEB liability (asset)	0.5530%	0.5771%	0.5574%
System's proportionate share of the net OPEB liability (asset)	\$ 157,545,108	\$ 189,232,270	\$ 242,490,987
System's covered payroll	\$ 86,990,242	\$ 86,271,669	\$ 83,439,964
System's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	181.11%	219.34%	290.62%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS

Retiree Health Benefit Fund

Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 5,531,330	\$ 5,262,910	\$ 5,193,555
Contributions in relation to the contractually required contribution	<u>5,262,910</u>	<u>5,262,910</u>	<u>5,193,555</u>
Contribution deficiency (excess)	<u>\$ 268,420</u>	<u>\$ -</u>	<u>\$ -</u>
 System's covered payroll	 \$ 88,218,985	 \$ 86,990,242	 \$ 86,271,669
Contributions as a percentage of covered payroll	5.97%	6.05%	6.02%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE
OF THE NET OPEB ASSET

Disability Income Plan of North Carolina
Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
System's proportion of the net OPEB asset	0.5478%	0.5634%	0.5574%
System's proportionate share of the net OPEB asset	\$ 166,385	\$ 344,368	\$ 358,621
System's covered payroll	\$ 86,990,242	\$ 86,271,669	\$ 83,439,964
System's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.19%	0.40%	0.43%
Plan fiduciary net position as a percentage of the total OPEB asset	116.47%	116.23%	116.06%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS

Disability Income Plan of North Carolina

Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 123,506	\$ 121,786	\$ 327,833
Contributions in relation to the contractually required contribution	<u>123,506</u>	<u>121,786</u>	<u>327,833</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 System's covered payroll	 \$ 88,218,985	 \$ 86,990,242	 \$ 86,271,669
Contributions as a percentage of covered payroll	0.14%	0.14%	0.38%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

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Individual Statements and Schedules

**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

General Fund

The General Fund is the principal operating fund for the Board of Education of Randolph County mandated by State law as the Local Current Expense Fund. It includes transactions for the Trinity-Archdale School District Tax.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 1
(page 1 of 3)

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
State of North Carolina:			
Outreach Program	\$ 813,000	\$ 779,323	\$ (33,677)
Other	740,000	745,416	5,416
Total State of North Carolina	1,553,000	1,524,739	(28,261)
Randolph County:			
Appropriations From General Revenues	19,025,508	19,025,508	-
Trinity-Archdale District Supplemental School Taxes	2,280,000	2,327,234	47,234
United States Government:			
ROTC	270,000	314,463	44,463
Other:			
Tuition and Fees	149,000	152,741	3,741
Fines and Forfeitures	1,244,000	1,323,537	79,537
Forestation	-	13,935	13,935
Interest Earned on Investments	2,000	7,732	5,732
Interest Earned on Investments - Trinity-Archdale	1,000	4,067	3,067
Community Schools	20,000	19,808	(192)
Miscellaneous Local Operating Revenues	660,000	696,530	36,530
Restricted Local Revenues	374,000	408,898	34,898
Indirect Cost Allocated	650,000	659,856	9,856
	3,100,000	3,287,104	187,104
Total Revenues	26,228,508	26,479,048	250,540
Expenditures:			
Instructional Services:			
Regular Instructional:			
Regular School		4,300,012	
Regular School - Trinity-Archdale District Funds		1,314,119	
Total Regular Instructional	5,738,985	5,614,131	124,854
Special Populations:			
Regular School		710,461	
Regular School - Trinity-Archdale District Funds		112,309	
Total Special Populations	822,772	822,770	2
Alternative Programs:			
Regular School		1,337,116	
Regular School - Trinity-Archdale District Funds		196,230	
Total Alternative Programs	1,534,363	1,533,346	1,017
School Leadership:			
Regular School		976,268	
Regular School - Trinity-Archdale District Funds		276,952	
Total School Leadership	\$ 1,258,093	\$ 1,253,220	\$ 4,873

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 1
(page 2 of 3)

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Expenditures (Concluded):			
Instructional Services (Concluded):			
Co-curricular:			
Regular School	\$	\$ 438,149	\$
Regular School - Trinity-Archdale District Funds		150,467	
Total Co-curricular	589,157	588,616	541
School-based Support:			
Regular School		1,442,387	
Regular School - Trinity-Archdale District Funds		125,976	
Total School-based Support	1,571,142	1,568,363	2,779
Total Instructional Services	11,514,512	11,380,446	134,066
System-wide Support Services:			
Support and Development	290,013	288,702	1,311
Special Population Support and Development	205,339	205,155	184
Alternative Programs and Services Support and Development	154,025	154,025	-
Technology Support	903,392	902,766	626
Operational Support:			
Regular School		9,762,347	
Regular School - Trinity-Archdale District Funds		14,545	
Total Operational Support	9,831,331	9,776,892	54,439
Financial and Human Resource	1,300,423	1,350,106	(49,683)
Accountability	177,483	177,483	-
System-wide Pupil Support	286,200	286,200	-
Policy, Leadership and Public Relations	500,465	480,465	20,000
Total System-wide Support Services	13,648,671	13,621,794	26,877
Ancillary Services:			
Regular School - Trinity-Archdale District Funds		8,487	
Total Ancillary Services	10,037	8,487	1,550
Nonprogram Charges:			
Payments to Charter Schools	1,542,589	1,542,589	-
Capital Outlay:			
Machinist Program Project	112,203	37,890	74,313
Total Expenditures	26,828,012	26,591,206	236,806
Revenues Over (Under) Expenditures (Forward)	\$ (599,504)	\$ (112,158)	\$ 487,346

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 1
(page 3 of 3)

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues Over (Under) Expenditures (Brought Forward)	\$ (599,504)	\$ (112,158)	\$ 487,346
Other Financing Sources (Uses):			
Insurance Recovery	-	3,263	3,263
Transfer to School Food Service Fund	(237,676)	(237,676)	-
Total Other Financing Sources (Uses)	(237,676)	(234,413)	3,263
Appropriated Fund Balance:			
Appropriated Fund Balance	837,180	-	(837,180)
Total Appropriated Fund Balance	837,180	-	(837,180)
Net Change in Fund Balance	\$ -	(346,571)	\$ (346,571)
Fund Balance:			
Beginning of Year, July 1		7,325,144	
Decrease in Reserve for Inventories		(36,744)	
End of Year, June 30		\$ 6,941,829	

**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

Nonmajor Funds

Special Revenue Fund:

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

Capital Outlay Fund:

Capital Outlay Fund – This fund, which is mandated by State law, is used to account for the acquisition, construction, renovation, and replacement of the local administrative unit's fixed assets.

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 2

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Federal Grants Fund	Capital Outlay Fund	Total Non-Major Governmental Funds
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 404,163	\$ 404,163
Due From Other Governments	354,603	59,449	414,052
Total Assets	<u>\$ 354,603</u>	<u>\$ 463,612</u>	<u>\$ 818,215</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accrued Compensation	\$ 271,915	\$ -	\$ 271,915
Accrued Employee Benefits	69,761	-	69,761
Due to Other Funds	-	33,143	33,143
Total Liabilities	<u>341,676</u>	<u>33,143</u>	<u>374,819</u>
Deferred Inflows of Resources	<u>12,927</u>	<u>-</u>	<u>12,927</u>
Fund Balances:			
Restricted:			
Stabilization by State Statute	-	59,449	59,449
School Capital Outlay	-	371,020	371,020
Total Fund Balances	<u>-</u>	<u>430,469</u>	<u>430,469</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 354,603</u>	<u>\$ 463,612</u>	<u>\$ 818,215</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 3

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Federal Grants Fund	Capital Outlay Fund	Total Non-Major Governmental Funds
Revenues:			
State of North Carolina	\$ -	\$ 1,209,990	\$ 1,209,990
Randolph County	-	3,929,934	3,929,934
United States Government	9,175,973	-	9,175,973
Other	-	104,056	104,056
Total Revenues	<u>9,175,973</u>	<u>5,243,980</u>	<u>14,419,953</u>
Expenditures:			
Current:			
Instructional Programs	8,112,578	-	8,112,578
Supporting Services	941,198	-	941,198
Nonprogrammed Charges	122,197	-	122,197
Capital Outlay:			
Buildings	-	1,770,364	1,770,364
Furniture and Equipment	-	14,265	14,265
Buses and Motor Vehicles	-	796,840	796,840
Other Costs and Projects	-	2,772,192	2,772,192
Debt Service:			
Principal	-	1,209,990	1,209,990
Total Expenditures	<u>9,175,973</u>	<u>6,563,651</u>	<u>15,739,624</u>
Revenues Under Expenditures	<u>-</u>	<u>(1,319,671)</u>	<u>(1,319,671)</u>
Other Financing Sources:			
Insurance Recovery	-	225,112	225,112
Installment Purchase Obligations Issued	-	700,924	700,924
Total Other Financing Sources	<u>-</u>	<u>926,036</u>	<u>926,036</u>
Net Change in Fund Balance	<u>-</u>	<u>(393,635)</u>	<u>(393,635)</u>
Fund Balances:			
Beginning of Year, July 1	<u>-</u>	<u>824,104</u>	<u>824,104</u>
End of Year, June 30	<u>\$ -</u>	<u>\$ 430,469</u>	<u>\$ 430,469</u>

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 4

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FEDERAL GRANTS FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
United States Government	\$ 10,704,824	\$ 9,175,973	\$ (1,528,851)
Total Revenues	<u>10,704,824</u>	<u>9,175,973</u>	<u>(1,528,851)</u>
Expenditures:			
Current:			
Instructional Services:			
Regular Instructional	909,453	774,596	134,857
Special Populations	2,826,226	2,809,901	16,325
Alternative Programs	4,749,417	4,361,060	388,357
School-based Support	348,085	167,021	181,064
System-wide Support Services:			
Support and Development	1,618	1,618	-
Special Population Support and Development	509,640	509,640	-
Alternative Programs and Services Support and Development	96,073	88,921	7,152
Operational Support	327,660	327,660	-
Financial and Human Resource	6,931	3,926	3,005
Policy, Leadership and Public Relations	9,433	9,433	-
Nonprogram Charges	920,288	122,197	798,091
Total Expenditures	<u>10,704,824</u>	<u>9,175,973</u>	<u>1,528,851</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of Year, July 1		-	
End of Year, June 30		<u>\$ -</u>	

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 5

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
State of North Carolina:			
State Appropriations - Buses	\$ 1,209,990	\$ 1,209,990	\$ -
Randolph County:			
Appropriations From County Issued			
Installment Purchase	1,175,000	999,054	(175,946)
Appropriation for Current Capital Outlay	2,930,880	2,930,880	-
Other:			
Interest Earned on Investments	-	644	644
Miscellaneous	134,945	103,412	(31,533)
	134,945	104,056	(30,889)
Total Revenues	5,450,815	5,243,980	(206,835)
Expenditures:			
Capital Outlay:			
Real Property and Buildings:			
Trinity Middle School		999,299	
Buildings		771,065	
	2,057,959	1,770,364	287,595
Furniture and Equipment:			
Equipment	14,265	14,265	-
Buses and Motor Vehicles:			
Vehicles	846,024	796,840	49,184
Other Costs and Projects	2,772,576	2,772,192	384
Debt Service:			
Principal	1,209,990	1,209,990	-
Total Expenditures	6,900,814	6,563,651	337,163
Revenues Over (Under) Expenditures	(1,449,999)	(1,319,671)	130,328
Other Financing Sources:			
Insurance Recovery	225,000	225,112	112
Installment Purchase Obligations Issued	749,999	700,924	(49,075)
Total Other Financing Sources	974,999	926,036	(48,963)
Appropriated Fund Balance	475,000	-	(475,000)
Net Change in Fund Balance	\$ -	(393,635)	\$ (393,635)
Fund Balance:			
Beginning of Year, July 1		824,104	
End of Year, June 30		\$ 430,469	

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**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

Enterprise Fund

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

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 6
(Page 1 of 2)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL - (NON-GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Operating Revenues:			
Food Sales:			
Paid Student Lunch	\$ 1,187,000	\$ 1,097,022	\$ (89,978)
Paid Student Breakfast	90,000	75,649	(14,351)
Reduced Student Lunch	65,000	57,524	(7,476)
Supplemental Sales	1,035,000	916,077	(118,923)
Miscellaneous Sales	8,000	299	(7,701)
Total Operating Revenues	2,385,000	2,146,571	(238,429)
Operating Expenditures:			
Business Support Services:			
Food Costs:			
Purchase of Food		2,728,164	
Donated Commodities		615,853	
Salaries and Benefits		4,382,964	
Materials and Supplies		390,030	
Repairs and Maintenance		58,868	
Purchased Services		84,976	
Indirect Costs		508,802	
Other		38,286	
Total Business Support Services	10,795,000	8,807,943	1,987,057
Other Support Services:			
Salaries and Benefits	101,000	54,490	46,510
Capital Outlay	150,000	43,476	106,524
Total Operating Expenditures	11,046,000	8,905,909	2,140,091
Operating Income (Loss) (Forward)	\$ (8,661,000)	\$ (6,759,338)	\$ 1,901,662

RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA

Schedule 6
(Page 2 of 2)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL - (NON-GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Operating Income (Loss) (Brought Forward)	\$ (8,661,000)	\$ (6,759,338)	\$ 1,901,662
Nonoperating Revenues:			
Federal Reimbursements	6,000,000	5,678,900	(321,100)
State Reimbursements	56,500	46,626	(9,874)
Federal Commodities	565,000	493,939	(71,061)
Interest Earned on Investments	12,000	37,707	25,707
Indirect Cost Not Paid	110,000	-	(110,000)
Total Nonoperating Revenues	6,743,500	6,257,172	(486,328)
Revenues Over (Under) Expenditures Before Other Financing Sources	(1,917,500)	(502,166)	1,415,334
Other Financing Sources:			
Transfers From Other Funds:			
General Fund	-	237,676	237,676
State Public School Fund	-	17,418	17,418
Total Other Financing Sources	-	255,094	255,094
Appropriated Fund Balance	1,917,500	-	(1,917,500)
Revenues and Other Sources Under Expenditures	\$ -	\$ (247,072)	\$ (247,072)
Reconciliation of Modified Accrual to Full Accrual Basis:			
Revenues and Other Sources Under Expenditures		\$ (247,072)	
Reconciling Items:			
Depreciation		(106,209)	
Increase in Net Pension Liability		(359,375)	
Increase in Deferred Outflows - Pension		268,304	
Decrease in Deferred Inflows - Pension		18,778	
Decrease in OPEB Liability		1,027,243	
Decrease in OPEB Asset		(5,770)	
Decrease in Deferred Outflows of Resources - OPEB		(25,230)	
Increase in Deferred Inflows of Resources - OPEB		(728,364)	
Equipment Purchases		43,476	
Decrease in Accrued Vacation Pay		27,811	
Total Reconciling Items		160,664	
Change in Net Position (Full Accrual)		\$ (86,408)	

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**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

Capital Assets Used in the Operation of
Governmental Funds

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RANDOLPH COUNTY SCHOOL SYSTEM
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule 7

COMPARATIVE SCHEDULES BY SOURCE

June 30, 2019

	<u>2019</u>	<u>2018</u>
Governmental Funds Capital Assets:		
Land	\$ 5,536,989	\$ 5,536,989
Buildings	221,363,657	220,374,485
Furniture and Equipment	7,314,681	7,416,890
Computer Equipment	1,683,749	1,632,540
Vehicles	19,872,075	18,925,547
Construction in Progress	<u>1,181,712</u>	<u>415,766</u>
Total Capital Assets	<u>\$ 256,952,863</u>	<u>\$ 254,302,217</u>
Investment in Governmental Funds Capital Assets - by Source:		
General Fund	\$ 39,579,434	\$ 39,142,928
Special Revenue Funds	26,157,815	26,116,381
Capital Projects Fund	189,840,073	187,711,139
Donations	<u>1,375,541</u>	<u>1,331,769</u>
	<u>\$ 256,952,863</u>	<u>\$ 254,302,217</u>

RANDOLPH COUNTY SCHOOL SYSTEM
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2019

	Land	Buildings	Furniture and Equipment	Computer Equipment	Vehicles	Construction in Progress	Total
Administration:							
Central Office	\$ 101,622	\$ 12,044	\$ 162,963	\$ 115,158	\$ -	\$ 36,000	\$ 427,787
Maintenance	1,025	1,357,759	294,347	-	-	-	1,653,131
Audio/Visual	-	-	-	573,785	-	-	573,785
Eastern Intervention Center	-	55,884	-	-	-	-	55,884
Providence Grove Intervention Center	-	150,000	-	-	-	-	150,000
Randleman Intervention Center	15,000	60,074	-	-	-	-	75,074
Southwestern Intervention Center	-	-	-	-	-	-	-
Trinity Intervention Center	-	-	-	-	-	-	-
Warehouse	-	862,209	54,301	-	-	-	916,510
	117,647	2,497,970	511,611	688,943	-	36,000	3,852,171
Transportation	-	1,242,131	162,344	-	19,872,075	-	21,276,550
Schools:							
Archdale Elementary	20,114	3,973,682	130,761	19,647	-	-	4,144,204
Archdale-Trinity Middle	64,800	4,119,340	168,413	23,310	-	-	4,375,863
Braxton Craven	247,730	670,439	38,224	13,024	-	-	969,417
Coleridge	4,375	5,810,727	108,821	5,236	-	-	5,929,159
Early College High School	-	-	109,875	7,597	-	-	117,472
Eastern Randolph High	408,777	6,432,209	604,078	75,479	-	-	7,520,543
Farmer	173,757	5,248,546	41,819	7,597	-	-	5,471,719
Franklinville	37,505	1,992,299	48,625	7,597	-	-	2,086,026
Gray's Chapel	40,561	2,138,900	100,659	12,834	-	-	2,292,954
Hopewell Elementary	527,122	8,708,082	299,477	31,878	-	-	9,566,559
John Lawrence	-	4,350,139	74,352	8,580	-	-	4,433,071
Level Cross	180,860	7,437,470	331,836	35,143	-	-	7,985,309
Liberty	4,250	2,419,677	47,992	7,597	-	-	2,479,516
New Market	85,750	4,130,038	117,003	14,520	-	-	4,347,311
Northeast Middle	339,098	9,974,708	211,940	14,483	-	-	10,540,229
Providence Grove High School	913,404	31,529,689	797,438	305,335	-	-	33,545,866
Ramseur	85,121	2,939,306	92,825	7,597	-	-	3,124,849
Randleman Elementary	22,500	3,565,542	177,565	29,069	-	-	3,794,676
Randleman Middle	146,774	7,648,042	256,338	7,597	-	-	8,058,751
Randleman High	193,450	4,470,861	496,816	67,974	-	-	5,229,101
Seagrove	6,580	4,234,332	61,885	27,265	-	-	4,330,062
Southeastern Middle	113,639	5,796,327	14,439	14,483	-	-	5,965,888
Southmont Elementary	200,905	8,051,098	248,400	7,597	-	-	8,508,000
Southwestern High	25,004	6,453,990	336,757	80,505	-	-	6,896,256
Southwestern Middle	76,395	8,420,303	66,215	14,483	-	-	8,577,396
Tabernacle	31,400	6,957,212	174,136	-	-	-	7,162,748
Trindale Elementary	29,082	2,512,162	83,734	-	-	-	2,624,978
Trinity Elementary	7,160	4,513,484	172,808	7,598	-	-	4,701,050
Trinity High	84,607	6,288,341	465,357	-	-	-	6,838,305
Trinity Middle	-	-	-	-	-	1,145,712	1,145,712
Uwharrie Ridge 6 - 12	208,148	10,627,246	86,690	6,885	-	-	10,928,969
Wheatmore High School	1,140,474	36,209,365	648,448	133,896	-	-	38,132,183
	5,419,342	217,623,556	6,640,726	994,806	-	1,145,712	231,824,142
	\$ 5,536,989	\$ 221,363,657	\$ 7,314,681	\$ 1,683,749	\$ 19,872,075	\$ 1,181,712	\$ 256,952,863

RANDOLPH COUNTY SCHOOL SYSTEM
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule 9

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2019

	Governmental Fund Capital Assets June 30, 2018	Additions	Retirements	Governmental Fund Capital Assets June 30, 2019
Administration:				
Central Office	\$ 444,901	\$ -	\$ 53,114	\$ 391,787
Maintenance	1,792,057	-	138,926	1,653,131
Audio/Visual	492,042	81,743	-	573,785
Eastern Intervention Center	55,884	-	-	55,884
Providence Grove Intervention Center	150,000	-	-	150,000
Randleman Intervention Center	75,074	-	-	75,074
Southwestern Intervention Center	-	-	-	-
Trinity Intervention Center	-	-	-	-
Warehouse	905,562	10,948	-	916,510
	<u>3,915,520</u>	<u>92,691</u>	<u>192,040</u>	<u>3,816,171</u>
Transportation	<u>20,344,612</u>	<u>1,027,610</u>	<u>95,672</u>	<u>21,276,550</u>
Schools:				
Archdale Elementary	4,144,204	-	-	4,144,204
Archdale-Trinity Middle	4,375,863	-	-	4,375,863
Braxton Craven	977,202	-	7,785	969,417
Coleridge	5,929,159	-	-	5,929,159
Early College High School	116,830	642	-	117,472
Eastern Randolph High	6,994,096	526,447	-	7,520,543
Farmer	5,475,540	1,415	5,236	5,471,719
Franklinville	2,086,026	-	-	2,086,026
Gray's Chapel	2,292,823	6,989	6,858	2,292,954
Hopewell Elementary	9,566,559	-	-	9,566,559
John Lawrence	4,427,216	5,855	-	4,433,071
Level Cross	7,955,109	30,200	-	7,985,309
Liberty	2,486,981	-	7,465	2,479,516
New Market	4,359,307	-	11,996	4,347,311
Northeast Middle	10,540,229	-	-	10,540,229
Providence Grove High School	33,543,087	28,107	25,328	33,545,866
Ramseur	3,130,085	-	5,236	3,124,849
Randleman Elementary	3,781,379	13,297	-	3,794,676
Randleman Middle	8,089,751	-	31,000	8,058,751
Randleman High	5,102,283	126,818	-	5,229,101
Seagrove	4,344,903	-	14,841	4,330,062
Southeastern Middle	5,965,888	-	-	5,965,888
Southmont Elementary	8,532,838	10,472	35,310	8,508,000
Southwestern High	6,511,431	421,709	36,884	6,896,256
Southwestern Middle	8,577,396	-	-	8,577,396
Tabernacle	7,183,308	-	20,560	7,162,748
Trindale Elementary	2,634,261	-	9,283	2,624,978
Trinity Elementary	4,699,657	1,393	-	4,701,050
Trinity High	6,730,109	148,259	40,063	6,838,305
Trinity Middle	-	-	-	-
Uwharrie Ridge 6 - 12	10,997,594	-	68,625	10,928,969
Wheatmore High School	38,075,205	83,715	26,737	38,132,183
	<u>229,626,319</u>	<u>1,405,318</u>	<u>353,207</u>	<u>230,678,430</u>
Construction in Progress	<u>415,766</u>	<u>1,191,248</u>	<u>425,302</u>	<u>1,181,712</u>
Total Governmental Fund Capital Assets	<u>\$ 254,302,217</u>	<u>\$ 3,716,867</u>	<u>\$ 1,066,221</u>	<u>\$ 256,952,863</u>

**RANDOLPH COUNTY SCHOOL SYSTEM
ASHEBORO, NORTH CAROLINA**

**REPORT ON FEDERAL AND STATE
FINANCIAL ASSISTANCE PROGRAMS**

YEAR ENDED JUNE 30, 2019

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**Report on Compliance and Other Matters and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

INDEPENDENT AUDITOR'S REPORT

Board of Education of Randolph County
Asheboro, North Carolina

I have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Randolph County, North Carolina, as of and for the year ended June 30, 2019 [not presented here], and the related notes to the financial statements, which collectively comprise the Board of Education of Randolph County's basic financial statements, and have issued my report thereon dated November 27, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of Randolph County's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-1.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or 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.

**Report on Compliance and Other Matters and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*
(Concluded)**

Internal Control Over Financial Reporting (Concluded)


My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-1 that I consider to be a significant deficiency.

Board of Education of Randolph County's Response to Finding

The Board of Education of Randolph County's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Randolph County'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 Board of Education of Randolph County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

November 27, 2019



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**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance in Accordance
With OMB Uniform Guidance and the State Single Audit Implementation Act**

INDEPENDENT AUDITOR'S REPORT

Board of Education of Randolph County
Asheboro, North Carolina

Report on Compliance for Each Major Federal Program

I have audited the Board of Education of Randolph County, North Carolina, 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 its major federal programs for the year ended June 30, 2019. The Board of Education of Randolph County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Board of Education of Randolph County's management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Board of Education of Randolph County's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that I 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 Board of Education of Randolph County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Board of Education of Randolph County's compliance with those requirements.

Opinions on Each Major Federal Program

In my opinion, the Board of Education of Randolph County 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, 2019.

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance in Accordance
With OMB Uniform Guidance; and the State Single Audit Implementation Act
(Continued)**

Report on Internal Control Over Compliance

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

My consideration of the 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as described above. 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 my testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Randolph County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Board of Education of Randolph County's basic financial statements. I issued my report thereon dated November 27, 2019, which contained an unmodified opinion on those statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Randolph County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance in Accordance
With OMB Uniform Guidance; and the State Single Audit Implementation Act
(Concluded)

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 27, 2019

A handwritten signature in black ink that reads "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina



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**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance in Accordance
With Uniform Guidance and the State Single Audit Implementation Act**

INDEPENDENT AUDITOR'S REPORT

Board of Education of Randolph County
Asheboro, North Carolina

Report on Compliance for Each Major State Program

I have audited the Board of Education of Randolph County, North Carolina, 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 its major state programs for the year ended June 30, 2019. The Board of Education of Randolph County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Board of Education of Randolph County's management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Board of Education of Randolph County's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 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 I 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 Board of Education of Randolph County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination on the Board of Education of Randolph County's compliance with those requirements.

Opinions on Each Major State Program

In my opinion, the Board of Education of Randolph County 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, 2019.

**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance in Accordance
With Uniform Guidance; and the State Single Audit Implementation Act
(Continued)**

Report on Internal Control Over Compliance

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

My consideration of the 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as described above. 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 my testing of internal control over compliance and the result of that testing base on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance
and the State Single Audit Implementation Act**

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Randolph County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Board of Education of Randolph County's basic financial statements. I issued my report thereon dated November 27, 2019, which contained an unmodified opinion on those statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Randolph County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the

Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance in Accordance
With Uniform Guidance; and the State Single Audit Implementation Act
(Concluded)

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

November 27, 2019

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified	_____	yes	<u> X </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u>	yes	_____	none reported
Noncompliance material to financial statements noted	_____	yes	<u> X </u>	no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified	_____	yes	<u> X </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	_____	yes	<u> X </u>	none reported
Noncompliance material to federal awards	_____	yes	<u> X </u>	no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	<u> X </u>	no
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Identification of major federal programs:

<u>CFDA#</u>	<u>Names of Federal Program or Cluster</u>
84.027, 84.173, 84.323A	Special Education Cluster
84.424	Title IV Student Support & Academic Enrichment

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u>	yes	_____	no
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BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results (Concluded)

State Awards

Internal control over major state programs:

Material weakness(es) identified	_____	yes	<u> X </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	_____	yes	<u> X </u>	none reported
Noncompliance material to state awards	_____	yes	<u> X </u>	no

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

Unmodified

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

_____	yes	<u> X </u>	no
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Identification of major state programs:

Program Name

State Public School Fund

NC Pre-Kindergarten Program

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2019

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiency:

Finding 2018-1: Expenditures Exceeding Appropriations

Criteria: Pursuant to the General Statute 115C- 441(a); “no obligation may be incurred by a local school administrative unit unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.”

Condition: The recording of audit reclassification entries.

Effect: This caused expenditures in the Financial and Human Resources function in the General Fund to exceed budgeted amounts by \$49,683.

Cause: The classification of some transactions to incorrect account.

Recommendation: Management should place a greater focus on monitoring the coding of transactions.

Management Response: The Randolph County Schools agrees with this finding.

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2019

Section III. Findings and Questioned Costs
Related to the Audit of Federal Awards

None Reported.

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

For the Year Ended June 30, 2019

Section IV. Findings and Questioned Costs Related
to the Audit of State Awards

None Reported.



Finance and Budget Division
Todd Lowe, Finance Officer

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randolph.k12.nc.us

BOARD OF EDUCATION OF RANDOLPH COUNTY

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

Finding: 2019-1

Contact Person: Todd Lowe, Finance Officer

Corrective Action: A greater focus will be made to monitor the coding of transactions.

Proposed Completion Date: During the 2019-2020 fiscal year.

BOARD OF EDUCATION OF RANDOLPH COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

2018-01:

Status: Corrected.

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2019

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Total Expenditures
Federal Grants:			
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
Passed through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 615,853
Cash Assistance:			
Passed through the N.C. Department of Public Instruction:			
National School Lunch Program	10.555	PRC 035	4,109,482
Summer Food Service Program	10.559	PRC 050	25,151
School Breakfast Program	10.553	PRC 035	1,544,267
Total Cash Assistance			5,678,900
Total Child Nutrition Cluster			6,294,753
Fresh Fruit and Vegetable Program	10.582	PRC 035	22,716
Total School Nutrition Program (Note 3)			6,317,469
Total U.S. Department of Agriculture			6,317,469
U.S. Department of Education:			
Cash Assistance:			
Office of Elementary and Secondary Education:			
Passed through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies	84.010	PRC 050	4,418,883
Supporting Effective Instruction State Grants	84.367	PRC 103	453,070
Title I Targeted Support and Improvement	84.010	PRC 115	9,377
Title IV Student Support & Academic Enrichment	84.424	PRC 108	229,360
Office of English Language Acquisition:			
Passed through the N.C. Department of Public Instruction:			
Title III, English Language Acquisition	84.365	PRC 104, 111	101,909
Office of Special Education and Rehabilitation Services:			
Passed through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	3,483,606
Special Needs Targeted Assistance	84.027	PRC 118	15,114
Preschool Targeted Assistance	84.173	PRC 119	5,817
Preschool Handicapped	84.173	PRC 049	77,015
Special Ed State Improvement Grant	84.323A	PRC 082	8,248
Total Special Education Cluster			3,589,800
Career and Technical Education -			
Basic Grants to States			
Capacity Building Grant	84.048	PRC 058	49,593
Program Improvement	84.048	PRC 017	252,099
Total Career and Technical Education - Basic Grants to States			301,692
Total U.S. Department of Education			9,104,091
U.S. Department of Health and Human Services:			
Cash Assistance:			
Passed through the N.C. Department of Public Instruction:			
Title V State Abstinence Ed Program	93.235	PRC 101	\$ 71,882

BOARD OF EDUCATION OF RANDOLPH COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Concluded)

For the Year Ended June 30, 2019

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Total Expenditures
Federal Grants (Concluded):			
Other Federal Assistance:			
U.S. Department of Defense:			
Direct Program:			
ROTC	None	PRC 301	\$ 314,463
Total Federal Assistance			<u>15,807,905</u>
State Grants:			
Cash Assistance:			
N.C. Department of Public Instruction:			
State Public School Fund			99,150,716
Driver Training - SPSF		PRC 012	330,873
School Technology Fund - SPSF		PRC 015	364,131
Career and Technical Education:			
State Months of Employment		PRC 013	5,331,848
Program Support Funds		PRC 014	230,786
Kindergarten Breakfast Program			<u>23,910</u>
Total N.C. Department of Public Instruction			<u>105,432,264</u>
N.C. Department of Health and Human Services:			
Passed through the Randolph County			
Partnership for Children:			
NC Pre-Kindergarten Program			<u>745,416</u>
Total N.C. Department of Health and Human Services			<u>745,416</u>
Noncash Assistance:			
N.C. Department of Public Instruction:			
Bus Appropriations		PRC 120	1,209,990
Textbooks		PRC 130	<u>158,358</u>
Total State Assistance			<u>107,546,028</u>
Total Federal and State Assistance			<u>\$ 123,353,933</u>

BOARD OF EDUCATION OF RANDOLPH COUNTY

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2019

Note 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 the Board of Education of Randolph County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Board of Education of Randolph County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board of Education of Randolph County.

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

Board of Education of Randolph County has elected to not 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 N.C. Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition program