



# **Board of Education of Beaufort County Schools**

## **Financial Statements**

Year Ended June 30, 2021



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## Independent Auditors' Report

Board of Education  
Beaufort County Schools  
Washington, NC

### ***Report on the Financial Statements***

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

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

Management is responsible for the preparation and 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.

### ***Auditors' Responsibility***

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

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

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



### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedules of the Board's Proportionate Share of the Net Pension Liability and OPEB Asset and Liability and the Schedules of Board Contributions on pages 50 through 55, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Winston-Salem, NC

October 27, 2021

## Board of Education of Beaufort County Schools Management's Discussion and Analysis

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

### ***Financial Highlights***

- The Board experienced an increase in State funding of \$946 thousand in fiscal year 2020-2021 compared to the \$714 thousand decrease in fiscal year 2019-2020. Further, the Board experienced a \$17.5 million increase in their Federal funds in fiscal year 2020-2021 compared to an increase of \$1.1 million in fiscal year 2019-2020. The increase in both State and Federal Funding for FY2021 are the result of State and Federal monies allocated to schools because of the Coronavirus.
- The County's Current Expense Appropriation (General Fund) decreased \$180 thousand in fiscal year 2020-2021 compared to the \$375 thousand increase in fiscal year 2019-2020.
- The Board experienced an increase in the General Fund Balance of \$604 thousand compared to an increase of \$30 thousand in fiscal year 2019-2020. Though the fund balance appears to have increased significantly, it does not consider the fact that we had two ongoing projects that were not completed at the end of the year. Activity buses were ordered but unable to be delivered and we had an ongoing asbestos project at one of our schools.

### ***Overview of the Financial Statements***

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

- Independent Auditors' Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and budgetary statements for the governmental and proprietary 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 (Deficit) and the Statement of Activities. The Statement of Net Position (Deficit) 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 and deferred outflows of resources and obligations to creditors and deferred inflows of resources. 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, proprietary funds, and fiduciary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### ***Government-wide Statements***

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 (deficit) and how they have changed. Net position (deficit) is the difference between the Board's total of assets and deferred outflows and the total of liabilities and deferred inflows of resources. This is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position (deficit) is an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help it cover the costs of certain services it provides. School food services and childcare services are included here.

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

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund and Restricted Revenues Fund.

Beaufort County Board of Education has three types of funds:

**Governmental funds:** Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of reconciliations, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Restricted Revenues Fund, and the Federal Grants Fund.



## Board of Education of Beaufort County Schools Management's Discussion and Analysis

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The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 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. The Board has two proprietary funds – both enterprise funds - the School Food Service Fund and the Child Care Fund.

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

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Board has one fiduciary fund – the Scholarship Fund, which is under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibit 10 and 11 of this report.

### ***Financial Analysis of the Board as a Whole***

The net deficit is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$32 million as of June 30, 2021. The largest positive component of net deficit is the Board's net investment in capital assets of \$66.3 million. The Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Restricted and unrestricted net position (deficit) amounted to \$1.7 million and (\$100.6) million, respectively. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components has a \$102.1 million negative effect to the Board's overall net deficit.

**Board of Education of Beaufort County Schools  
Management's Discussion and Analysis**

Following is a summary of the Statement of Net Position (Deficit):

**Table 1  
Condensed Statement of Net Position (Deficit)  
as of June 30, 2021 and 2020**

|                                  | <b>Governmental Activities</b> |                       | <b>Business-Type Activities</b> |                    | <b>Total Primary Government</b> |                       |
|----------------------------------|--------------------------------|-----------------------|---------------------------------|--------------------|---------------------------------|-----------------------|
|                                  | <b>2021</b>                    | <b>2020</b>           | <b>2021</b>                     | <b>2020</b>        | <b>2021</b>                     | <b>2020</b>           |
| Current assets                   | \$ 8,003,162                   | \$ 6,374,205          | \$ 1,610,794                    | \$ 1,912,287       | \$ 9,613,956                    | \$ 8,286,492          |
| Capital assets                   | 67,014,693                     | 68,869,264            | 680,893                         | 759,093            | 67,695,586                      | 69,628,357            |
| Total assets                     | 75,017,855                     | 75,243,469            | 2,291,687                       | 2,671,380          | 77,309,542                      | 77,914,849            |
| Deferred outflows of resources   | 17,370,124                     | 17,011,764            | 521,583                         | 555,113            | 17,891,707                      | 17,566,877            |
| Current liabilities              | 5,075,234                      | 5,141,272             | 193,214                         | 226,517            | 5,268,448                       | 5,367,789             |
| Long-term liabilities            | 87,045,972                     | 93,153,249            | 2,617,514                       | 3,018,406          | 89,663,486                      | 96,171,655            |
| Total liabilities                | 92,121,206                     | 98,294,521            | 2,810,728                       | 3,244,923          | 94,931,934                      | 101,539,444           |
| Deferred inflows of resources    | 31,341,409                     | 29,227,143            | 932,967                         | 951,329            | 32,274,376                      | 30,178,472            |
| Net investment in capital assets | 66,259,987                     | 67,991,116            | 680,893                         | 759,093            | 66,940,880                      | 68,750,209            |
| Restricted net position          | 1,656,721                      | 1,368,108             | 3,134                           | 3,061              | 1,659,855                       | 1,371,169             |
| Unrestricted net deficit         | (98,991,344)                   | (104,625,655)         | (1,614,452)                     | (1,731,913)        | (100,605,796)                   | (106,357,568)         |
| Total net deficit                | <u>\$(31,074,636)</u>          | <u>\$(35,266,431)</u> | <u>\$(930,425)</u>              | <u>\$(969,759)</u> | <u>\$(32,005,061)</u>           | <u>\$(36,236,190)</u> |

The net deficit of governmental activities decreased from \$35.3 million at June 30, 2020 to \$31.1 million at June 30, 2021, an decrease of approximately \$4.2 million. The Board's net investment in capital assets decreased by \$1.7 million during the year due primarily to depreciation expense in excess of capital outlay. Restricted net position increased by \$289 thousand due to an increase of \$272 thousand for school capital outlay. The unrestricted net deficit decreased by \$5.6 million a result of the changes in the proportionate share of the Teachers' and State Employees' Retirement System plan net pension liability as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources. Restrictions to net position are related to stabilization by state statute, reserves for the Disability Income Plan of North Carolina and reserves for individual schools. The Board does not believe there are any other restrictions, commitments, or other limitations that will significantly affect fund resources for future use.

The net deficit of business-type activities decreased \$39 thousand from \$(970) thousand at June 30, 2020 to \$(930) thousand at June 30, 2021. This decrease compared to the prior year is primarily related to the closing of the child care service program which contributed \$19 thousand in additional net deficit in the prior year.

**Board of Education of Beaufort County Schools  
Management's Discussion and Analysis**

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

**Table 2  
Condensed Statement of Activities  
For the Fiscal Years Ended June 30, 2021 & 2020**

|   | <b>Governmental Activities</b> |                        | <b>Business-Type Activities</b> |                     | <b>Total Primary Government</b> |                        |
|---|--------------------------------|------------------------|---------------------------------|---------------------|---------------------------------|------------------------|
|   | <b>2021</b>                    | <b>2020</b>            | <b>2021</b>                     | <b>2020</b>         | <b>2021</b>                     | <b>2020</b>            |
| Revenues:                                     |                                |                        |                                 |                     |                                 |                        |
| <b>Program revenues:</b>                      |                                |                        |                                 |                     |                                 |                        |
| Charges for services                          | \$ 486,263                     | \$ 707,425             | \$ 24,820                       | \$ 200,559          | \$ 511,083                      | \$ 907,984             |
| Operating grants and contributions            | 53,338,638                     | 48,258,349             | 3,510,554                       | 4,370,858           | 56,849,192                      | 52,629,207             |
| Capital grants and contributions              | 504,454                        | 495,465                | -                               | -                   | 504,454                         | 495,465                |
| <b>General revenues:</b>                      |                                |                        |                                 |                     |                                 |                        |
| Unrestricted state and federal appropriations | 1,076,509                      | 1,210,307              | -                               | -                   | 1,076,509                       | 1,210,307              |
| Unrestricted county appropriations            | 15,858,018                     | 15,882,835             | -                               | -                   | 15,858,018                      | 15,882,835             |
| Other revenues                                | 2,016,281                      | 1,152,817              | 34,661                          | 20,730              | 2,050,942                       | 1,173,547              |
| Total revenues                                | <u>73,280,163</u>              | <u>67,707,198</u>      | <u>3,570,035</u>                | <u>4,592,147</u>    | <u>76,850,198</u>               | <u>72,299,345</u>      |
| Expenses:                                     |                                |                        |                                 |                     |                                 |                        |
| <b>Governmental activities:</b>               |                                |                        |                                 |                     |                                 |                        |
| Instructional services                        | 51,010,387                     | 49,786,076             | -                               | -                   | 51,010,387                      | 49,786,076             |
| System-wide support services                  | 14,239,082                     | 14,437,454             | -                               | -                   | 14,239,082                      | 14,437,454             |
| Ancillary services                            | 158,587                        | 507,510                | -                               | -                   | 158,587                         | 507,510                |
| Non-programmed charges                        | 950,194                        | 894,413                | -                               | -                   | 950,194                         | 894,413                |
| Unallocated depreciation expense              | 2,501,132                      | 2,447,783              | -                               | -                   | 2,501,132                       | 2,447,783              |
| <b>Business-type activities:</b>              |                                |                        |                                 |                     |                                 |                        |
| School food service                           | -                              | -                      | 3,752,397                       | 3,923,017           | 3,752,397                       | 3,923,017              |
| Child care                                    | -                              | -                      | 7,290                           | 122,364             | 7,290                           | 122,364                |
| Total expenses                                | <u>68,859,382</u>              | <u>68,073,236</u>      | <u>3,759,687</u>                | <u>4,045,381</u>    | <u>72,619,069</u>               | <u>72,118,617</u>      |
| Transfers in (out)                            | <u>(228,986)</u>               | <u>(16,232)</u>        | <u>228,986</u>                  | <u>16,232</u>       | <u>-</u>                        | <u>-</u>               |
| Increase (decrease) in net position           | 4,191,795                      | (382,270)              | 39,334                          | 562,998             | 4,231,129                       | 180,728                |
| Net deficit, beginning                        | <u>(35,266,431)</u>            | <u>(34,884,161)</u>    | <u>(969,759)</u>                | <u>(1,532,757)</u>  | <u>(36,236,190)</u>             | <u>(36,416,918)</u>    |
| Net deficit, ending                           | <u>\$ (31,074,636)</u>         | <u>\$ (35,266,431)</u> | <u>\$ (930,425)</u>             | <u>\$ (969,759)</u> | <u>\$ (32,005,061)</u>          | <u>\$ (36,236,190)</u> |

During the year ended June 30, 2021, governmental activities generated revenues of \$73.3 million, incurred expenses of \$68.9 million, and had transfers out of \$229 thousand, resulting in the aforementioned decrease in net deficit for these activities of \$4.2 million. Overall, revenues were up by \$5.6 million when compared to the prior year, while expenses increased \$786 thousand. The increase in revenues is primarily the result of an increase in operating grants and contributions of \$5.1 million. Primary sources of revenue were funding from the State of North Carolina, Beaufort County, and the United States government, which respectively comprised 63.3%, 21.9%, and 12.4% of our revenues. As would be expected, the major component of the Board's expenses were instructional services, which accounted for 75.7% of our total during the most recent fiscal year. Of the remaining

## Board of Education of Beaufort County Schools Management's Discussion and Analysis

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expenses, 19.5% was attributable to system-wide support services. To assist the Board in mitigating the increased cost of education during the COVID-19 pandemic, the Board received and expended \$1.1 million and \$2.4 million, respectively, in funding from the federal government through the Coronavirus Relief Fund and Education Stabilization Fund.

Business-type activities generated revenues of \$3.6 million and incurred expenses of \$3.8 million resulting in a decrease in net deficit of \$39 thousand after transfers in of \$229 thousand for the year ended June 30, 2021. This represents an decrease of \$524 thousand over the prior year decrease in net deficit of \$563 thousand. This decrease in net deficit compared to the prior year is primarily related to the closing of the Child Care Fund which contributed \$19 thousand in additional net deficit in the prior year as well as the impacts of the COVID-19 pandemic on the School Food Service Fund.

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

**Governmental funds:** The focus of the Board'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 \$4.6 million at June 30, 2021, a \$1.7 million increase when compared to the prior year. Overall, total revenues increased by \$4.7 million, or 6.9%, compared to the prior year while total expenditures increased by \$3.6 million, or 5.3%.

For the fiscal year ended June 30, 2021, the Board's General Fund and the Other Special Revenues Fund experienced an increase in fund balance of \$604 thousand and \$747 thousand, respectively. Specifically related to the General Fund, County revenues during this same period decreased by (\$180) thousand to \$14.6 million. Expenditures in the General fund decreased \$971 thousand related to a decrease in operational support costs of \$491 thousand and a decrease in financial and human resources of \$389 thousand. The Other Special Revenues Fund recognized a decrease in total revenues of (\$47) thousand when compared to the prior year. During the same period, the Board experienced an increase in expenditures of \$9 thousand.

The Board's State Public School Fund and Federal Grants Fund recognized changes in revenues of \$2.8 million or 6.7% and \$2.2 million or 40.3%, respectively. The increase in the State Public School Fund are attributable to increasing costs of education. The increased in Federal Grants Fund are attributable to increases in the Education Stabilization and relief funds related to the COVID-19 Pandemic.

The Board's Individual Schools Fund and Capital Outlay Fund had a net change in fund balance of \$56 thousand and \$272 thousand, respectively. In comparison to the prior year, the Individual Schools fund and Capital Outlay Fund had a net change of \$3 thousand and \$147 thousand, respectively. Revenues in the Capital Outlay Fund increased by \$124 thousand, or 7.4%. This increase was related additional County funds of \$155 thousand received in the current year that were not received in the prior year. Capital Outlay Fund expenditures also decreased by \$218 thousand in the current year.

**Proprietary funds:** The Board's business-type funds, the School Food Service Fund and the Child Care Fund, generated a change in net position (deficit) in the current year of \$(182) thousand and \$222 thousand, respectively. This increase in net deficit compared to the prior year is primarily related to the closing of the child care services program which contributed \$103 thousand in revenue in the prior year.

### ***General Fund Budgetary Highlights***

Over the course of the year, the Board revised the General Fund budget several times to account for changes in revenue expectations and program allocations. Total budgeted revenues and total budgeted expenditures remained relatively consistent with minor shifts between Instructional Services expenditures and System-Wide

**Board of Education of Beaufort County Schools  
Management's Discussion and Analysis**

Support Services expenditures. The primary reason for these changes were to redistribute the use of County appropriations for current year activities of the Board.

**Capital Assets**

During the fiscal year ended June 30, 2021, capital assets, net of accumulated depreciation, decreased by \$1.9 million for governmental activities and decreased by \$78 thousand for business-type activities, compared to the prior year. During the year, the Board acquired \$1.1 million in equipment and vehicles for governmental activities and \$16 thousand for business-type activities. Total depreciation charges for the year ended June 30, 2021 was \$2.9 million for governmental activities. Total depreciation charges for the year ended June 30, 2021 was \$94 thousand for business-type activities. For more detailed information, please see Capital Assets in Note 2 in the accompanying notes to the financial statements.

**Table 3  
Summary of Capital Assets  
as of June 30, 2021 and 2020**

|                            | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                   | <b>Total Primary Government</b> |                      |
|----------------------------|--------------------------------|----------------------|---------------------------------|-------------------|---------------------------------|----------------------|
|                            | <b>2021</b>                    | <b>2020</b>          | <b>2021</b>                     | <b>2020</b>       | <b>2021</b>                     | <b>2020</b>          |
| Land                       | \$ 1,178,555                   | \$ 1,178,555         | \$ -                            | \$ -              | \$ 1,178,555                    | \$ 1,178,555         |
| Buildings and improvements | 60,858,992                     | 62,912,409           | 76,842                          | 81,747            | 60,935,834                      | 62,994,156           |
| Equipment and furniture    | 2,008,955                      | 1,737,599            | 604,051                         | 677,346           | 2,613,006                       | 2,414,945            |
| Vehicles                   | 2,968,191                      | 3,040,701            | -                               | -                 | 2,968,191                       | 3,040,701            |
| Total                      | <u>\$ 67,014,693</u>           | <u>\$ 68,869,264</u> | <u>\$ 680,893</u>               | <u>\$ 759,093</u> | <u>\$ 67,695,586</u>            | <u>\$ 69,628,357</u> |

**Debt Outstanding**

For the year ended June 30, 2021, the Board's debt related to installment purchases had a net decrease of \$(123) thousand due to continued payments on school bus leases in the current period in excess of new school buses received. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. For more detailed information, please see Long-Term Obligations in Note 2 in the accompanying notes to the financial statements.

**Economic Factors**

- The student population has continued to decline over the past several years. As of August 2021, the K-12 student average daily membership was 5,773, compared to 5,932 in the previous year. A large portion of this decrease can be attributed to the Coronavirus.
- Beaufort County's unemployment rate decreased from 6.5% in June 2020 to 4.7% in June 2021. Whereas the State's unemployment rate for July 2021 was at 4.6%.
- Beaufort County Schools' saw an increase in state allotments from \$42.8 million in fiscal year 2020 to \$45 million in fiscal year 2021. However, \$1.1 million was CFR Funds related to the Coronavirus, leaving a deficit in allotments to cover cost of living increases from the prior year.
- The Coronavirus continues to be an ongoing problem for Beaufort County Schools. We have encountered problems receiving needed materials and supplies in timely manner because of supply and demand problems across the nation. Since the start of the pandemic, we have experienced issues with employing qualified applicants to meet the learning loss needs of our students.

**Board of Education of Beaufort County Schools  
Management's Discussion and Analysis**

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***Requests for Information***

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

Mack Carawan, Finance Officer  
Board of Education of Beaufort County Schools  
321 Smaw Road  
Washington, NC 27889

Board of Education of Beaufort County Schools  
Statement of Net Position (Deficit)  
June 30, 2021

Exhibit 1

|   | Primary Government         |                             |                 |
|---|----------------------------|-----------------------------|-----------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total           |
| <b>ASSETS</b>                             |                            |                             |                 |
| Cash and cash equivalents                 | \$ 5,608,150               | \$ 1,339,099                | \$ 6,947,249    |
| Due from other governments                | 2,159,491                  | 148,743                     | 2,308,234       |
| Receivables                               | 61,233                     | 3,441                       | 64,674          |
| Net OPEB asset                            | 101,497                    | 3,134                       | 104,631         |
| Internal balances                         | 72,791                     | (72,791)                    | -               |
| Inventories                               | -                          | 189,168                     | 189,168         |
| Capital assets:                           |                            |                             |                 |
| Land and improvements                     | 1,178,555                  | -                           | 1,178,555       |
| Other capital assets, net of depreciation | 65,836,138                 | 680,893                     | 66,517,031      |
| Total capital assets                      | 67,014,693                 | 680,893                     | 67,695,586      |
| Total assets                              | 75,017,855                 | 2,291,687                   | 77,309,542      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     | 17,370,124                 | 521,583                     | 17,891,707      |
| <b>LIABILITIES</b>                        |                            |                             |                 |
| Accounts payable and accrued expenses     | 102,736                    | 53,567                      | 156,303         |
| Accrued salaries and wages payable        | 2,301,834                  | 17,758                      | 2,319,592       |
| Unearned revenue                          | -                          | 8,918                       | 8,918           |
| Long-term liabilities:                    |                            |                             |                 |
| Due within one year                       | 2,670,664                  | 112,971                     | 2,783,635       |
| Due in more than one year                 | 87,045,972                 | 2,617,514                   | 89,663,486      |
| Total liabilities                         | 92,121,206                 | 2,810,728                   | 94,931,934      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      | 31,341,409                 | 932,967                     | 32,274,376      |
| <b>NET POSITION (DEFICIT)</b>             |                            |                             |                 |
| Net investment in capital assets          | 66,259,987                 | 680,893                     | 66,940,880      |
| Restricted for:                           |                            |                             |                 |
| Stabilization by State Statute            | 134,024                    | -                           | 134,024         |
| School Capital Outlay                     | 660,764                    | -                           | 660,764         |
| Individual Schools                        | 760,436                    | -                           | 760,436         |
| DIPNC OPEB plan                           | 101,497                    | 3,134                       | 104,631         |
| Unrestricted                              | (98,991,344)               | (1,614,452)                 | (100,605,796)   |
| Total net deficit                         | \$ (31,074,636)            | \$ (930,425)                | \$ (32,005,061) |

**Board of Education of Beaufort County Schools**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 2**

| Functions/Programs  | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                 |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                 |
|   |                  |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total           |
| Primary government:   |                  |                      |                                    |                                  |   |                          |                 |
| Governmental activities:  |                  |                      |                                    |                                  |   |                          |                 |
| Instructional services:   |                  |                      |                                    |                                  |   |                          |                 |
| Regular instructional   | \$ 28,904,249    | \$ -                 | \$ 28,049,041                      | \$ -                             | \$ (855,208)                                      | \$ -                     | \$ (855,208)    |
| Special populations   | 6,601,006        | -                    | 6,700,176                          | -                                | 99,170  | -                        | 99,170          |
| Alternative programs  | 5,809,510        | -                    | 5,336,753                          | -                                | (472,757)   | -                        | (472,757)       |
| School leadership   | 3,643,028        | -                    | 2,193,540                          | -                                | (1,449,488)                                       | -                        | (1,449,488)     |
| Co-curricular   | 729,771          | 483,438              | 404                                | -                                | (245,929)   | -                        | (245,929)       |
| School-based support  | 5,322,823        | -                    | 3,975,946                          | -                                | (1,346,877)                                       | -                        | (1,346,877)     |
| System-wide support services:   |                  |                      |                                    |                                  |   |                          |                 |
| Support and development   | 576,644          | -                    | 361,577                            | -                                | (215,067)   | -                        | (215,067)       |
| Special population support and development  | 401,599          | -                    | 403,489                            | -                                | 1,890   | -                        | 1,890           |
| Alternative programs and services support and development                                   | 428,320          | -                    | 274,856                            | -                                | (153,464)   | -                        | (153,464)       |
| Technology support  | 923,087          | -                    | 308,127                            | -                                | (614,960)   | -                        | (614,960)       |
| Operational support   | 10,270,797       | 2,825                | 4,386,373                          | 504,454                          | (5,377,145)                                       | -                        | (5,377,145)     |
| Financial and human resource  | 1,112,445        | -                    | 731,342                            | -                                | (381,103)   | -                        | (381,103)       |
| Accountability  | 11,461           | -                    | -                                  | -                                | (11,461)  | -                        | (11,461)        |
| Policy, leadership, and public relations  | 514,729          | -                    | 244,169                            | -                                | (270,560)   | -                        | (270,560)       |
| Ancillary services  | 158,587          | -                    | 146,789                            | -                                | (11,798)  | -                        | (11,798)        |
| Non-programmed charges  | 950,194          | -                    | 226,056                            | -                                | (724,138)   | -                        | (724,138)       |
| Unallocated depreciation expense, excluding direct depreciation expense charged to programs | 2,501,132        | -                    | -                                  | -                                | (2,501,132)                                       | -                        | (2,501,132)     |
| Total governmental activities   | 68,859,382       | 486,263              | 53,338,638                         | 504,454                          | (14,530,027)                                      | -                        | (14,530,027)    |
| Business-type activities:   |                  |                      |                                    |                                  |   |                          |                 |
| School food service   | 3,752,397        | 24,820               | 3,510,554                          | -                                | -   | (217,023)                | (217,023)       |
| Child care  | 7,290            | -                    | -                                  | -                                | -   | (7,290)                  | (7,290)         |
| Total business-type activities  | 3,759,687        | 24,820               | 3,510,554                          | -                                | -   | (224,313)                | (224,313)       |
| Total primary government  | \$ 72,619,069    | \$ 511,083           | \$ 56,849,192                      | \$ 504,454                       | (14,530,027)                                      | (224,313)                | (14,754,340)    |
| General revenues:   |                  |                      |                                    |                                  |   |                          |                 |
| Unrestricted county appropriations - operating  |                  |                      |                                    |                                  | 14,587,140  | -                        | 14,587,140      |
| Unrestricted county appropriations - capital  |                  |                      |                                    |                                  | 1,270,878   | -                        | 1,270,878       |
| Unrestricted State and Federal appropriations - operating                                   |                  |                      |                                    |                                  | 1,076,509   | -                        | 1,076,509       |
| Investment earnings, unrestricted   |                  |                      |                                    |                                  | 8,613   | 2,617                    | 11,230          |
| State OPEB contribution - non-capital   |                  |                      |                                    |                                  | 974,352   | 27,283                   | 1,001,635       |
| Miscellaneous, unrestricted   |                  |                      |                                    |                                  | 1,033,316   | 4,761                    | 1,038,077       |
| Total general revenues and transfers  |                  |                      |                                    |                                  | 18,950,808  | 34,661                   | 18,985,469      |
| Transfers in (out)  |                  |                      |                                    |                                  | (228,986)   | 228,986                  | -               |
| Total general revenues and transfers  |                  |                      |                                    |                                  | 18,721,822  | 263,647                  | 18,985,469      |
| Change in net deficit   |                  |                      |                                    |                                  | 4,191,795   | 39,334                   | 4,231,129       |
| Net deficit, beginning  |                  |                      |                                    |                                  | (35,266,431)                                      | (969,759)                | (36,236,190)    |
| Net deficit, ending   |                  |                      |                                    |                                  | \$ (31,074,636)                                   | \$ (930,425)             | \$ (32,005,061) |

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



**Board of Education of Beaufort County Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

**Exhibit 3**

|  | Major Funds         |                        |                        |                   |                       |                           | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------|------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
|  | General             | State Public<br>School | Federal<br>Grants Fund | Capital Outlay    | Individual<br>Schools | Other Special<br>Revenues |                                |
| <b>ASSETS</b>                            |                     |                        |                        |                   |                       |                           |                                |
| Cash and cash equivalents                | \$ 1,880,903        | \$ -                   | \$ -                   | \$ 675,511        | \$ 766,711            | \$ 2,285,025              | \$ 5,608,150                   |
| Accounts receivable                      | 48,203              | -                      | -                      | -                 | 4,608                 | 8,422                     | 61,233                         |
| Due from other governments               | -                   | 1,949,513              | 209,978                | -                 | -                     | -                         | 2,159,491                      |
| Due from other funds                     | 72,791              | -                      | -                      | -                 | -                     | -                         | 72,791                         |
| Total assets                             | <u>\$ 2,001,897</u> | <u>\$ 1,949,513</u>    | <u>\$ 209,978</u>      | <u>\$ 675,511</u> | <u>\$ 771,319</u>     | <u>\$ 2,293,447</u>       | <u>\$ 7,901,665</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>     |                     |                        |                        |                   |                       |                           |                                |
| Liabilities:                             |                     |                        |                        |                   |                       |                           |                                |
| Accounts payable and accrued liabilities | \$ 81,538           | \$ -                   | \$ -                   | \$ 14,747         | \$ 6,275              | \$ 176                    | \$ 102,736                     |
| Accrued salaries and wages payable       | 83,330              | 1,949,513              | 209,978                | -                 | -                     | 59,013                    | 2,301,834                      |
| Total liabilities                        | <u>164,868</u>      | <u>1,949,513</u>       | <u>209,978</u>         | <u>14,747</u>     | <u>6,275</u>          | <u>59,189</u>             | <u>2,404,570</u>               |
| Fund balances:                           |                     |                        |                        |                   |                       |                           |                                |
| Restricted:                              |                     |                        |                        |                   |                       |                           |                                |
| Stabilization by State Statute           | 120,994             | -                      | -                      | -                 | 4,608                 | 8,422                     | 134,024                        |
| School Capital Outlay                    | -                   | -                      | -                      | 660,764           | -                     | -                         | 660,764                        |
| Individual Schools                       | -                   | -                      | -                      | -                 | 760,436               | -                         | 760,436                        |
| Assigned:                                |                     |                        |                        |                   |                       |                           |                                |
| Subsequent years expenditures            | 180,860             | -                      | -                      | -                 | -                     | -                         | 180,860                        |
| Other special programs                   | -                   | -                      | -                      | -                 | -                     | 2,225,836                 | 2,225,836                      |
| Unassigned                               | 1,535,175           | -                      | -                      | -                 | -                     | -                         | 1,535,175                      |
| Total fund balances                      | <u>1,837,029</u>    | <u>-</u>               | <u>-</u>               | <u>660,764</u>    | <u>765,044</u>        | <u>2,234,258</u>          | <u>5,497,095</u>               |
| Total liabilities and fund balances      | <u>\$ 2,001,897</u> | <u>\$ 1,949,513</u>    | <u>\$ 209,978</u>      | <u>\$ 675,511</u> | <u>\$ 771,319</u>     | <u>\$ 2,293,447</u>       |                                |

Amounts reported for governmental activities in the Statement of Net Position (Deficit)

(Exhibit 1) are different because:

|  |              |
|--|--------------|
| Net OPEB asset   | 101,497      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds   | 67,014,693   |
| Deferred outflows of resources related to pensions   | 11,180,612   |
| Deferred outflows of resources related to OPEB   | 6,189,512    |
| Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds | (4,528,393)  |
| Net pension liability  | (28,468,934) |
| Net OPEB liability   | (56,719,309) |
| Deferred inflows of resources related to pensions  | (518,202)    |
| Deferred inflows of resources related to OPEB  | (30,823,207) |

Net deficit of governmental activities \$ (31,074,636)

**Board of Education of Beaufort County Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 4**

|   | Major Funds  |                     |                     |                |                    |                        | Total Governmental Funds |
|---|--------------|---------------------|---------------------|----------------|--------------------|------------------------|--------------------------|
|   | General      | State Public School | Federal Grants Fund | Capital Outlay | Individual Schools | Other Special Revenues |                          |
| Revenues:   |              |                     |                     |                |                    |                        |                          |
| Intergovernmental:  |              |                     |                     |                |                    |                        |                          |
| State of North Carolina                                   | \$ -         | \$ 44,452,390       | \$ -                | \$ 504,454     | \$ -               | \$ 963,997             | \$ 45,920,841            |
| Beaufort County   |              |                     |                     |                |                    |                        |                          |
| Local current expense                                     | 14,587,140   | -                   | -                   | -              | -                  | -                      | 14,587,140               |
| Other   | -            | -                   | -                   | 1,270,878      | -                  | -                      | 1,270,878                |
| U.S. Government   | -            | 1,095,765           | 7,790,483           | -              | -                  | 112,512                | 8,998,760                |
| Other   | 324,201      | -                   | -                   | 14,497         | 483,438            | 932,112                | 1,754,248                |
| Total revenues  | 14,911,341   | 45,548,155          | 7,790,483           | 1,789,829      | 483,438            | 2,008,621              | 72,531,867               |
| Expenditures:   |              |                     |                     |                |                    |                        |                          |
| Current:  |              |                     |                     |                |                    |                        |                          |
| Instructional services:                                   |              |                     |                     |                |                    |                        |                          |
| Regular instructional                                     | 2,383,939    | 26,706,390          | 1,342,651           | -              | -                  | 207,619                | 30,640,599               |
| Special populations                                       | 257,100      | 4,756,401           | 1,943,775           | -              | -                  | 49,310                 | 7,006,586                |
| Alternative programs                                      | 145,593      | 2,097,639           | 3,239,114           | -              | -                  | 606,322                | 6,088,668                |
| School leadership   | 1,690,838    | 2,108,571           | 84,969              | -              | -                  | 4,897                  | 3,889,275                |
| Co-curricular   | 347,501      | -                   | 404                 | -              | 390,375            | 11,182                 | 749,462                  |
| School-based support                                      | 1,179,857    | 3,689,930           | 286,016             | -              | -                  | 437,037                | 5,592,840                |
| System-wide support services:                             |              |                     |                     |                |                    |                        |                          |
| Support and development                                   | 248,886      | 341,142             | 20,435              | -              | -                  | -                      | 610,463                  |
| Special population support and development                | 25,726       | 301,608             | 101,881             | -              | -                  | -                      | 429,215                  |
| Alternative programs and services support and development | 182,537      | 126,019             | 148,837             | -              | -                  | -                      | 457,393                  |
| Technology support  | 657,147      | 290,667             | 17,460              | -              | -                  | 3,027                  | 968,301                  |
| Operational support                                       | 5,317,099    | 4,133,022           | 253,351             | -              | 1,176              | 7,435                  | 9,712,083                |
| Financial and human resources                             | 439,422      | 711,497             | 19,845              | -              | 458                | -                      | 1,171,222                |
| Accountability  | 11,616       | -                   | -                   | -              | -                  | -                      | 11,616                   |
| System-wide pupil support                                 | -            | -                   | -                   | -              | -                  | -                      | -                        |
| Policy, leadership, and public relations                  | 292,605      | 240,289             | 3,880               | -              | -                  | -                      | 536,774                  |
| Ancillary Services  | 11,122       | 44,980              | 101,809             | -              | -                  | 12,306                 | 170,217                  |
| Non-programmed charges                                    | 950,194      | -                   | 226,056             | -              | -                  | -                      | 1,176,250                |
| Debt service:   |              |                     |                     |                |                    |                        |                          |
| Principal   | -            | -                   | -                   | 504,454        | -                  | -                      | 504,454                  |
| Capital outlay:   |              |                     |                     |                |                    |                        |                          |
| Real property and buildings                               | -            | -                   | -                   | 729,326        | -                  | -                      | 729,326                  |
| Furnishings and equipment                                 | -            | -                   | -                   | 382,325        | -                  | -                      | 382,325                  |
| Vehicles and other  | -            | -                   | -                   | 444,308        | -                  | -                      | 444,308                  |
| Total expenditures  | 14,141,182   | 45,548,155          | 7,790,483           | 2,060,413      | 392,009            | 1,339,135              | 71,271,377               |
| Revenues over (under) expenditures                        | 770,159      | -                   | -                   | (270,584)      | 91,429             | 669,486                | 1,260,490                |
| Other financing sources (uses):                           |              |                     |                     |                |                    |                        |                          |
| Transfers from (to) other funds                           | (165,905)    | -                   | -                   | 161,108        | (35,582)           | 77,490                 | 37,111                   |
| Installment purchase obligations issued                   | -            | -                   | -                   | 381,012        | -                  | -                      | 381,012                  |
| Net changes in fund balance                               | 604,254      | -                   | -                   | 271,536        | 55,847             | 746,976                | 1,678,613                |
| Fund balances:  |              |                     |                     |                |                    |                        |                          |
| Beginning of year   | 1,232,775    | -                   | -                   | 389,228        | 709,197            | 1,487,282              | 2,914,842                |
| End of year   | \$ 1,837,029 | \$ -                | \$ -                | \$ 660,764     | \$ 765,044         | \$ 2,234,258           | \$ 4,593,455             |

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

**Board of Education of Beaufort County Schools**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 5**

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

|  |                            |
|--|----------------------------|
| Net changes in fund balances - total governmental funds  | \$ 1,678,613               |
| 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.   | (1,854,571)                |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   | 5,505,768                  |
| Contributions to the OPEB plans in the current fiscal year are not included in the Statement of Activities   | 2,521,925                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                            |
| State OPEB contribution  | 974,352                    |
| Net OPEB benefit   | 2,559,738                  |
| 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 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. | 123,442                    |
| 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.  |                            |
| Transfer of deferred inflows, deferred outflows, pension, OPEB, and compensated absence liabilities from the Child Care Fund to governmental activities  | (266,097)                  |
| Compensated absences   | 903,969                    |
| Pension expense  | (7,955,344)                |
| Total changes in net position (deficit) of governmental activities   | <u><u>\$ 4,191,795</u></u> |

Board of Education of Beaufort County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 6  
Page 1 of 4

|                                    | General Fund       |                   |                     | Variance with<br>final budget<br>positive<br>(negative) |
|------------------------------------|--------------------|-------------------|---------------------|---|
|                                    | Original<br>Budget | Final<br>Budget   | Actual              |   |
| Revenues:                          |                    |                   |                     |   |
| Intergovernmental:                 |                    |                   |                     |   |
| State of North Carolina            | \$ -               | \$ -              | \$ -                | \$ -  |
| Beaufort County                    | 14,632,140         | 14,587,140        | 14,587,140          | -   |
| U.S. Government                    | -                  | -                 | -                   | -   |
| Other                              | 342,140            | 324,201           | 324,201             | -   |
|                                    | <u>14,974,280</u>  | <u>14,911,341</u> | <u>14,911,341</u>   | <u>-</u>  |
| Expenditures:                      |                    |                   |                     |   |
| Current:                           |                    |                   |                     |   |
| Instructional services             | 5,739,630          | 6,611,727         | 6,004,828           | 606,899   |
| System-wide support services       | 8,280,113          | 7,172,393         | 7,175,038           | (2,645)   |
| Ancillary services                 | 4,973              | 11,122            | 11,122              | -   |
| Non-programmed charges             | 932,564            | 950,194           | 950,194             | -   |
|                                    | <u>14,957,280</u>  | <u>14,745,436</u> | <u>14,141,182</u>   | <u>604,254</u>  |
| Total expenditures                 |                    |                   |                     |   |
|                                    | <u>14,957,280</u>  | <u>14,745,436</u> | <u>14,141,182</u>   | <u>604,254</u>  |
| Revenues over (under) expenditures | 17,000             | 165,905           | 770,159             | 604,254   |
| Other financing uses:              |                    |                   |                     |   |
| Transfers to other funds           | (17,000)           | (165,905)         | (165,905)           | -   |
| Fund balance appropriated          | <u>-</u>           | <u>-</u>          | <u>-</u>            | <u>-</u>  |
| Net change in fund balance         | <u>\$ -</u>        | <u>\$ -</u>       | 604,254             | <u>\$ 604,254</u>                                       |
| Fund balances:                     |                    |                   |                     |   |
| Beginning of year                  |                    |                   | <u>1,232,775</u>    |   |
| End of year                        |                    |                   | <u>\$ 1,837,029</u> |   |

Board of Education of Beaufort County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 6  
Page 2 of 4

|                                    | Other Special Revenues Fund |                 |              | Variance with<br>final budget<br>positive<br>(negative) |
|------------------------------------|-----------------------------|-----------------|--------------|---|
|                                    | Original<br>Budget          | Final<br>Budget | Actual       |   |
| Revenues:                          |                             |                 |              |   |
| Intergovernmental:                 |                             |                 |              |   |
| State of North Carolina            | \$ -                        | \$ 963,997      | \$ 963,997   | \$ -  |
| Beaufort County                    | -                           | -               | -            | -   |
| U.S. Government                    | -                           | 148,389         | 112,512      | (35,877)  |
| Other                              | -                           | 1,688,207       | 932,112      | (756,095)   |
|                                    | -                           | 2,800,593       | 2,008,621    | (791,972)   |
| Expenditures:                      |                             |                 |              |   |
| Current:                           |                             |                 |              |   |
| Instructional services             | -                           | 3,000,779       | 1,316,367    | 1,684,412   |
| System-wide support services       | -                           | 42,444          | 10,462       | 31,982  |
| Ancillary services                 | -                           | 16,935          | 12,306       | 4,629   |
| Non-programmed charges             | -                           | 367,516         | -            | 367,516   |
| Total expenditures                 | -                           | 3,427,674       | 1,339,135    | 2,088,539   |
| Revenues over (under) expenditures | -                           | (627,081)       | 669,486      | 1,296,567   |
| Other financing uses:              |                             |                 |              |   |
| Transfers to other funds           | -                           | 77,490          | 77,490       | -   |
| Fund balance appropriated          | -                           | 549,591         | -            | (549,591)   |
| Net change in fund balance         | \$ -                        | \$ -            | 746,976      | \$ 746,976  |
| Fund balances:                     |                             |                 |              |   |
| Beginning of year                  |                             |                 | 1,487,282    |   |
| End of year                        |                             |                 | \$ 2,234,258 |   |

Board of Education of Beaufort County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 6  
Page 3 of 4

|                                    | State Public School Fund |                   |                   | Variance with<br>final budget<br>positive<br>(negative) |
|------------------------------------|--------------------------|-------------------|-------------------|---|
|                                    | Original<br>Budget       | Final<br>Budget   | Actual            |   |
| Revenues:                          |                          |                   |                   |   |
| Intergovernmental:                 |                          |                   |                   |   |
| State of North Carolina            | \$ 43,212,755            | \$ 45,069,076     | \$ 44,452,390     | \$ (616,686)  |
| Beaufort County                    | -                        | -                 | -                 | -   |
| U.S. Government                    | -                        | 1,095,784         | 1,095,765         | (19)  |
| Other                              | -                        | -                 | -                 | -   |
|                                    | <u>43,212,755</u>        | <u>46,164,860</u> | <u>45,548,155</u> | <u>(616,705)</u>  |
| Expenditures:                      |                          |                   |                   |   |
| Current:                           |                          |                   |                   |   |
| Instructional services             | 38,354,204               | 39,922,059        | 39,358,931        | 563,128   |
| System-wide support services       | 4,811,924                | 6,197,821         | 6,144,244         | 53,577  |
| Ancillary services                 | 46,627                   | 44,980            | 44,980            | -   |
| Non-programmed charges             | -                        | -                 | -                 | -   |
|                                    | <u>43,212,755</u>        | <u>46,164,860</u> | <u>45,548,155</u> | <u>616,705</u>  |
| Total expenditures                 |                          |                   |                   |   |
|                                    | <u>43,212,755</u>        | <u>46,164,860</u> | <u>45,548,155</u> | <u>616,705</u>  |
| Revenues over (under) expenditures | -                        | -                 | -                 | -   |
| Other financing uses:              |                          |                   |                   |   |
| Transfers to other funds           | -                        | -                 | -                 | -   |
| Fund balance appropriated          | -                        | -                 | -                 | -   |
| Net change in fund balance         | <u>\$ -</u>              | <u>\$ -</u>       | -                 | <u>\$ -</u>   |
| Fund balances:                     |                          |                   |                   |   |
| Beginning of year                  |                          |                   | -                 |   |
| End of year                        |                          |                   | <u>\$ -</u>       |   |

Board of Education of Beaufort County Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 6  
Page 4 of 4

|                                    | Federal Grants Fund |                   |                  | Variance with<br>final budget<br>positive<br>(negative) |
|------------------------------------|---------------------|-------------------|------------------|---|
|                                    | Original<br>Budget  | Final<br>Budget   | Actual           |   |
| Revenues:                          |                     |                   |                  |   |
| Intergovernmental:                 |                     |                   |                  |   |
| State of North Carolina            | \$ -                | \$ -              | \$ -             | \$ -  |
| Beaufort County                    | -                   | -                 | -                | -   |
| U.S. Government                    | 4,778,802           | 34,182,782        | 7,790,483        | (26,392,299)  |
| Other                              | -                   | -                 | -                | -   |
|                                    | <u>4,778,802</u>    | <u>34,182,782</u> | <u>7,790,483</u> | <u>(26,392,299)</u>                                     |
| Expenditures:                      |                     |                   |                  |   |
| Current:                           |                     |                   |                  |   |
| Instructional services             | 4,179,113           | 28,758,223        | 6,896,929        | 21,861,294  |
| System-wide support services       | 248,565             | 4,173,727         | 565,689          | 3,608,038   |
| Ancillary services                 | -                   | 113,619           | 101,809          | 11,810  |
| Non-programmed charges             | <u>351,124</u>      | <u>1,137,213</u>  | <u>226,056</u>   | <u>911,157</u>  |
| Total expenditures                 | <u>4,778,802</u>    | <u>34,182,782</u> | <u>7,790,483</u> | <u>26,392,299</u>                                       |
| Revenues over (under) expenditures | -                   | -                 | -                | -   |
| Other financing uses:              |                     |                   |                  |   |
| Transfers to other funds           | -                   | -                 | -                | -   |
| Fund balance appropriated          | <u>-</u>            | <u>-</u>          | <u>-</u>         | <u>-</u>  |
| Net change in fund balance         | <u>\$ -</u>         | <u>\$ -</u>       | -                | <u>\$ -</u>   |
| Fund balances:                     |                     |                   |                  |   |
| Beginning of year                  |                     |                   | <u>-</u>         |   |
| End of year                        |                     |                   | <u>\$ -</u>      |   |

Board of Education of Beaufort County Schools  
Statement of Net Position (Deficit)  
Proprietary Funds  
June 30, 2021

Exhibit 7

|  | Enterprise   |                |              |
|--|--------------|----------------|--------------|
|  | Major Fund   | Non-major Fund |              |
|  | School Food  | Child          | Totals       |
|  | Service      | Care           |              |
| <b>ASSETS</b>                            |              |                |              |
| Current assets:                          |              |                |              |
| Cash and cash equivalents                | \$ 1,339,099 | \$ -           | \$ 1,339,099 |
| Accounts receivable                      | 3,441        | -              | 3,441        |
| Due from other governments               | 148,743      | -              | 148,743      |
| OPEB asset                               | 3,134        | -              | 3,134        |
| Inventories                              | 189,168      | -              | 189,168      |
| Total current assets                     | 1,683,585    | -              | 1,683,585    |
| Noncurrent assets:                       |              |                |              |
| Capital assets:                          |              |                |              |
| Furniture, equipment and vehicles, net   | 680,893      | -              | 680,893      |
| Total assets                             | 2,364,478    | -              | 2,364,478    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    | 521,583      | -              | 521,583      |
| <b>LIABILITIES</b>                       |              |                |              |
| Current liabilities:                     |              |                |              |
| Accounts payable and accrued liabilities | 53,567       | -              | 53,567       |
| Accrued salaries and wages payable       | 17,758       | -              | 17,758       |
| Due to other funds                       | 72,791       | -              | 72,791       |
| Unearned revenue                         | 8,918        | -              | 8,918        |
| Compensated absences                     | 112,971      | -              | 112,971      |
| Total current liabilities                | 266,005      | -              | 266,005      |
| Noncurrent liabilities:                  |              |                |              |
| Net pension liability                    | 849,240      | -              | 849,240      |
| Net OPEB liability                       | 1,753,351    | -              | 1,753,351    |
| Compensated absences                     | 14,923       | -              | 14,923       |
| Total noncurrent liabilities             | 2,617,514    | -              | 2,617,514    |
| Total liabilities                        | 2,883,519    | -              | 2,883,519    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>     | 932,967      | -              | 932,967      |
| <b>NET POSITION (DEFICIT)</b>            |              |                |              |
| Investment in capital assets             | 680,893      | -              | 680,893      |
| Restricted - DIPNC OPEB plan             | 3,134        | -              | 3,134        |
| Unrestricted                             | (1,614,452)  | -              | (1,614,452)  |
| Total net deficit                        | \$ (930,425) | \$ -           | \$ (930,425) |

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



Board of Education of Beaufort County Schools  
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit 8

|                                 |              | Enterprise     |              |
|---------------------------------|--------------|----------------|--------------|
|                                 | Major Fund   | Non-major Fund |              |
|                                 | School Food  | Child          |              |
|                                 | Service      | Care           | Totals       |
| Operating revenues:             |              |                |              |
| Food sales                      | \$ 24,820    | \$ -           | \$ 24,820    |
| Child care fees                 | -            | -              | -            |
| Total operating revenues        | 24,820       | -              | 24,820       |
| Operating expenses:             |              |                |              |
| Food cost:                      |              |                |              |
| Purchase of food                | 1,113,749    | -              | 1,113,749    |
| Donated commodities             | 270,462      | -              | 270,462      |
| Salaries and benefits           | 1,984,010    | 7,290          | 1,991,300    |
| Indirect costs                  | 100,000      | -              | 100,000      |
| Materials and supplies          | 138,656      | -              | 138,656      |
| Repairs and maintenance         | 5,033        | -              | 5,033        |
| Contracted services             | 11,737       | -              | 11,737       |
| Depreciation                    | 93,804       | -              | 93,804       |
| Non-capitalized equipment       | 25,115       | -              | 25,115       |
| Other                           | 9,831        | -              | 9,831        |
| Total operating expenses        | 3,752,397    | 7,290          | 3,759,687    |
| Operating loss                  | (3,727,577)  | (7,290)        | (3,734,867)  |
| Nonoperating revenues:          |              |                |              |
| Federal reimbursements          | 3,240,092    | -              | 3,240,092    |
| Federal commodities             | 270,462      | -              | 270,462      |
| State OPEB contribution         | 27,283       | -              | 27,283       |
| Local grants                    | 4,761        | -              | 4,761        |
| Interest earned                 | 2,617        | -              | 2,617        |
| Total nonoperating revenues     | 3,545,215    | -              | 3,545,215    |
| Income (loss) before transfers  | (182,362)    | (7,290)        | (189,652)    |
| Transfers from (to) other funds | -            | 228,986        | 228,986      |
| Change in net deficit           | (182,362)    | 221,696        | 39,334       |
| Total net deficit, beginning    | (748,063)    | (221,696)      | (969,759)    |
| Total net deficit, ending       | \$ (930,425) | \$ -           | \$ (930,425) |

**Board of Education of Beaufort County Schools**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 9**

|  | <b>Enterprise</b>  |                       |
|--|--------------------|-----------------------|
|  | <b>Major Fund</b>  | <b>Non-major Fund</b> |
|  | <b>School Food</b> | <b>Child</b>          |
|  | <b>Service</b>     | <b>Care</b>           |
|  |                    | <b>Totals</b>         |
| Cash flows from operating activities:  |                    |                       |
| Cash received from customers   | \$ 22,895          | \$ -                  |
| Cash paid for goods and services   | (1,415,245)        | -                     |
| Cash paid to employees for services  | (2,078,987)        | (10,543)              |
| Net cash used by operating activities  | (3,471,337)        | (10,543)              |
| Cash flows from noncapital financing activities:   |                    |                       |
| Transfers from other funds   | -                  | (37,111)              |
| Other local donations and grants   | 4,761              | -                     |
| Federal and state reimbursements   | 3,327,031          | -                     |
| Net cash provided by noncapital activities   | 3,331,792          | (37,111)              |
| Cash flows from capital and related financing activities:  |                    |                       |
| Purchase of capital assets   | (15,604)           | -                     |
| Cash flows from investing activities:  |                    |                       |
| Interest earned on investments   | 2,617              | -                     |
| Net decrease in cash and cash equivalents  | (152,532)          | (47,654)              |
| Cash and cash equivalents, beginning of year   | 1,491,631          | 47,654                |
| Cash and cash equivalents, end of year   | \$ 1,339,099       | \$ -                  |
| Reconciliation of operating loss to net cash used by operating activities:                         |                    |                       |
| Operating loss   | \$ (3,727,577)     | \$ (7,290)            |
| Adjustments to reconcile operating loss to net cash used by operating activities:                  |                    |                       |
| Depreciation   | 93,804             | -                     |
| Donated commodities  | 270,462            | -                     |
| State OPEB contribution  | 27,283             | -                     |
| Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities: |                    |                       |
| Increase in accounts receivable  | (14)               | -                     |
| Decrease in inventories  | 14,455             | -                     |
| Increase in net OPEB asset   | (296)              | -                     |
| Increase in deferred outflows of resources   | (8,788)            | -                     |
| Decrease in accounts payable and accrued liabilities   | (25,579)           | -                     |
| Increase in accrued salaries and wages payable   | 2,901              | -                     |
| Decrease in unearned revenue   | (1,911)            | -                     |
| Decrease in compensated absences payable   | (23,768)           | (3,253)               |
| Increase in net pension liability  | 101,554            | -                     |
| Decrease in net OPEB liability   | (250,493)          | -                     |
| Increase in deferred inflows of resources  | 56,630             | -                     |
| Total adjustments  | 256,240            | (3,253)               |
| Net cash used by operating activities  | \$ (3,471,337)     | \$ (10,543)           |

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$270,462 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

During the fiscal year, the State Health Plan transferred assets to the Retiree Health Benefit Fund as a result of cost savings to the State Health Plan. In accordance with GASB 75, the School Food Service Fund recorded \$27,283 as a nonoperating revenue on Exhibit 8 as a result of this transfer.

During the fiscal year, the Child Care Fund ceased operations and transferred its deferred inflows, deferred outflows, and long term liabilities to governmental activities. The transfer of these liabilities, outflows, and inflows are reflected as transfer, in the amount of \$266,097 on Exhibit 8.

Board of Education of Beaufort County Schools  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021

Exhibit 10

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|                                       | Private<br>Purpose<br>Trust |
|---------------------------------------|-----------------------------|
| <b>ASSETS</b>                         |                             |
| Cash                                  | \$ 78,796                   |
| <b>NET POSITION</b>                   |                             |
| Assets held in trust for scholarships | \$ 78,796                   |

Board of Education of Beaufort County Schools  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2021

Exhibit 11

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|                         | <b>Private<br/>Purpose<br/>Trust</b> |
|-------------------------|--------------------------------------|
| Additions:              |                                      |
| Interest                | <u>\$         1,326</u>              |
| Change in net position  | 1,326                                |
| Net position, beginning | <u>77,470</u>                        |
| Net position, ending    | <u><u>\$      78,796</u></u>         |

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Board of Education of Beaufort County Schools (the “Board”) 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 Board is a Local Education Agency empowered by state law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Beaufort County, North Carolina. The Board receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board does not have any component units for which it is financially accountable, and as such, there are no component units included in the accompanying financial statements.

#### B. Basis of Presentation

**Government-wide Statements:** The Statement of Net Position (Deficit) and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

**Board of Education of Beaufort County Schools**  
**Notes to Financial Statements**

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The Board reports the following major governmental funds:

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

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

*Federal Grants Fund.* The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

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

*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.

*Other Special Revenues Fund.* The Other Special Revenues Fund is used to account for activities designated for specific purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local sources and the U.S. Government.

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

*Scholarship Fund.* The Scholarship Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district.

**C. Measurement Focus and Basis of Accounting**

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

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental

**Board of Education of Beaufort County Schools**  
**Notes to Financial Statements**

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funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

***D. Budgetary Data***

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by North Carolina General Statutes. No budget is required by state law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the PRC level for all annually budgeted funds. The superintendent is authorized by the governing board to transfer appropriations within a fund without limitation and without a report being made. The superintendent is not authorized to transfer contingency appropriations within a fund, nor may he transfer amounts between funds. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

***(1) Deposits and Investments***

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .15 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

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

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2021 of 1.3 years.

**Board of Education of Beaufort County Schools**  
**Notes to Financial Statements**

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Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

(2) Cash and Cash Equivalents

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

(3) Inventories

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

(4) Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated assets received after July 1, 2015 are recorded at the acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

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

|                            | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 10-50        |
| Equipment and furniture    | 3-10         |
| Vehicles                   | 6-10         |

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

(5) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - a pension and OPEB related deferral and contributions made to the plans subsequent to the measurement date. The Statement of Net Position (Deficit)



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also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has pension and OPEB related deferrals that meet this criterion.

(6) Long-term Obligations

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

(7) Compensated Absences

The Board follows the state's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2021 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made, based on prior years' records, of the current portion of compensated absences.

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

(8) Net Position (Deficit)

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

(9) Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Assigned fund balance – portion of fund balance that the Board 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. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by function within funds up to \$1,000,000.

Other special programs – portion of fund balance that will be used by the Other Restricted Revenues Fund activities, as determined by the governing body.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance. While governmental funds other than the General Fund do not report positive unassigned fund balance, they do report deficits, if any, in that category.

The Board has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: revenues restricted as to use, then general unrestricted revenues. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board.

**F. Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position (Deficit)

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position (deficit) - governmental activities* as reported in the government-wide Statement of Net Position (Deficit). The net adjustment of \$(36,571,731) consists of several elements as follows:

| <u>Description</u>   | <u>Amount</u>       |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 131,328,643      |
| Less: accumulated depreciation   | <u>(64,313,950)</u> |
| Net capital assets   | 67,014,693          |
| Net OPEB asset   | 101,497             |
| Pension related deferred outflows of resources   | 11,180,612          |
| OPEB related deferred outflows of resources  | 6,189,512           |

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Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:

|   |                        |
|---|------------------------|
| Installment financing                             | (754,706)              |
| Compensated absences                              | (3,773,687)            |
| Net pension liability                             | (28,468,934)           |
| Net OPEB liability                                | (56,719,309)           |
| Deferred inflows of resources related to pensions | (518,202)              |
| Deferred inflows of resources related to OPEB     | <u>(30,823,207)</u>    |
| Total adjustment                                  | <u>\$ (36,571,731)</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$2,513,182 as follows:

| <b>Description</b>  | <b>Amount</b> |
|---|---------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities  | \$ 1,090,662  |
| 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                    | (2,945,233)   |
| 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  | (381,012)     |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the Statement of Net Position (Deficit) in the government-wide statements | 504,454       |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities  | 5,505,768     |
| Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities  | 2,521,925     |
| Net OPEB benefit  | 2,559,738     |
| State OPEB contribution   | 974,352       |
| Transfer of deferred inflows, deferred outflows, and long-term liabilities from the Child Care Fund to governmental activities  | (266,097)     |

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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   | (7,955,344)         |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | <u>903,969</u>      |
| Total adjustment  | <u>\$ 2,513,182</u> |

**G. Defined Benefit Pension Plans and OPEB Plans**

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

**2. Detail Notes on All Funds**

**A. Assets**

**(1) Deposits**

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

At June 30, 2021, the Board had deposits with financial institutions with a carrying amount of \$5,902,041 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$6,039,257 and \$399,561 respectively. Of these balances, \$344,682 was covered by federal depository insurance and \$6,094,136 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. At June 30, 2021, the Board's petty cash totaled \$550.

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(2) Investments

At June 30, 2021, the Board of Education had \$24,427 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. There was \$1,099,027 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is classified as a Level 2 fair value investment.

*Interest Rate Risk.* The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of 1.3 years as of June 30, 2021.

*Credit Risk.* The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

*Concentration of Credit Risk.* The Board places no limit on the amount the Board may invest in any one issuer.

(3) Receivables

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

|                               | <u>Due from<br/>(to) other<br/>funds</u> | <u>Due from<br/>other<br/>governments</u> | <u>Other</u>     | <u>Total</u>        |
|-------------------------------|--|---|------------------|---------------------|
| Governmental activities:      |  |   |                  |                     |
| General Fund                  | \$ 72,791                                | \$ -                                      | \$ 48,203        | \$ 120,994          |
| Other governmental activities | <u>-</u>                                 | <u>2,159,491</u>                          | <u>13,030</u>    | <u>2,172,521</u>    |
| Total governmental activities | <u>\$ 72,791</u>                         | <u>\$ 2,159,491</u>                       | <u>\$ 61,233</u> | <u>\$ 2,293,515</u> |
| Business-type activities:     |  |   |                  |                     |
| School Food Service Fund      | <u>\$ (72,791)</u>                       | <u>\$ 148,743</u>                         | <u>\$ 3,441</u>  | <u>\$ 79,393</u>    |

Internal balances consist of administrative costs due to the General Fund from the School Food Service Fund.

Due from other governments consists of the following:

|                               |                     |                          |
|-------------------------------|---------------------|--------------------------|
| Governmental activities:      |                     |                          |
| State Public School Fund      | 1,949,513           | Operating funds from DPI |
| Federal Grants Fund           | <u>209,978</u>      | Federal grant funds      |
| Total governmental activities | <u>\$ 2,159,491</u> |                          |
| Business-type activities:     |                     |                          |
| School Food Service Fund      | <u>\$ 148,743</u>   | USDA reimbursements      |

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(4) Capital Assets

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

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Governmental activities:                    |                               |                  |                  |                            |
| Capital assets not being depreciated:       |                               |                  |                  |                            |
| Land  | \$ 1,178,555                  | \$ -             | \$ -             | \$ 1,178,555               |
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Buildings and improvements                  | 112,970,500                   | 36,712           | -                | 113,007,212                |
| Equipment and furniture                     | 4,637,426                     | 621,379          | -                | 5,258,805                  |
| Vehicles                                    | 11,490,684                    | 432,571          | 39,184           | 11,884,071                 |
| Total capital assets being depreciated      | 129,098,610                   | 1,090,662        | 39,184           | 130,150,088                |
| Less accumulated depreciation for:          |                               |                  |                  |                            |
| Buildings and improvements                  | 50,058,091                    | 2,090,129        | -                | 52,148,220                 |
| Equipment and furniture                     | 2,899,827                     | 350,023          | -                | 3,249,850                  |
| Vehicles                                    | 8,449,983                     | 505,081          | 39,184           | 8,915,880                  |
| Total accumulated depreciation              | 61,407,901                    | 2,945,233        | 39,184           | 64,313,950                 |
| Total capital assets being depreciated, net | 67,690,709                    |                  |                  | 65,836,138                 |
| Governmental activity capital assets, net   | \$ 68,869,264                 |                  |                  | \$ 67,014,693              |

Depreciation was charged to governmental functions as follows:

|                          |                     |
|--------------------------|---------------------|
| Unallocated depreciation | \$ 2,501,132        |
| Operational support      | 444,101             |
| Total                    | <u>\$ 2,945,233</u> |

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|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-type activities:                  |                               |                  |                  |                            |
| Capital assets being depreciated:          |                               |                  |                  |                            |
| Building                                   | \$ 196,192                    | \$ -             | \$ -             | \$ 196,192                 |
| Equipment, furniture and vehicles          | 2,028,784                     | 15,604           | -                | 2,044,388                  |
| Total capital assets being depreciated     | 2,224,976                     | 15,604           | -                | 2,240,580                  |
| Less accumulated depreciation for:         |                               |                  |                  |                            |
| Building                                   | 114,445                       | 4,905            | -                | 119,350                    |
| Equipment, furniture and vehicles          | 1,351,438                     | 88,899           | -                | 1,440,337                  |
| Total accumulated depreciation             | 1,465,883                     | 93,804           | -                | 1,559,687                  |
| Business-type activity capital assets, net | <u>\$ 759,093</u>             |                  |                  | <u>\$ 680,893</u>          |

**B. Liabilities**

(1) Pension Plan and Other Postemployment Obligations

(a) **Teachers' and State Employees' Retirement System**

*Plan Description.* The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. TSERS membership is comprised of employees of the state (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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 10 years of creditable service for members joining TSERS on or after August 1,

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2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2021, was 14.61% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$5,659,934 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Board reported a liability of \$29,318,174 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. The Board's proportion was .2427% and .2468% at June 30, 2021 and June 30, 2020, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$8,177,686. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 1,615,589                                  | \$ -   |
| Changes of assumptions  | 993,511                                       |  |
| Net difference between projected and actual earnings<br>on pension plan investments                               | 3,242,289                                     | -  |
| Changes in proportions and differences between<br>Board contributions and proportionate share of<br>contributions | -   | 533,536                                      |
| Board contributions subsequent to the measurement date  | <u>5,659,934</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 11,511,323</u>                          | <u>\$ 533,536</u>                            |



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The Board reported \$5,689,934 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended<br/>June 30:</b> |                     |
|--------------------------------|---------------------|
| 2022                           | \$ 1,773,772        |
| 2023                           | 1,393,413           |
| 2024                           | 1,184,764           |
| 2025                           | <u>965,904</u>      |
|                                | <u>\$ 5,317,853</u> |

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

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0%  |
| Salary increases          | 3.5 % to 8.1%, including inflation and productivity factor        |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables (RP-2014 Total Data Set Mortality Table) that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <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%  |
| Totals               | 100.0%                   |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.0%. 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 Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Board's proportionate share of the 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 (8.0%) than the current rate:

|                       | <u>1% Decrease<br/>(6.0%)</u> | <u>Discount Rate<br/>(7.0%)</u> | <u>1% Increase<br/>(8.0%)</u> |
|-----------------------|-------------------------------|---------------------------------|-------------------------------|
| Net pension liability | \$ 52,765,827                 | \$ 29,318,174                   | \$ 9,650,445                  |

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

## (b) Other Postemployment Healthcare Benefits

### 1. Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of

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

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

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

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

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits. RHBF's benefit and contribution provisions are established by Chapter 135-7, 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 fiscal year ended June 30, 2021, employers made a statutory contribution of 6.60% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$2,558,075 for the year ended June 30, 2021. During 2021, the North Carolina State Health Plan (SHP) contributed \$475.2 million to the Retiree Health Benefit Fund as a result of cost savings to the SHP over a span of six years. In accordance with GASB 75, the Board recognized revenue of \$1,001,635 as a result of this non-employer contribution.

**OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB**

At June 30, 2021, Board reported a liability of \$58,472,660 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.2108% and .2139%, respectively.

\$2,558,075 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year ended<br/>June 30:</b> |                        |
|--------------------------------|------------------------|
| 2022                           | \$ (9,351,495)         |
| 2023                           | (9,345,074)            |
| 2024                           | (5,030,880)            |
| 2025                           | (2,158,939)            |
| 2026                           | <u>(2,134,311)</u>     |
|                                | <u>\$ (28,020,699)</u> |

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

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 3.0%   |
| Salary increases based on service | Teachers: 7.55% grading down to 3.5%<br>General Employees: 5.5% grading down to 3.5%   |
| Investment rate of return         | 7.0%,  |
| Healthcare cost trend rates:      |  |
| Medical                           | 6.5% grading down to 5.0% by 2024 for non-MA<br>and MA coverage  |
| Prescription drug                 | 9.5% grading down to 5.0% by 2028  |
| Administrative costs              | 3.0%   |
| Post-Retirement Mortality Rates   | RP-2014 Healthy Annuitant Mortality Table for males<br>and females, adjusted for Collar for some Participants,<br>further adjusted with scaling factors varying before and<br>after age 78, and projected for mortality improvement<br>using Scale MP-2015 |

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.21% at June 30, 2020 compared to 3.5% at June 30, 2019. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.5% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

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

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proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

|   | <b>1%<br/>Decrease<br/>(1.21%)</b> | <b>Discount<br/>Rate<br/>(2.21%)</b> | <b>1%<br/>Increase<br/>(3.21%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Board's proportionate share of the net OPEB liability | \$ 69,344,875                      | \$ 58,472,660                        | \$ 49,713,279                      |

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point.

|   | <b>1%<br/>Decrease<br/>Medical - 4.0-5.5%,<br/>Pharmacy - 4.0-8.5%,<br/>Medicare Advantage -<br/>4.0-5.5%,<br/>Administrative - 2.0%</b> | <b>Healthcare<br/>Trend Rates<br/>Medical - 5.0-6.5%,<br/>Pharmacy - 5.0-9.5%,<br/>Medicare Advantage -<br/>5.0-6.5%,<br/>Administrative - 3.0%</b> | <b>1%<br/>Increase<br/>Medical - 6.0-7.5%,<br/>Pharmacy - 6.0-10.5%,<br/>Medicare Advantage -<br/>6.0-7.5%,<br/>Administrative - 4.0%</b> |
|---|--|---|---|
| Board's proportionate share of the net OPEB liability | \$47,139,537   | \$58,472,660  | \$73,620,905  |

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

## 2. Disability Benefits

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

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

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

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

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$34,465 for the year ended June 30, 2021.

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

#### ***OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB***

At June 30, 2021, Board reported an asset of \$104,631 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.2127% and 0.2174%, respectively.

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\$34,465 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year ended<br/>June 30:</b> |                  |
|--------------------------------|------------------|
| 2022                           | \$ 22,734        |
| 2023                           | 15,618           |
| 2024                           | 8,382            |
| 2025                           | 12,987           |
| 2026                           | 2,109            |
| Thereafter                     | <u>5,874</u>     |
|                                | <u>\$ 67,704</u> |

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

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0%  |
| Salary increases          | 3.5% to 8.1%, including inflation and productivity factor |
| Investment rate of return | 3.75%, net of OPEB plan expense, including inflation      |

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB asset, as well as what the Board's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.75 percent) or 1 percentage point higher (4.75 percent) than the current discount rate:

|   | <b>1%<br/>Decrease<br/>(2.75%)</b> | <b>Discount<br/>Rate<br/>(3.75%)</b> | <b>1%<br/>Increase<br/>(4.75%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Board's proportionate share of the net OPEB asset | \$ 90,364                          | \$ 104,631                           | \$ 118,484                         |

*Common actuarial assumptions for both OPEB plans.* The net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The net OPEB asset was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability/asset was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

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

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

Following is information related to the proportionate share and OPEB expense:

|   | <b><u>RHBF</u></b>   | <b><u>DIPNC</u></b> | <b><u>Total</u></b>  |
|---|----------------------|---------------------|----------------------|
| OPEB (benefit) expense  | \$ (2,713,518)       | \$ 82,109           | \$ (2,631,409)       |
| OPEB liability (asset)  | \$ 58,472,660        | \$ (104,631)        | \$ 58,368,029        |
| Proportionate share of the net OPEB liability (asset)   | 0.2139%              | 0.2174%             |                      |
| Deferred outflow s of resources   |                      |                     |                      |
| Differences between expected and actual experience  | \$ 52,972            | \$ 75,796           | \$ 128,768           |
| Changes of assumptions  | 2,564,360            | 8,135               | 2,572,495            |
| Net difference between projected and actual earnings on pension plan investments                              | 123,179              | -                   | 123,179              |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 953,664              | 9,738               | 963,402              |
| Employer contributions subsequent to the measurement date   | 2,558,075            | 34,465              | 2,592,540            |
| Total   | <u>\$ 6,252,250</u>  | <u>\$ 128,134</u>   | <u>\$ 6,380,384</u>  |
| Deferred inflow s of resources  |                      |                     |                      |
| Differences between expected and actual experience  | \$ 2,287,522         | \$ -                | \$ 2,287,522         |
| Changes of assumptions  | 23,729,129           | 8,240               | 23,737,369           |
| Net difference between projected and actual earnings on pension plan investments                              | -                    | 17,726              | 17,726               |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 5,698,223            | -                   | 5,698,223            |
| Total   | <u>\$ 31,714,874</u> | <u>\$ 25,966</u>    | <u>\$ 31,740,840</u> |



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(2) Payables

Payables as of June 30, 2021 are as follows:

|                               | <u>Vendors</u>    | <u>Salaries<br/>and benefits</u> | <u>Total</u>        |
|-------------------------------|-------------------|----------------------------------|---------------------|
| Governmental activities:      |                   |                                  |                     |
| General                       | \$ 81,538         | \$ 83,330                        | \$ 164,868          |
| Other governmental            | <u>21,198</u>     | <u>2,218,504</u>                 | <u>2,239,702</u>    |
| Total governmental activities | <u>\$ 102,736</u> | <u>\$ 2,301,834</u>              | <u>\$ 2,404,570</u> |
| Business-type activities      |                   |                                  |                     |
| School Food Service           | <u>\$ 53,567</u>  | <u>\$ 17,758</u>                 | <u>\$ 71,325</u>    |

(3) Deferred Outflows and Inflows of Resources

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

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience (Pension & OPEB)   | \$ 1,744,357                                  | \$ 2,287,522                                 |
| Changes of assumptions (Pension & OPEB)   | 3,566,006                                     | 23,737,369                                   |
| Net difference between projected and actual earnings on plan investments (Pension & OPEB)                                     | 3,365,468                                     | 17,726                                       |
| Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB) | 963,402                                       | 6,231,759                                    |
| Board contributions subsequent to the measurement date (Pension & OPEB)   | <u>8,252,474</u>                              | <u>-</u>                                     |
| Totals  | <u>\$ 17,891,707</u>                          | <u>\$ 32,274,376</u>                         |

(4) Unearned Revenues

The balance in unearned revenues as of June 30, 2021 is composed of the following elements:

|   |                 |
|---|-----------------|
| Prepayments of meals (School Food Service Fund) | <u>\$ 8,918</u> |
|---|-----------------|

(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The state of North Carolina provides workers' compensation for employees to the extent they are paid from state funds. The Trust has an annual aggregate limit for general liability of \$2,550,000 and \$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 coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk

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financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and content are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

(6) Contingent Liabilities

At June 30, 2021, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

(7) Long-Term Obligations

(a) *Installment Purchases*

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted the bid to purchase Thomas Built Buses through a special third-party financing arrangement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase price. During the fiscal years ended June 30, 2019, June 30, 2020, and June 30, 2021, the Board entered into direct placement installment purchase contracts to finance the purchase of the school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchase as of June 30, 2021 is are follows:

| <u>Year Ending</u><br><u>June 30</u> |                   |
|--------------------------------------|-------------------|
| 2022                                 | \$ 409,201        |
| 2023                                 | 250,252           |
| 2024                                 | <u>95,253</u>     |
|                                      | <u>\$ 754,706</u> |

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*(b) Long-Term Obligation Activity*

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

|   | <b>Beginning<br/>Balances</b> | <b>Increases</b>    | <b>Decreases</b>     | <b>Ending<br/>Balances</b> | <b>Current<br/>Portion</b> |
|---|-------------------------------|---------------------|----------------------|----------------------------|----------------------------|
| Governmental activities:                  |                               |                     |                      |                            |                            |
| Compensated absences                      | \$ 4,667,101                  | \$ 2,717,796        | \$ 3,611,210         | \$ 3,773,687               | \$ 2,261,463               |
| Net pension liability                     | 24,781,889                    | 3,687,045           | -                    | 28,468,934                 | -                          |
| Net OPEB liability                        | 65,502,386                    | -                   | 8,783,077            | 56,719,309                 | -                          |
| Direct placement<br>installment purchases | 878,148                       | 381,012             | 504,454              | 754,706                    | 409,201                    |
| Total                                     | <u>\$ 95,829,524</u>          | <u>\$ 6,785,853</u> | <u>\$ 12,898,741</u> | <u>\$ 89,716,636</u>       | <u>\$ 2,670,664</u>        |
| Business-type activities:                 |                               |                     |                      |                            |                            |
| School Food Service                       |                               |                     |                      |                            |                            |
| Compensated absences                      | \$ 151,662                    | \$ 110,198          | \$ 133,966           | \$ 127,894                 | \$ 112,971                 |
| Net pension liability                     | 747,686                       | 101,554             | -                    | 849,240                    | -                          |
| Net OPEB liability                        | 2,003,844                     | -                   | 250,493              | 1,753,351                  | -                          |
| Child Care                                |                               |                     |                      |                            |                            |
| Compensated absences                      | 13,808                        | -                   | 13,808               | -                          | -                          |
| Net pension liability                     | 60,222                        | -                   | 60,222               | -                          | -                          |
| Net OPEB liability                        | 162,869                       | -                   | 162,869              | -                          | -                          |
| Total                                     | <u>\$ 3,140,091</u>           | <u>\$ 211,752</u>   | <u>\$ 621,358</u>    | <u>\$ 2,730,485</u>        | <u>\$ 112,971</u>          |

Compensated absences, net pension liability, and net OPEB liability for governmental activities are typically liquidated by the State Public School Fund.

(8) Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021 consists of the following:

From the School Food Service Fund to the General Fund for  
expenditure reimbursements \$ 72,791

Transfers to/from other funds at June 30, 2021 consists of the following:

From the General Fund to the Capital Outlay Fund to  
cover capital projects \$ 161,108

From the General Fund to the Individual School Fund for  
reimbursement of activity costs \$ 4,797

From the Individual School Fund to Other Special Revenue Fund to  
correct the activity related to COVID costs \$ 77,490

From the Child Care Fund to the Individual School Fund to  
close out activity within the fund \$ 37,111

Board of Education of Beaufort County Schools  
Notes to Financial Statements

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**C. Fund Balance**

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: revenues restricted as to use and secondly general unrestricted revenues.

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 | \$ 1,837,029        |
| Less:                             |                     |
| Stabilization by State Statute    | 120,994             |
| Subsequent year's expenditures    | 180,860             |
| Unassigned Fund Balance           | <u>\$ 1,535,175</u> |

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

| <b>Encumbrances</b> | <b>General Fund</b> | <b>Capital Outlay Fund</b> | <b>Non-Major Funds</b> |
|---------------------|---------------------|----------------------------|------------------------|
|                     | \$ 0                | \$ 0                       | \$ 0                   |

**3. Summary Disclosure of Significant Contingencies**

***Federal and State Assisted Programs***

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

***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus ("COVID-19") to be a pandemic. The COVID-19 pandemic continuing is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. The COVID-19 pandemic has impacted and may continue to impact our Board, including employees, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

**Board of Education of Beaufort County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Eight Fiscal Years\***

**Schedule 1**

|  | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net pension liability  | 0.2427%       | 0.2468%       | 0.2518%       | 0.2563%       | 0.2615%       | 0.2626%       | 0.2603%       | 0.2600%       |
| Board's proportionate share of the net pension liability   | \$ 29,318,174 | \$ 25,589,797 | \$ 25,067,441 | \$ 20,334,385 | \$ 24,033,634 | \$ 9,678,803  | \$ 3,052,281  | \$ 15,784,649 |
| Board's covered payroll  | \$ 37,773,256 | \$ 38,668,010 | \$ 37,562,032 | \$ 37,518,780 | \$ 37,226,657 | \$ 38,162,160 | \$ 36,206,751 | \$ 36,615,666 |
| Board's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 77.62%        | 66.18%        | 66.74%        | 54.20%        | 64.56%        | 25.36%        | 8.43%         | 43.11%        |
| Plan fiduciary net position as a percentage of<br>the total pension liability                      | 92.01%        | 91.89%        | 89.51%        | 87.32%        | 94.64%        | 98.24%        | 90.60%        | 90.60%        |

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
 Ten years of data not available.

Board of Education of Beaufort County Schools  
Schedules of Required Supplementary Information  
Schedule of Board Contributions  
Teachers' and State Employees' Retirement System  
Last Eight Fiscal Years\*

Schedule 2

|   | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                     | \$ 5,659,934     | \$ 4,877,611     | \$ 4,699,502     | \$ 4,025,597     | \$ 3,945,614     | \$ 3,387,825     | \$ 3,449,536     | \$ 3,092,864     |
| Contributions in relation to the<br>contractually required contribution | <u>5,659,934</u> | <u>4,877,611</u> | <u>4,699,502</u> | <u>4,025,597</u> | <u>3,945,614</u> | <u>3,387,825</u> | <u>3,449,536</u> | <u>3,092,864</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Board's covered payroll   | \$ 38,754,361    | \$ 37,773,256    | \$ 38,668,010    | \$ 37,562,032    | \$ 37,518,780    | \$ 37,226,657    | \$ 38,162,160    | \$ 36,206,751    |
| Contributions as a percentage<br>of covered payroll                     | 14.60%           | 12.91%           | 12.15%           | 10.72%           | 10.52%           | 9.10%            | 9.04%            | 8.54%            |

\* Ten years of data not yet available

**Board of Education of Beaufort County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Fund**  
**Last Five Fiscal Years\***

**Schedule 3**

|   | <u>2021</u>   | <u>2020</u>   | <u>2019</u>  | <u>2018</u>   | <u>2017</u>   |
|---|---------------|---------------|--------------|---------------|---------------|
| Board's proportion of the net OPEB liability  | 0.2108%       | 0.2139%       | 0.2228%      | 0.2322%       | 0.2255%       |
| Board's proportionate share of the net OPEB liability   | \$ 58,472,660 | \$ 67,669,099 | \$63,482,083 | \$ 76,141,522 | \$ 98,112,662 |
| Board's covered payroll   | \$ 37,773,256 | \$ 38,668,010 | \$37,562,032 | \$ 37,518,780 | \$ 37,226,657 |
| Board's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 154.80%       | 175.00%       | 169.01%      | 202.94%       | 263.55%       |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                      | 4.40%         | 3.52%         | 3.52%        | 2.41%         | 2.41%         |

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
 Ten years of data not available.

**Board of Education of Beaufort County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of Board Contributions**  
**Retiree Health Benefit Fund**  
**Last Five Fiscal Years\***

**Schedule 4**

|   | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                     | \$ 2,558,075     | \$ 2,433,164     | \$ 2,397,548     | \$ 2,259,264     | \$ 2,150,295     |
| Contributions in relation to the<br>contractually required contribution | <u>2,558,075</u> | <u>2,433,164</u> | <u>2,397,548</u> | <u>2,259,264</u> | <u>2,150,295</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Board's covered payroll   | \$ 38,754,361    | \$ 37,773,256    | \$ 38,668,010    | \$ 37,562,032    | \$ 37,518,780    |
| Contributions as a percentage<br>of covered payroll                     | 6.60%            | 6.44%            | 6.20%            | 6.01%            | 5.73%            |

\* Ten years of data not yet available



Board of Education of Beaufort County Schools  
Schedules of Required Supplementary Information  
Schedule of the Board's Proportionate Share of the Net OPEB Asset  
Disability Income Plan of North Carolina  
Last Five Fiscal Years\*

Schedule 5

|   | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   |
|---|---------------|---------------|---------------|---------------|---------------|
| Board's proportion of the net OPEB asset  | 0.2127%       | 0.2174%       | 0.2222%       | 0.2252%       | 0.2317%       |
| Board's proportionate share of the net OPEB asset   | \$ 104,631    | \$ 93,787     | \$ 67,517     | \$ 137,654    | \$ 143,892    |
| Board's covered payroll   | \$ 37,773,256 | \$ 38,668,010 | \$ 37,562,032 | \$ 37,518,780 | \$ 37,226,657 |
| Board's proportionate share of the net OPEB asset<br>as a percentage of its covered payroll | 0.28%         | 0.24%         | 0.18%         | 0.37%         | 0.39%         |
| Plan fiduciary net position as a percentage of<br>the net OPEB asset                        | 116.47%       | 116.37%       | 116.23%       | 116.06%       | 117.06%       |

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
Ten years of data not available.

**Board of Education of Beaufort County Schools**  
**Schedules of Required Supplementary Information**  
**Schedule of Board Contributions**  
**Disability Income Plan of North Carolina**  
**Last Five Fiscal Years\***

**Schedule 6**

|   | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>    |
|---|---------------|---------------|---------------|---------------|----------------|
| Contractually required contribution                                     | \$ 34,465     | \$ 37,607     | \$ 53,534     | \$ 52,280     | \$ 140,571     |
| Contributions in relation to the<br>contractually required contribution | <u>34,465</u> | <u>37,607</u> | <u>53,534</u> | <u>52,280</u> | <u>140,571</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>    |
| Board's covered payroll   | \$ 38,754,361 | \$ 37,773,256 | \$ 38,668,010 | \$ 37,562,032 | \$ 37,518,780  |
| Contributions as a percentage<br>of covered payroll                     | 0.09%         | 0.10%         | 0.14%         | 0.14%         | 0.37%          |

\* Ten years of data not yet available

Board of Education of Beaufort County Schools  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Capital Outlay Fund  
For the Fiscal Year Ended June 30, 2021

Schedule 7

|   | Budget       | Actual     | Variance<br>Positive<br>(Negative) |
|---|--------------|------------|------------------------------------|
| Revenues:                               |              |            |                                    |
| State of North Carolina:                |              |            |                                    |
| State appropriations - buses            | \$ 1,254,732 | \$ 504,454 | \$ (750,278)                       |
| Beaufort County:                        |              |            |                                    |
| General county revenues                 | 1,270,878    | 1,270,878  | -                                  |
| U.S. Government                         |              |            |                                    |
| FEMA disaster grant                     |              |            | -                                  |
| Other:                                  |              |            |                                    |
| Miscellaneous revenues                  | 14,214       | 14,214     | -                                  |
| Interest earned on investments          | 283          | 283        | -                                  |
| Total other                             | 14,497       | 14,497     | -                                  |
| Total revenues                          | 2,540,107    | 1,789,829  | (750,278)                          |
| Expenditures:                           |              |            |                                    |
| Capital outlay:                         |              |            |                                    |
| Real property and buildings             |              | 729,326    |                                    |
| Furniture and equipment                 |              | 382,325    |                                    |
| Buses and motor vehicles                |              | 444,308    |                                    |
| Total capital outlay                    | 3,090,443    | 1,555,959  | 1,534,484                          |
| Debt service:                           |              |            |                                    |
| Principal                               | 1,116,526    | 504,454    | 612,072                            |
| Total expenditures                      | 4,206,969    | 2,060,413  | 2,146,556                          |
| Revenues under expenditures             | (1,666,862)  | (270,584)  | 1,396,278                          |
| Other financing sources:                |              |            |                                    |
| Installment purchase obligations issued | 1,116,526    | 381,012    | (735,514)                          |
| Transfer from other funds               | 161,108      | 161,108    | -                                  |
| Fund balance appropriated               | 389,228      | -          | (389,228)                          |
| Net change in fund balance              | \$ -         | 271,536    | \$ 271,536                         |
| Fund balance:                           |              |            |                                    |
| Beginning of year                       |              | 389,228    |                                    |
| End of year                             |              | \$ 660,764 |                                    |

Board of Education of Beaufort County Schools  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
School Food Service Fund  
For the Fiscal Year Ended June 30, 2021

Schedule 8

|  | <u>Budget</u>      | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|--------------------|---------------------|---|
| Operating revenues:  |                    |                     |   |
| Food sales   | \$ 24,521          | \$ 24,820           | \$ 299                                      |
| Operating expenditures:  |                    |                     |   |
| Business support services:   |                    |                     |   |
| Purchase of food   |                    | 1,099,294           |   |
| Donated commodities  |                    | 270,462             |   |
| Salaries and benefits  |                    | 2,109,171           |   |
| Indirect costs   |                    | 100,000             |   |
| Materials and supplies   |                    | 138,656             |   |
| Repairs and maintenance  |                    | 5,033               |   |
| Contracted services  |                    | 11,737              |   |
| Non-capitalized equipment  |                    | 25,115              |   |
| Other  |                    | 9,831               |   |
| Capital outlay   |                    | 15,604              |   |
| Total operating expenditures   | <u>3,778,514</u>   | <u>3,784,903</u>    | <u>(6,389)</u>                              |
| Operating loss   | <u>(3,753,993)</u> | <u>(3,760,083)</u>  | <u>(6,090)</u>                              |
| Nonoperating revenues:   |                    |                     |   |
| Federal reimbursements   | 3,232,250          | 3,240,092           | 7,842                                       |
| Federal commodities  | 278,433            | 270,462             | (7,971)                                     |
| Local grants   | 4,761              | 4,761               | -   |
| Interest earned  | 2,617              | 2,617               | -   |
| Total nonoperating revenues  | <u>3,518,061</u>   | <u>3,517,932</u>    | <u>(129)</u>                                |
| Excess of revenues over (under) expenditures<br>before other financing sources   | (235,932)          | (242,151)           | (6,219)                                     |
| Other financing sources:   |                    |                     |   |
| Transfers from other funds   | -                  | -                   | -   |
| Excess of revenues over (under) expenditures<br>before fund balance appropriated | (235,932)          | (242,151)           | (6,219)                                     |
| Fund balance appropriated  | <u>235,932</u>     | <u>-</u>            | <u>(235,932)</u>                            |
| Excess revenues and other financing sources<br>over (under) expenditures         | <u>\$ -</u>        | (242,151)           | <u>\$ (242,151)</u>                         |
| Reconciliation of modified accrual to full accrual basis:                        |                    |                     |   |
| Reconciling items:   |                    |                     |   |
| Depreciation   |                    | (93,804)            |   |
| Equipment purchases  |                    | 15,604              |   |
| State OPEB contribution  |                    | 27,283              |   |
| Increase in inventories  |                    | (14,455)            |   |
| Increase in net OPEB asset   |                    | 296                 |   |
| Decrease in deferred outflows of resources                                       |                    | 8,788               |   |
| Increase in net pension liability  |                    | (101,554)           |   |
| Decrease in net OPEB liability   |                    | 250,493             |   |
| Decrease in compensated absences payable   |                    | 23,768              |   |
| Increase in deferred inflows of resources  |                    | (56,630)            |   |
| Change in net position (full accrual)  |                    | <u>\$ (182,362)</u> |   |

Board of Education of Beaufort County Schools  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Child Care Fund  
For the Fiscal Year Ended June 30, 2021

Schedule 9

|   | <u>Budget</u>   | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-----------------|-------------------|---|
| Operating revenues:   |                 |                   |   |
| Child care fees   | <u>\$ 59</u>    | <u>\$ -</u>       | <u>\$ (59)</u>                              |
| Operating expenditures:   |                 |                   |   |
| Regular community service:  |                 |                   |   |
| Salaries and benefits   |                 | <u>10,543</u>     |   |
| Total operating expenditures  | <u>10,545</u>   | <u>10,543</u>     | <u>2</u>                                    |
| Operating loss  | <u>(10,486)</u> | <u>(10,543)</u>   | <u>(57)</u>                                 |
| Excess of revenues under expenditures<br>before other financing sources | <u>(10,486)</u> | <u>(10,543)</u>   | <u>(57)</u>                                 |
| Other financing uses:   |                 |                   |   |
| Transfer to other funds   | <u>(37,169)</u> | <u>(37,111)</u>   | <u>58</u>                                   |
| Excess of revenues under expenditures                                   | <u>(47,655)</u> | <u>(47,654)</u>   | <u>1</u>                                    |
| Fund balance appropriated   | <u>47,655</u>   | <u>-</u>          | <u>(47,655)</u>                             |
| Revenues and fund balance<br>appropriated under expenditures            | <u>\$ -</u>     | <u>(47,654)</u>   | <u>\$ (47,654)</u>                          |
| Reconciliation of modified accrual to full accrual basis:               |                 |                   |   |
| Reconciling items:  |                 |                   |   |
| Decrease in compensated absences payable                                |                 | 3,253             |   |
| Transfer of long-term liabilities<br>to governmental activities         |                 | <u>266,097</u>    |   |
| Change in net position (full accrual)                                   |                 | <u>\$ 221,696</u> |   |



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

Board of Education  
Beaufort County Schools  
Washington, NC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the 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 Beaufort County Schools, North Carolina ("Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 27, 2021.

## ***Internal Control over Financial Reporting***

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
October 27, 2021



# **Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

Board of Education  
Beaufort County Schools  
Washington, NC

## ***Report on Compliance for Each Major Federal Program***

We have audited the Board of Education of Beaufort County Schools, North Carolina ("Board") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2021. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## ***Auditors' Responsibility***

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

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





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

In our opinion, the Board complied, in all material respects, with the 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, 20201.

***Report on Internal Control Over Compliance***

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

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

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

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

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
October 27, 2021



# **Independent Auditors' Report on Compliance For Each Major State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

Board of Education  
Beaufort County Schools  
Washington, NC

## ***Report on Compliance for Each Major State Program***

We have audited the Board of Education of Beaufort County Schools, North Carolina ("Board") 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, 2021. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

## ***Auditors' Responsibility***

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

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



#### ***Opinion on Each Major State Program***

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

#### ***Report on Internal Control over Compliance***

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

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

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

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

*Dixon Hughes Goodman LLP*

Winston-Salem, NC  
October 27, 2021

## 1. 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 weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Noncompliance material to financial statements noted ☐ yes ☒ no

### ***Federal Awards***

Internal control over major federal programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Noncompliance material to federal awards ☐ yes ☒ no

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

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

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Names of Federal Program or Cluster</u> |
|---------------------|--|
| 84.425              | Education Stabilization Fund               |
| 21.019              | Coronavirus Relief Fund                    |
| 84.010              | Title I                                    |

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

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

### State Awards

Internal control over major state programs:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes      x   none reported

Noncompliance material to state awards \_\_\_\_\_ yes      x   no

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_\_\_ yes      x   no

Identification of major state programs:

| <u>Program Name</u>   |
|---|
| State Public School Fund                                    |
| Career and Technical Education – State Months of Employment |

## 2. Financial Statement Findings

No findings were noted that are required to be reported under Government Auditing Standards.

## 3. Federal Award Findings and Questioned Costs

No findings and questioned cost related to the audit of federal awards aggregating \$25,000 or more were noted.

## 4. State Award Findings and Questioned Costs

No findings and questioned cost related to the audit of state awards aggregating \$25,000 or more were noted.

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There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2020.

**Board of Education of Beaufort County Schools**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2021**

**Schedule 12**  
**(Page 1 of 3)**

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---|---------------------|
| <b>Federal Grants:</b>  |                                    |   |                     |
| <u>U. S. Department of Agriculture</u>  |                                    |   |                     |
| School Nutrition Program (Note 3)   |                                    |   |                     |
| <u>Child Nutrition Cluster:</u>   |                                    |   |                     |
| Non-Cash Assistance (Commodities)   |                                    |   |                     |
| Passed-through the N.C. Department of Public Instruction  |                                    |   |                     |
| National School Lunch Program   | 10.555                             | PRC 035   | \$ 270,462          |
| Cash Assistance   |                                    |   |                     |
| Passed-through the N.C. Department of Public Instruction  |                                    |   |                     |
| Summer Food Service Program for Children  | 10.559                             | PRC 050   | 3,123,661           |
| Total Child Nutrition Cluster   |                                    |   | 3,394,123           |
| Fresh Fruit and Vegetable Program   | 10.582                             | PRC 035   | 116,431             |
| Total School Nutrition Program (Note 3)   |                                    |   | 3,510,554           |
| Total U. S. Department of Agriculture   |                                    |   | 3,510,554           |
| <u>U.S. Department of Education</u>   |                                    |   |                     |
| Cash Assistance   |                                    |   |                     |
| Passed-through the N.C. Department of Public Instruction  |                                    |   |                     |
| Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)                                    | 84.010                             | PRC 050   | 2,249,212           |
| Title 1 - School Improvement Cluster 1003(a)  |                                    |   |                     |
| Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - Targeted Support and Improvement | 84.010                             | PRC 115   | 7,429               |
| Total Title I Grants to Local Education Agencies (Title I)  |                                    |   | 2,256,641           |
| <u>Special Education Cluster:</u>   |                                    |   |                     |
| Special Education - Grants to States (IDEA, Part B) -   |                                    |   |                     |
| Education of the Handicapped  | 84.027                             | PRC 060   | 1,541,169           |
| Coordinated Early Intervening Services  | 84.027                             | PRC 070   | 179,385             |
| Special Needs Target Assistance   | 84.027                             | PRC 118   | 3,150               |
| Special Education - Preschool Grants (IDEA Preschool) -   |                                    |   |                     |
| Risk Pool Program   | 84.173                             | PRC 114   | 2,904               |
| Targeted Assistance   | 84.173                             | PRC 119   | 9,610               |
| Preschool Handicapped   | 84.173                             | PRC 049   | 63,814              |
| Total Special Education Cluster   |                                    |   | 1,800,032           |
| Career and Technical Education - Capacity Building Grant  | 84.048                             | PRC 017   | 134,262             |
| Education for Homeless Children and Youth   | 84.196                             | PRC 026   | 9,617               |
| Special Education - State Personnel Development   | 84.323                             | PRC 082   | 30,513              |
| Rural Education   | 84.358                             | PRC 109   | 117,410             |
| English Language Acquisition Grants   | 84.365                             | PRC 104, 111  | 47,480              |
| Supporting Effective Instruction State Grants   | 84.367                             | PRC 103   | 293,635             |
| School Mental Health Support  | 84.184H                            | PRC 102   | 544,747             |
| Student Support and Academic Enrichment Program   | 84.424                             | PRC 108   | 193,456             |
| COVID-19 Education Stabilization Fund   |                                    |   |                     |
| K12 Emergency Relief Fund - ESSER I   | 84.425D                            | PRC 163   | 134,967             |
| Digital Curricula - ESSER I   | 84.425D                            | PRC 165   | 43,608              |
| Exceptional Children Grants - ESSER I   | 84.425D                            | PRC 167   | 188                 |
| K12 Emergency Relief Fund - ESSER II  | 84.425D                            | PRC 171   | 2,129,668           |
| Specialized Instructional Support for COVID-19 Response - GEER I  | 84.425C                            | PRC 169   | 54,260              |
| Total COVID-19 Education Stabilization Fund   | 84.425                             |   | 2,362,691           |
| Total U. S. Department of Education   |                                    |   | 7,790,484           |
| <u>U.S. Department of Defense</u>   |                                    |   |                     |
| Direct Program:   |                                    |   |                     |
| ROTC  | NONE                               | PRC 031   | 154,091             |

Board of Education of Beaufort County Schools  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2021

Schedule 12  
(Page 2 of 3)

| Grantor/Pass-through<br>Grantor/Program Title                           | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures                |
|---|---------------------------|---|-----------------------------|
| <u>U. S. Department of Treasury</u>                                     |                           |   |                             |
| Cash Assistance   |                           |   |                             |
| Passed-through the Office of State Budget and Management:               |                           |   |                             |
| NC Pandemic Recovery Office   |                           |   |                             |
| Passed-through the N.C. Department of Public Instruction:               |                           |   |                             |
| Coronavirus Relief Fund   |                           |   |                             |
| Summer Learning Program   | 21.019                    | PRC 121                                       | 281,023                     |
| School Health Support   | 21.019                    | PRC 122                                       | 25,675                      |
| Nondigital Resources  | 21.019                    | PRC 123                                       | 12,560                      |
| Student Computers and Devices   | 21.019                    | PRC 124                                       | 151,093                     |
| Personnel Computers and Devices   | 21.019                    | PRC 126                                       | 207,163                     |
| Mobile Wi-Fi for Homes and Communities                                  | 21.019                    | PRC 128                                       | 79,851                      |
| Services for Exceptional Children                                       | 21.019                    | PRC 132                                       | 181,055                     |
| Cybersecurity   | 21.019                    | PRC 135                                       | 16,477                      |
| Personal Protective Equipment   | 21.019                    | PRC 137                                       | 118,514                     |
| Gaggle Safety Management  | 21.019                    | PRC 138                                       | 22,354                      |
| Total Coronavirus Relief Fund   |                           |   | <u>1,095,765</u>            |
| <b>Total Federal Assistance</b>   |                           |   | <b><u>12,550,894</u></b>    |
| <b>State Grants:</b>  |                           |   |                             |
| Cash Assistance   |                           |   |                             |
| <u>N.C. Department of Public Instruction</u>                            |                           |   |                             |
| State Public School Fund (SPSF)   |                           |   | \$ 41,285,806               |
| Driver Training - SPSF  |                           | PRC 012                                       | 117,749                     |
| School Technology Fund - SPSF   |                           | PRC 015                                       | 257,491                     |
| Career and Technical Education  |                           |   |                             |
| - State Months of Employment  |                           | PRC 013                                       | 2,183,277                   |
| - Program Support Funds   |                           | PRC 014                                       | 261,559                     |
| Textbooks and Digital Resources   |                           | PRC 131                                       | 346,508                     |
| Total N.C. Department of Public Instruction                             |                           |   | <u>44,452,390</u>           |
| <u>N.C. Department of Juvenile Justice &amp; Delinquency Prevention</u> |                           |   |                             |
| Juvenile Crime Prevention Program                                       |                           |   | <u>88,346</u>               |
| <u>N.C. Department of Health and Human Services</u>                     |                           |   |                             |
| Division of Child Development:  |                           |   |                             |
| State School Nurse Initiative   |                           |   | 307,094                     |
| NC Pre-Kindergarten Bonus Payments - COVID-19                           |                           |   | 47,004                      |
| Disability Evaluations  |                           |   | <u>285</u>                  |
| Total N.C. Department of Health and Human Services                      |                           |   | <u>354,383</u>              |
| Non-Cash Assistance   |                           |   |                             |
| <u>N.C. Department of Public Instruction</u>                            |                           |   |                             |
| School Buses Appropriation  |                           | PRC 120                                       | <u>504,454</u>              |
| <b>Total State Assistance</b>   |                           |   | <b><u>45,399,573</u></b>    |
| <b>Total Federal and State Assistance</b>                               |                           |   | <b><u>\$ 57,950,467</u></b> |



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**Notes to the Schedule of Expenditures of Federal and State Awards:**

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Account Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

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

Note 4: Non-cash Assistance

Included in the amounts reported on the SEFSA, the Board received non-cash assistance in the form of food commodities and school buses. Non-cash items with a fair value of \$774,916 were received during the year ended June 30, 2021. These non-cash items received were included in the determination of federal and state awards expended for the year ended June 30, 2021.