**Notes to the Financial Statements**

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**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

**I. Summary of significant accounting policies**

The accounting policies of Carolina County Board of Education (the “Board”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**Note to preparer**: The GASB **“Emergency Toolbox”** designed to help quickly identify the authoritative guidance that could be relevant to the impact of coronavirus on Board’s current financial statements may be found [here](https://www.gasb.org/cs/Satellite?c=Page&cid=1176174469582&pagename=GASB%2FPage%2FGASB%2FSectionPage). North Carolina Local Government COVID-19 resources may be found [here](https://www.nctreasurer.com/local-government-covid-19-resources).

A. Reporting entity

The Carolina County Board of Education is a Local Education Agency empowered by State law [Chapter 115C, Article 31 of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Carolina County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of presentation

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

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

*Fund Financial Statements*: The fund financial statements provide information about the Board’s funds, including its fiduciary funds. 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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major 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 nonexchange transactions or ancillary activities.

**Note to preparer:** Boards must modify the text to reflect their specific policies and circumstances.

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” mandated by State law [G.S. 115C‑426].

*State Public School Fund.* The State Public School Fund, also required by G.S. 115C‑426, includes appropriations from the Department of Public Instruction 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 Carolina County appropriations, restricted sales tax moneys, proceeds of Carolina County bonds issued for public school construction,lottery proceeds, as well as certain State assistance.

**Note to preparer:** The individual schools are not legally separate entities. In this example, we assume that the School System controls the Individual Schools Fund assets because the amounts are deposited into a bank account managed by the administrative unit. The funds are not own-source revenues or government-mandated nonexchange transactions, and they are not held in a trust or an equivalent arrangement. Assuming the School System policy details how the individual school funds can be spent, the School System has administrative involvement per the criteria in GASBS 84 ¶11.c.(2). The assets are for the benefit of individual schools that that are part of the financial reporting entity per GASBS 84 ¶11.c.(3); therefore, these assets should be reported with governmental funds. This activity would be unchanged with the implementation of GASBS 84 and will continue to be reported in the special revenue fund.

Depending upon the policies and legal structure of a given school system’s clubs and activities, the presentation of these types of activities for each board of education may be different. Implementation Guide No. 2019-2, Fiduciary Activities, has numerous examples of how to apply GASBS 84 to reporting club and scholarship activities based on how each system’s policy. Refer to questions 4.16 through 4.23 and 4.28 in Implementation Guide 2019-2, Fiduciary Activities, and  [Memorandum 2021-04](https://files.nc.gov/nctreasurer/documents/files/SLGFD/Memos/2021-04.pdf) for more information.

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

The 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 and is reported as an enterprise fund.

The Board reports the following fiduciary fund:

*Administrative Fund.* The Administrative Fund is used to account for scholarship money under the control of the board for the benefit of students in the system. This fund is reported as a private purpose trust fund.

**Note to preparer:** Assuming that it is not a legally separate entity, that the system controls the assets, and that there is a legal trust agreement in place, the activity would continue to be reported in a fiduciary fund. This fund continues to meet the definition of a private purpose fund per paragraph 17 of GASBS 84; therefore, the implementation of this standard does not change the reporting for the Administrative Fund.

The legal agreements associated with a scholarship fund or an endowment fund will impact the reporting under GASBS 84. For example, if the Administrative Fund is a legally separate entity, then it would be reported as a fiduciary component unit. If the Administrative Fund is not controlled by the local board of education, then the activity would not be reported by the government in the financial statements. If there is no legal trust in place, then depending upon additional criteria, these funds might not be considered as fiduciary but governmental in nature. In that case, the Administrative Fund would be reported in a special revenue fund. **We urge local governments and their auditors to carefully review these legal agreements and determine the appropriate treatment.**

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 funds to be available if the revenues are collected within 60 days after year-end. These include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized 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 is 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. As required by the G.S. 115C-425, annual budgets are adopted for all funds except for the Individual Schools’ Special Revenue Funds. While no budget is required for funds of individual schools, such funds must be accounted for in accordance with the provisions of G.S. 115C‑448. 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 {*describe provisions and revise text as necessary*} level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to $x,xxx) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change {*describe*} appropriations by more than $x,xxx. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Note to preparer**: Please adjust the Budgetary Data note based on how the budget for your local education agency (LEA) was adopted. Consider describing significant amendments to the budget. This note along with the Stewardship, Compliance, and Accountability note and Budget to Actual statements will be used by our office to verify budgetary compliance. According to G.S. 115C‑429(b), your LEA’s Board of County Commissioners may, in its discretion, allocate part or all of its appropriation by purpose, function, or project. The Carolina County Board of Education Board adopted the budget by function.

E. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund equity

1. Deposits and investments

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

State law [G.S. 115C‑443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159‑30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S & P Global Ratings and AAAmf by Moody’s Investors Service. The NCCMT Government Portfolio is reported at fair value.

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

The Board’s investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs – other than quoted prices – included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at $1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2021 of 1.3 years. Under the authority of G.S. 147‑69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

**Note to preparer:** Please refer to our memorandum for the average maturity and other information regarding retirement and investment disclosures.

2. Cash and cash equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less 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 General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources; thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital assets

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

It is the policy of the Board to capitalize all capital assets costing more than $--,--- except for computer equipment at $500 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks, including library books and materials are capitalized. The library collections consist of large number of books with modest values; the composite depreciation method has been used as discussed GASBS 35, paragraphs 163-166. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Note to preparer**: GASBS 72 requires that donations of specific capital assets during fiscal years beginning after June 15, 2015, be measured at acquisition value (market-based entry price). For more information on the acquisition value requirements for certain donated capital assets please refer to Paragraph 79 of GASBS 72.

Carolina 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:



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

5. Deferred outflows of resources and deferred inflows of resources

In addition to assets, the statement of financial position will sometimes report separate sections for deferred outflow of resources and for deferred inflows of resources. These 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 including pension and other postemployment benefits (OPEB) related deferrals and contributions made to the plans after the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion including unearned grant revenue in the General Fund and pension and OPEB related deferrals.

6. Long-term obligations

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

7. Compensated absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. 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 of the current portion of compensated absences based on prior years’ records has been made.

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 and fund balances

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

*Fund Balance*: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints 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 are that portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources. Assets held for resale- portion of fund balance that is not an available resource because it represents the year-end balance of assets held for resale, which are not spendable resources.

**Note to preparer:** Restricted and committed section of fund balance must be by purpose. The name of the restricting source is not a purpose. Example: Restricted by grants could be labeled “Restricted for school capital outlay” if they are to be used for school construction.

*Restricted fund balance* – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. Examples include the following:

⦁ Restricted for Stabilization by State Statute – portion of fund balance that is restricted by North Carolina General Statute section 115C‑425(a).

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

⦁ 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.

**Note to preparer:** Carolina Board of Education does not have an example of committed fund balance; the following is provided for Boards that have such a classification.

*Committed fund balance* – portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education’s governing body (highest level of decision-making authority) and in certain instances approval by the County’s governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

*Assigned fund balance* – portion of fund balance that Carolina Board of Education intends to use for specific purposes. An example follows:

⦁ 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 resource or appropriation within funds up to $100,000.

**Note to preparer:** Boards must disclose who has authority to assign fund balance to a specific purpose and the policy by the governing body that established this authorization. G.S. 115C‑429 through G.S. 115C‑434 requires approval of the County’s governing board for various actions.

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

Carolina County Board of Education has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

9 Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of $13,541,075 consists of several elements as follows:



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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

There are several elements of that total adjustment of $7,745,680 as follows:



10 Defined Benefit Pension Plan and Other Post Employment Benefit (OPEB) Plans

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

**II. Stewardship, compliance and accountability**

A. Significant violations of finance-related legal and contractual provisions

1. Noncompliance with North Carolina General Statutes

**Note to preparer:** Significant instances of noncompliance with the fiscal and budgetary requirements (other than over-expenditures of the budget, see B below) of the General Statutes should be disclosed in this section along with a corrective action plan. Items that should be disclosed include lack of the adoption of an annual balanced budget for an enterprise fund, material instances of budgetary noncompliance in any fund at the legal level of budgetary control, school finance officer’s performance bond being less than $50,000, etc. Insignificant instances of noncompliance could be summarized in the management letter.

2. Contractual violations

**Note to preparer:** Significant contractual violations of lease arrangements or other contractual agreements should be disclosed in this section along with a corrective action plan.

B. Excess of expenditures over appropriations

During the fiscal year ended June 30, 2021, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C‑441] because they exceeded the amounts appropriated in the budget ordinance by $197,991. The project is funded by a grant and reimbursement for the expenditures was received subsequent to year-end. Management will amend procedures to ensure compliance with preaudit requirements.

**Note to preparer**: Disclose any excess of expenditures over appropriations at the legal level of budgetary control for those individual funds that adopt budget ordinances. In accordance with GAAP, all budget ordinance violations and corrective action plans should be disclosed.

C. Deficits in fund balance or net position of individual funds

**Note to preparer**: Individual funds that report deficits in their fund balances or in their net position should be disclosed along with a corrective action plan.

**III. Detail notes on all funds**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the Board’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 the adequacy of their pooled collateral covering uninsured deposits to the State Treasurer. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Board had deposits with banks and savings and loans with a carrying amount of $164,695 and with the State Treasurer of $4,700. The bank balances with the financial institutions and the State Treasurer, were $178,300 and $6,600, respectively. Of these balances, $178,300 was covered by federal depository insurance and $6,600 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**Note to preparer**: A Local Educational Agency should disclose whether or not their Board has adopted a formal policy for any of the different deposit and investments risks it encounters. In addition, the Board may include whether its management follows any internal practices to avoid applicable risks. In the illustrated Deposits and Investments disclosures, the Carolina County Board of Education does not have formal Board adopted policies or internal management practices.

Please see [Memorandum 1056](https://files.nc.gov/nctreasurer/documents/files/SLGFD/Memos/1056.pdf) for additional information. See *Note III.A.1* of Carolina County for an example of formal policy disclosures. See *Note III.A.1* of City of Dogwood for an example of when no formal policy has been adopted, but there are internal management policies in place.

2. Investments

**Note to preparer:** For BOEs whose only investments are with the North Carolina Capital Management Trust Government Portfolio and the STIF account, the following statement is all that is required for GASBS 40 disclosure. Use the language appropriate for the Board. Negative disclosures are not acceptable. “At June 30, 2021, the Board of Education had $155,697 invested with the North Carolina Capital Management Trust’s Government Portfolio which carried a credit rating of AAAm by S & P Global Ratings and AAAmf by Moody’s Investors Service. There was $87,375 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2021. The Board has no policy for managing interest rate risk or credit risk.”

At June 30, 2021, the Board’s investment balances were as follows:



All investments are measured using the market approach. Debt classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability.

**Note to preparer:** The presentation above demonstrates the specific identification method. See City of Dogwood for examples of more complex disclosures or Carolina County for the segmented time distribution method.

*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 Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of years as of June 30, 2021.

*Credit risk*. The Board’s investments in Fannie Mae were rated AAA by S & P Global Ratings and Aaa by Moody’s Investors Service. The Board’s investments in the NC Capital Management Trust Government Portfolio carried credit ratings of AAAm by S & P Global Ratings and AAAmf by Moody’s Investors Service as of June 30, 2021. The STIF is unrated and is authorized under North Carolina General Statutes (G.S. 147‑69.1). The State Treasurer’s STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term 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 with any one issuer. More than 5 percent of the Board’s investments are in Fannie Mae securities. This investment is 18.3% of the Board’s total investments.

**Note to preparer**: When fair value measurements are used in determining the amounts recognized in the financial statements, GASBS 72 requires additional disclosures to be made in the notes about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. The Statement also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The required disclosures in GASBS 3, 40 and 53 regarding credit risk, custodial credit risk, and interest rate risk remain unchanged by implementation of GASBS 72.

The investment policy used by the Board to manage interest rate risk should be included above in the notes. If there is not a Board approved policy, a statement to the effect that “the Board does not have a formal investment policy” should be made.

3. Accounts receivable

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



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

**Note to preparer**: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and amounts that are not expected to be repaid within one year should be disclosed in the notes.

For interfund transfers, amounts transferred from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and/or transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes. Both provisions should be applied only to *material* items.

When material, the allowance for doubtful accounts amounts should be disclosed by fund.

Due from other governments consists of the following:



4. Capital assets

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



Depreciation charged to governmental functions was as follows:



Capital asset activity for business-type activities for the year ended June 30, 2021, was summarized as follows:



5. Construction commitments

Carolina County has active construction projects as of June 30, 2021. The projects include the Northwest Project that includes park renovations and an outdoor theatre, school construction for the benefit of Carolina County Board of Education, and water district projects. At year-end, the County’s commitments with contractors for school construction are as follows:



**Note to preparer**: The following note is used only in instances where the BOE has, prior to year-end, entered into contracts to purchase buses but has not yet taken delivery of the buses. Once the contract is finalized and delivery taken of the buses (presumably in the subsequent year), this note should be omitted.

6. Financing commitments

Legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Carolina County Board of Education has entered into an agreement to purchase five (5) buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the County Board of Education out of funds allocated to the County Board of Education. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2021, has been recorded.

Total purchase price for the5 buses totals $600,000. The payments are due in the fiscal year after June 30, 2021 are as follows:



**Note to preparer**: An encumbrance is not recorded for these installment purchase agreements because current resources will not be used to satisfy these obligations.

B. Liabilities

**Note to preparer:** Please note that the process to enter updated data for the Teachers and State Employment Retirement System (TSERS) note and for Other Post Employment Benefit (OPEB) note for the Retirement Health Benefit (RHBF) and the Disability Income Plan of North Carolina (DIPNC) has changed. The journal entry templates for TSERS and the OPEB plans for Boards of Education are available [here](https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/boards-education-financial-statement-resources#pension-resources) and [here](https://www.nctreasurer.com/links/state-and-local-government-finance/lgc/local-fiscal-management/annual-audit/financial). The conversion workbook has been modified such that the pension and OPEB data from the journal entry templates for the specific Board can be entered directly into the workbook. This significantly reduces the complexity of the workbook.

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 – 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 of Public Instruction, and the State Director of Human Resources, 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.

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board’s contractually required contribution rate for the year ended June 30, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions and investment income, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $xx,xxx 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 any other retirement or survivor benefit provided by TSERS.

***Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions***

At June 30, 2021, the Board reported a liability of $407,203 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. At June 30, 2020 and at June 30, 2019, the Board’s proportion was 0.003% and 0.004%, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of $94,314. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



$50,000 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:



*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:



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

The 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.

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:



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

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

*Sensitivity of the County’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 percent, as well as what the 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 percent) or 1-percentage-point higher (8.0 percent) than the current rate:



*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

b. Other postemployment benefits (OPEB)

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 in Chapter 135, Article 1 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employers. 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), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

*Contributions*. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2021, the Board contributed the legislatively mandated 6.68% of covered payroll which amounted to $30,000.

At June 30, 2021, Board reported a liability of $1,093,387 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2020 and June 30, 2019, the Board’s proportions were 0.0038% and 0.0035%, respectively.

… $30,000 reported as deferred outflows of resources related to OPEB resulting from Board contributions after the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



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



*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 2.21% was used as the discount rate used to measure the total OPEB liability and is based on the Bond Buyer 20-year General Obligation Index as of June 30, 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 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:



*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 proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:



*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 $700 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 another postemployment benefit.

***OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources of related to OPEB***

At June 30, 2021, Board reported an asset of $345 for its proportionate share of the net DIPNC OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2020, the Board’s proportion was 0.0038%.

$700 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



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



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



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

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

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

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.



***Total OPEB expense, OPEB liabilities, deferred outflows of resources and deferred inflows of resources of related to OPEB***

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



**Note to preparer**: Additional disclosures will be required if additional OPEB are offered other than health insurance through the State Health Plan. The City of Dogwood presents OPEB on the pay-as-you-go basis with an Appendix presenting the Alternative Method.

In the disclosure above, the TSERS was the only group-term life insurance provided to an employee. This insurance has a maximum limit of $50,000. If the unit provides additional group-term life insurance, please include a description of the policy in the above note. In addition, please note that the benefits in excess of $50,000 are considered taxable to the employee as a fringe benefit. Please see [Memorandum 1048](https://files.nc.gov/nctreasurer/documents/files/SLGFD/Memos/1048.pdf).

2. Accounts payable

Accounts payables as of June 30, 2021, are as follows:



**Note to preparer:**  G.S. 115C‑426(e) provides that the county appropriations to the local current expense fund shall be funded in part by revenues accruing to the local school administrative unit by virtue of Article IX, Sec. 7 of the Constitution which includes penalties, fines, and forfeitures moneys and certain supplement taxes levied on behalf of the Board. The following details may be provided if the liability for these items is material.

The liability for penalties, fines and forfeitures moneys and certain supplement taxes at June 30, 2021, consist of the following:



3. Deferred outflows of resources and deferred inflows of resources

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



**Note to preparer**: Unearned grant revenue has been presented as a deferred inflow of resources on the Statement of Net Position and on the Balance Sheet because the assumption is that all eligibility requirements other than time requirements have been met. Were there eligibility requirements other than time requirements that have not met, the unearned grant revenue would be presented as a liability on both statements.

4. Risk management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of $1 million per claim. The Trust has an annual aggregate limit for general liability of $2,550,000 and an annual aggregate limit of $2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of $150,000 per claim for errors and omissions and general liability.\* Statutory workers’ compensation coverage is either purchased through private insurers or self-insured by the local board. Coverage is provided to the extent that employees are paid from federal or local funds. Workers’ Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent that employees are paid from State funds. The Board also participates in the Public-School Insurance Fund (Insurance Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance.\*\* The Insurance Fund insures the tangible property assets of the Board. Coverage is provided on an “all risk” perils contract. Buildings and contents are insured on a replacement cost basis. The Insurance Fund purchases excess reinsurance to protect its assets in the event of a catastrophic event and maintains a self-insured retention of $10 million. Excess reinsurance is purchased through commercial insurers. A limit of $200 million per occurrence is provided on Standard Flood and $150 million of High Hazard Flood. A limit of $5 million per occurrence is provided for Earthquake and Business Interruption and Extra Expense. $10 million per occurrence is provided on Increased Cost of Construction.

**Notes to preparer**: \* While the majority of local boards of education in North Carolina participate in the North Carolina School Boards Trust Errors and Omission/General Liability Fund for their errors and omissions and general liability coverage, not all boards of education participate in this program. Therefore, the preparer should consider if this note needs to be modified for errors and omissions and general liability coverage.

The North Carolina School Boards Trust also provides auto coverage through the Automobile and Inland Marine Fund. The preparer should consider if the above note needs to be modified for auto coverage. For more information on the North Carolina School Boards Trust please visit [www.ncsba.org](http://www.ncsba.org)

\*\* Not all boards of education participate in the Public-School Insurance Fund. The preparer should consider if this note needs to be modified for property insurance coverage.

The Board also participates in the Teachers’ and State Employees’ Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefit. 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 who have access to funds are bonded under a blanket bond for $175,000.

**Note to preparer**: Effective July 1, 2008, the minimum performance bond requirement for school finance officers is $50,000 with no maximum amount specified. (G.S. 115C‑442)

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

5. Contingent liabilities

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

6. Long-term obligations

a. Capital leases

As authorized in State law [G.S. 115C‑528(a)], the Board entered into various lease agreements to lease computers. The leasing arrangements were made for three years; at the conclusion of each of the leases, ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes; therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

At June 30, 2021, assets recorded under the capital lease were as follows:



The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2021:



**Note to preparer**: In paragraph 19 of GASBS 87, *Leases*, contracts that transfer ownership of the underlying asset and do not contain termination options are reported as financed purchases, not leases. If both conditions exist in a contract or a group of contracts, then a liability that is currently reported as a lease exception under paragraph 4 of GASBS 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will need to be reassessed when the government implements GASBS 87. Those who choose to early implement GASBS 87 should also look at the terms in lease contracts at that time to determine how GASBS 88 debt disclosures should be addressed.

b. Installment purchases

The Board is authorized by State law [G.S. 115C‑47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In January 2019, the Board entered into a direct placement contract to reduce the energy costs associated with one of the elementary schools. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments for eight years beginning in the fiscal year 2019 with interest rates ranging from x.xx to x.xx percent.

The Board is authorized to finance the purchase of school buses under G.S. 115C‑47(28). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C‑528. The State has accepted the bid to purchase Thomas Built Buses through a special third-party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. In July 2018, the Board entered into a direct placement installment purchase contract to finance the purchase of one school bus. The buses are pledged as collateral for the debt while the debt is outstanding. The financing contract requires only principal payments of $36,000 due at the beginning of each contract year.

The future minimum payments of the installment purchase as of June 30, 2021, including $21,577 of interest, are as follows:



c. 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.



**Note to preparer:** Compensated absences for governmental activities may be liquidated by the General and other governmental funds when more precise would result in immaterial amounts.

C. Interfund balances and activity

Transfers to or from other funds at June 30, 2021, consist of the following:



**Note to preparer**: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and any amounts that are not expected to be repaid within one year should be disclosed in the notes.

Likewise, all interfund transactions throughout the year are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund transfers, amounts transferred from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; a general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and/or transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes.

D. Extraordinary item

Excessive mold contamination was discovered at Cardinal Senior High School resulting in an extraordinary impairment loss of $369,090. Demolition and mold removal expenses of $380,000 were incurred. Restoration costs of $570,000 have been capitalized.

E. Fund balance

**Note to preparer:** This language must be modified to reflect the Board’s policies.

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

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



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



**Note to preparer:** Encumbrances under GASBS 54 will not be shown on face of statement but included in Restricted for Stabilization by State Statute (RSS); however, in funds other than the General Fund they might be shown as some other restricted amount. In either case, the number of significant encumbrances must be disclosed for each major fund and in aggregate for non-major funds.

**IV. Related party transactions**

**Note to preparer:**  Under GAAP, disclose significant transactions with elected officials, employees, and related organizations. These GAAP disclosures should include the nature of the relationship, a description and the dollar amount of any transaction, the amount(s) due to or from the related parties, the fund(s) involved in the transaction, and any other significant details. If applicable, in addition to the disclosures required by GAAP, G.S. 14‑234 requires additional disclosures indicating the related party transactions which local boards of education may legally enter into under certain limited circumstances outlined within the statute. These legally required disclosures should include totals for each official which the government involved in these transactions

**V. Summary disclosure of significant contingencies**

Federal and state assisted programs

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

Forfeiture of impounded vehicles

**Note to preparer:**  Note disclosure for forfeiture of impounded vehicles should appear if the net amount due to the BOE is significant. Because the expenses of the sale and storage are deducted from the sale proceeds, most BOEs report that the net amount received is immaterial to the financial statements.

If the amount above is material, the vehicles referred to represent a gain contingency and should not appear on the balance sheet. Vehicles on hand which have been ordered forfeited by June 30th do appear on the balance sheet. Those vehicles sold by the reported date should appear in the General Fund. Those vehicles not sold by reported date and to which the BOE has title are reported as a general capital asset. The note disclosure should include how many vehicles the central facility is storing on behalf of the BOE and the amount estimated to be received net of the cost of sales, towing, and storage fees.

**VI. Significant effects of subsequent events**

**Note to preparer:**  Events that occur between the end of the period covered by the financial statements and the statement issuance date which have a significant effect upon the unit should be disclosed.

**Required Supplementary Financial Data**

**Note to Preparer**: This section contains additional information required by generally accepted accounting principles.

* Schedule of the Proportionate Share of the Net Pension Liability – Teachers’ and State Employees’ Retirement System
* Schedule of Board Contributions – Teachers’ and State Employees’ Retirement System
* Schedule of the Proportionate Share of the Net Other Post Employment Benefit Liability – Retiree Health Benefits Fund
* Schedule of Board Contributions – Retiree Health Benefits Fund
* Schedule of the Proportionate Share of the Net Other Post Employment Benefit Liability – Disability Income Plan of North Carolina
* Schedule of Board Contributions – Disability Income Plan of North Carolina

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