



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON  
DEPUTY TREASURER

**2021**

**Sample Financial Statements**

**for a Board of Education**

**in North Carolina**

Comments on and corrections to these sample financial statements for a Board of Education should be directed to Jones Norris at [Jones.Norris@NCTreasurer.com](mailto:Jones.Norris@NCTreasurer.com).

Revised: October 2021

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## Compliance Section

**Note to preparer:** The Table of Contents should be listed at a level of detail that meets the need of the users of the report, which may be more or less detailed than shown.

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## **Financial Section**

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## Independent Auditor's Report

To the Board of Education  
Carolina County Board of Education  
Dogwood, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carolina County Board of Education as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Carolina County Board of Education'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.

**Emphasis of Matter or Subsequent Event** paragraph should be considered.

#### Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Carolina County Board of Education as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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 the Management's Discussion and Analysis on pages 13 through 20 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 opinions on the financial statements that collectively comprise the Carolina County Board of Education's basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

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

*[Signature]*

*[City and State]*

*[Date]*

<p><b>Note to preparer:</b> Sample audit opinions and reports may be found <a href="#">here</a>. The sample opinion included has been modified for the Carolina County Board of Education facts and circumstances.</p>
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## **Management Discussion and Analysis**

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## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

This section of the Carolina County Board of Education's (Board) financial report presents 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.

**Note to preparer.** The MD&A is an opportunity for management to proactively address any issues that might be affecting the Board's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial or budgetary factors that might impact the Board should be presented.

### Financial highlights

- Financial highlights regarding the financial impact of COVID should be presented.
- The Board enjoyed an increased enrollment of 136 students (or 4%) from the previous year.
- The Board is constructing a new building to accommodate the increased enrollment and to allow it to offer an expanded curriculum to its students.
- The Board is working diligently with the Carolina County Board of Commissioners to find ways to fund increases in supplemental pay for teachers and to fund the continuing need for additional classroom space.
- 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.

### Overview of the financial statements

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

- Independent Auditor's Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows and inflows of resources, and obligations to creditors. Liquidity and financial flexibility

can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

**Note to preparer:** Only applicable elements of the financial statements should be mentioned. If the Board of Education has no items which meet the criteria for deferred outflows of resources, deferred outflows of resources should not be mentioned as a component of the Statement of Net Position. If a unit has deferred outflows, applicable references should be included in this paragraph. For example, the fourth sentence would read, "The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources."

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 fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

### **Government-wide statements**

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

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

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

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

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



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

### **Fund financial statements**

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

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

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

The governmental fund statements are Exhibits 3, 4, 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. Carolina County Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

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

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

The **fiduciary fund statements** are Exhibits 10 and 11 of this report.

## Financial analysis of the board as a whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for Governmental Activities by \$14.0 million as of June 30, 2021. The largest component of net position is net investment in capital assets, of \$15.1 million.

**Table 1**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 903,368	\$ 764,529	\$ 500,277	\$ 425,068	\$ 1,403,645	\$ 1,189,597
Capital assets	15,262,085	7,240,693	49,170	46,705	15,311,255	7,287,398
Total assets	16,165,453	8,005,222	549,447	471,773	16,714,900	8,476,995
Deferred outflows of resources	247,911	46,668	61,979	9,522	309,890	56,190
Current and other liabilities	386,131	346,963	5,200	4,800	391,331	351,763
Long-term liabilities	1,508,849	236,637	313,135	-	1,821,984	236,637
Total liabilities	1,894,980	583,600	318,335	4,800	2,213,315	588,400
Deferred inflows of resources	477,046	70,048	115,239	30,338	592,285	100,386
Net investment in capital assets	15,073,708	7,223,341	49,170	46,705	15,122,878	7,270,046
Restricted net position	342,668	340,720	487	-	343,155	340,720
Unrestricted net position	(1,375,038)	(1,557,929)	128,195	78,864	(1,246,843)	(1,479,065)
Total net position	\$ 14,041,338	\$ 6,006,132	\$ 177,852	\$ 125,569	\$ 14,219,190	\$ 6,131,701

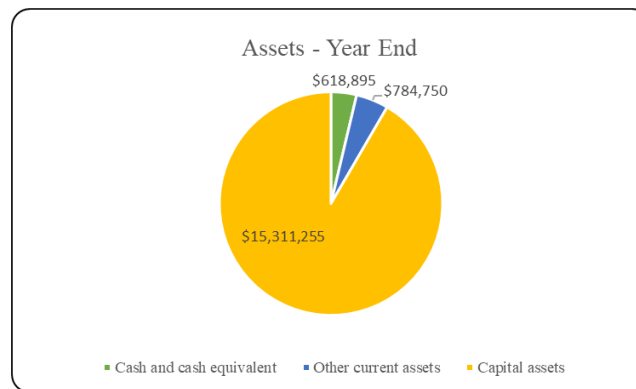
**Note to preparer.** GASBS 34 ¶9. Indicates that the “MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.”

GASBS 34 ¶11.c. provides for, at a minimum, inclusion of “[a]n analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include *reasons* for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.”

### Following is a summary of the Statement of Net Position

Note that net position increased during the year, indicating an improvement in the financial condition of the Board. The \$8.1 million or 133.8% increase in governmental activities net position was largely due to an increase of \$8.0 million or 101.9%, in capital assets because of new school construction. Unrestricted net position increased in the business-type activities primarily because of an increase in current assets in the School Food Service fund. Also, note that the Board carries capital assets for which Carolina County issues and carries the offsetting debt.

Proportion of assets of the total primary government are presented below are reported at cost:



The following table shows the revenues and expenses for the Board for the most recent two fiscal years.

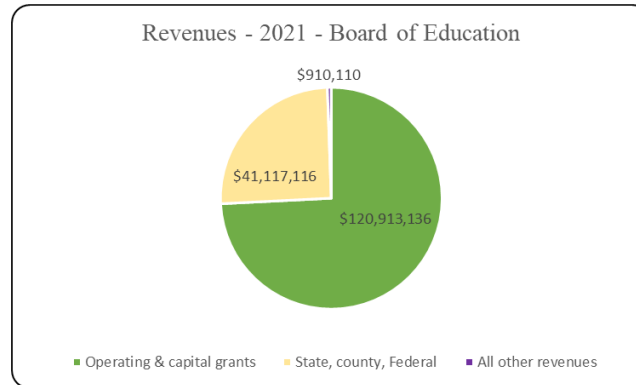
**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 283,000	\$ 279,467	\$ 553,292	\$ 542,226	\$ 836,292	\$ 821,693
Operating grants and contributions	120,300,128	150,004,361	577,008	565,468	120,877,136	150,569,829
Capital grants and contributions	36,000	38,000	-	-	36,000	38,000
<b>General revenues:</b>						
Other revenues	41,190,934	37,798,526	122,002	119,562	41,312,936	37,918,088
<b>Total revenues</b>	<b>161,810,062</b>	<b>188,120,354</b>	<b>1,252,302</b>	<b>1,227,256</b>	<b>163,062,364</b>	<b>189,347,610</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	127,484,035	112,989,452	-	-	127,484,035	112,989,452
System-wide support services	24,682,937	72,473,527	-	-	24,682,937	72,473,527
Ancillary services	1,048,990	18,041	-	-	1,048,990	18,041
Non-programmed charges	10,363	9,845	-	-	10,363	9,845
Interest on long-term debt	1,873	1,779	-	-	1,873	1,779
Depreciation	163,568	155,390	-	-	163,568	155,390
<b>Business-type activities:</b>						
Food service	-	-	1,056,736	1,006,204	1,056,736	1,006,204
Child care	-	-	157,283	141,085	157,283	141,085
<b>Total expenses</b>	<b>153,391,766</b>	<b>185,648,034</b>	<b>1,214,019</b>	<b>1,147,289</b>	<b>154,605,785</b>	<b>186,795,323</b>
Extraordinary item - Asset impairment loss	(369,090)	-	-	-	(369,090)	-
Transfers in (out)	(14,000)	(14,000)	14,000	14,000	-	-
Increase in net position	8,035,206	2,458,320	52,283	93,967	8,087,489	2,552,287
Net position, beginning	6,006,132	3,547,812	125,569	31,602	6,131,701	3,579,414
Net position, restatement	-	-	-	-	-	-
<b>Net position, ending</b>	<b>\$ 14,041,338</b>	<b>\$ 6,006,132</b>	<b>\$ 177,852</b>	<b>\$ 125,569</b>	<b>\$ 14,219,190</b>	<b>\$ 6,131,701</b>

Total governmental activities generated revenues of \$161.8 million or a decrease of 13.9%, while expenses in this category totaled \$153.4 million, a 17.4% decline, for the year ended June 30, 2021. Comparatively, revenues were \$188.1 million, and expenses totaled \$185.6 million for the year ended June 30, 2020.

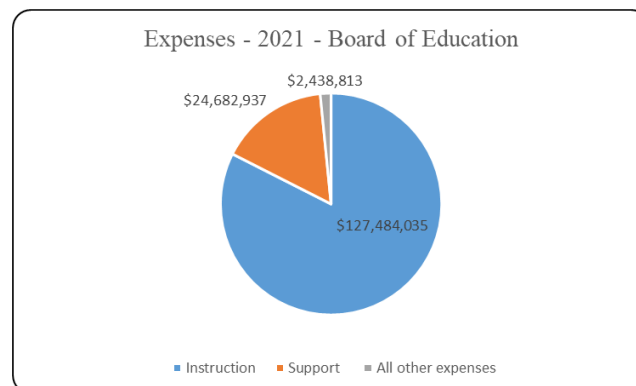
After transfers to the business-type activities, the increase in net position stands at \$8.1 million at June 30, 2021, compared to \$2.6 million in 2020, a 226.9% increase. County funding comprised 25.2% of total governmental revenue for 2021. In 2020, county funding was 23.5%. Much of the remaining 74.8% of total governmental revenue for 2021 consists of restricted State and federal money. This revenue represented 70.69% of total revenue in 2020. Business-type activities generated revenue of \$1.3 million and expenses of \$1.2 million. Net position increased in the business-type activities by \$52 thousand after transfers from the governmental activities of \$14 thousand.

Proportion of revenues presented below are reported on the full accrual basis of accounting:

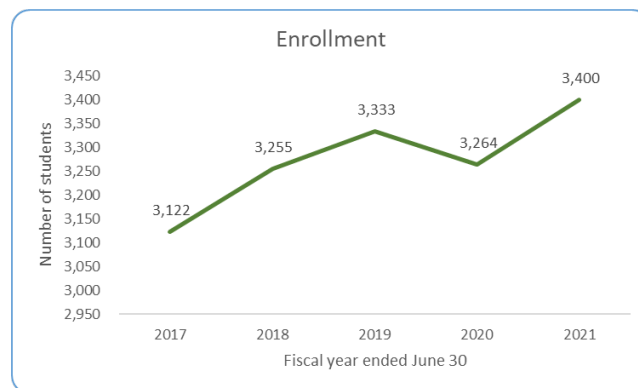


Instructional services expenses of \$127.5 million represents an increase of 12.8% and comprised 83.1% of total governmental-type expenses while system-wide support services made up 16.10% of those expenses for 2021. Comparatively, instructional services expenses were \$112.9 million and support services were \$72.5 million for the year ended June 30, 2020. Results for 2021 also included the extraordinary loss of \$369 thousand due to mold damage.

Proportion of expenses presented below are reported on the full accrual basis of accounting:



An important factor effecting the level of revenue and expense is student enrollment. In the fiscal year ended June 30, 2021, enrollment increased 4.2% to 3,400 students. Enrollment trends for the past five years are shown in the following graph.



### Financial analysis of the Board's funds

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

**Note to Preparer.** GASBS 34 ¶11.d. provides for, at a minimum, inclusion of "[a]n analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

The Board's governmental funds reported a combined fund balance of \$500 thousand, a \$295 thousand increase over last year on revenues of \$161.9 million or **x.x%**. Fund revenue totals include General Fund, \$33.1 million; State Public School Fund, \$119.0 million; and Capital Outlay Fund, \$8.9 million. Governmental funds expenditures totaled \$161.8 million, an increase of **x.x%**, and included \$9.1 million in capital outlay. Fund expenditures include \$32.9 million for the General Fund; \$119.0 million for the State Public School Fund; and \$9.1 million for the Capital Outlay Fund. The fund balance of the General Fund increased \$147 thousand to \$174 thousand.

Proprietary funds: The Board's business-type funds performed well in the past year, although the Child Care Fund reflected a decrease in net position over last year due to higher-than-expected maintenance costs for some equipment. Revenues and expenses remained constant overall; however, non-operating revenue brought about most of the increase in net position with increases in federal reimbursements and investment earnings.

### General Fund budgetary highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to modify appropriations considering the altered revenue estimates. With the increases in revenue, the Board was able to adjust spending and end the year with a small surplus. Changes in estimated revenues and corresponding revisions in budgeted appropriations totaled \$160 thousand in the General Fund.

## Capital assets

Capital assets increased by \$8.0 million (or 110.1%) from the previous year. This was largely due to new construction, specifically the construction of elementary and high schools, the purchase of new buses, and the restoration project at Cardinal Senior High School. Excessive mold contamination was discovered at Cardinal Senior High School resulting in an extraordinary impairment loss of \$369 thousand. Demolition and mold removal expenses of \$380 thousand were incurred. Restoration costs of \$570 thousand have been capitalized.

**Note to preparer.** GASBS 34 ¶11.d. provides for, at a minimum, inclusion of “[a] description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

The following is a summary of the capital assets net of depreciation at year-end.

**Table 3**  
**Summary of Capital Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,946,000	\$ 2,589,000	\$ -	\$ -	\$ 2,946,000	\$ 2,589,000
Construction in progress	911,000	69,600	-	-	911,000	69,600
Buildings	10,541,055	3,928,700	-	-	10,541,055	3,928,700
Furniture and equipment	424,608	267,408	42,825	40,425	467,433	307,833
Vehicles and motorized equipment	289,937	250,000	-	-	289,937	250,000
Library books	104,769	106,273	-	-	104,769	106,273
Computer equipment	44,716	29,712	6,345	6,280	51,061	35,992
	<u>\$ 15,262,085</u>	<u>\$ 7,240,693</u>	<u>\$ 49,170</u>	<u>\$ 46,705</u>	<u>\$ 15,311,255</u>	<u>\$ 7,287,398</u>

## Debt outstanding

During the year the Board’s outstanding debt increased by \$171 thousand due mainly to the use of installment financing to pay for energy conservation measures and school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

The following is a summary of the outstanding debt at year-end.

**Table 4**  
**Summary of Long-term Obligations**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital leases	\$ 45,141	\$ 38,116	\$ -	\$ -	\$ 45,141	\$ 38,116
Direct placement installment purchase	164,000	-	-	-	164,000	-
	<u>\$ 209,141</u>	<u>\$ 38,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,141</u>	<u>\$ 38,116</u>

## Economic factors

The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the schools.

**Note to preparer:** GASBS 34 ¶11.h. provides for, at a minimum, inclusion of "...a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

The following factors have positively [**or adversely**] affected the economic outlook of Carolina County.

- The County is enjoying a low unemployment rate of 3.9%, lower than the state average of 4.5%.
- Retail vacancy rates are low, having stayed in the 5-10% range all year.
- New manufacturing jobs were created in the last year bringing 400 new jobs to the County.

**Impact of Coronavirus on Board.** During the fiscal year, the state and the nation were affected by the spread of a coronavirus. The Board's response to the coronavirus included *please describe. Describe the financial and economic effects that the coronavirus has had on your School during the year and any action taken to moderate the impact.*

*The GASB "Emergency Toolbox" designed to help quickly identify the authoritative guidance that could be relevant to the current circumstances may be found [here](#). North Carolina Local Government COVID-19 resources may be found [here](#).*

## Requests for information

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

Name, Finance Officer  
Carolina County Board of Education  
1111 Government Drive  
Dogwood, NC 00000

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## **Basic Financial Statements**

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**Carolina County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 301,861	\$ 317,034	\$ 618,895
Due from other governments	566,322	143,714	710,036
Receivables, net of allowance for doubtful accounts	1,430	4,500	5,930
Net other post employment benefits asset	275	69	344
Internal balances	7,700	(7,700)	-
Inventories	14,200	42,660	56,860
Assets held for resale	11,580	-	11,580
Capital assets (Note 1):			
Land, land improvements and construction in progress	3,857,000	-	3,857,000
Other capital assets, net of depreciation	11,405,085	49,170	11,454,255
Total capital assets	15,262,085	49,170	15,311,255
Total assets	16,165,453	549,447	16,714,900
<b>Deferred outflows of resources</b>	247,911	61,979	309,890
<b>Liabilities</b>			
Accounts payable and accrued expenses	80,300	5,200	85,500
Accrued salaries and wages payable	305,000	-	305,000
Accrued interest payable	831	-	831
Long-term liabilities:			
Due within one year	107,536	5,000	112,536
Net pension liability	325,762	81,441	407,203
Net other post employment benefits liability	874,710	218,678	1,093,388
Due in more than one year	200,841	8,016	208,857
Total liabilities	1,894,980	318,335	2,213,315
<b>Deferred inflows of resources</b>	477,046	115,239	592,285
<b>Net position</b>			
Net investment in capital assets	15,073,708	49,170	15,122,878
Restricted:			
Individual schools	100,072	-	100,072
Stabilization by State Statute	14,650	-	14,650
School capital outlay	226,000	-	226,000
Disability income plan of North Carolina	1,946	487	2,433
Unrestricted	(1,375,038)	128,195	(1,246,843)
Total net position	\$ 14,041,338	\$ 177,852	\$ 14,219,190

**Note to preparer:** Units that choose to aggregate deferred outflows and deferred inflows on the face of the statements should itemize components in the notes. For an itemized presentation, please see City of Dogwood. The net pension and OPEB liabilities for the TSERS and RHBF plans have been included in long-term liabilities - due in more than one year.

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

**Carolina County Board of Education, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

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
<b>Primary government:</b>							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 83,882,020	\$ 5,000	\$ 78,111,034	\$ -	\$ (5,765,986)	\$ -	\$ (5,765,986)
Special populations	37,679,835	-	35,664,356	-	(2,015,479)	-	(2,015,479)
Alternative programs	2,120,903	-	108,621	-	(2,012,282)	-	(2,012,282)
School leadership	1,024,316	-	-	-	(1,024,316)	-	(1,024,316)
Co-curricular	1,682,009	274,000	452,000	-	(956,009)	-	(956,009)
School-based support	1,094,952	-	-	-	(1,094,952)	-	(1,094,952)
System-wide support services:							
Support and development	1,102,441	-	-	-	(1,102,441)	-	(1,102,441)
Special population support and development	1,110,388	-	108,951	-	(1,001,437)	-	(1,001,437)
Alternative programs and services support and development	1,056,604	-	23,704	-	(1,032,900)	-	(1,032,900)
Technology support	414,382	-	30,999	-	(383,383)	-	(383,383)
Operational support	9,997,860	4,000	5,346,751	36,000	(4,611,109)	-	(4,611,109)
Financial and human resource	4,292,449	-	280,501	-	(4,011,948)	-	(4,011,948)
Accountability	290,950	-	7,901	-	(283,049)	-	(283,049)
System-wide pupil support	3,163,096	-	127,910	-	(3,035,186)	-	(3,035,186)
Policy, leadership and public relations	3,254,767	-	-	-	(3,254,767)	-	(3,254,767)
Ancillary services	1,048,990	-	14,000	-	(1,034,990)	-	(1,034,990)
Non-programmed charges	10,363	-	23,400	-	13,037	-	13,037
Interest on long-term debt	1,873	-	-	-	(1,873)	-	(1,873)
Unallocated depreciation expense**	163,568	-	-	-	(163,568)	-	(163,568)
Total governmental activities	153,391,766	283,000	120,300,128	36,000	(32,772,638)	-	(32,772,638)
<b>Business-type activities:</b>							
School food service	1,056,736	406,290	577,008	-	-	\$ (73,438)	(73,438)
Child care	157,283	147,002	-	-	-	(10,281)	(10,281)
Total business-type activities	1,214,019	553,292	577,008	-	-	(83,719)	(83,719)
Total primary government	\$ 154,605,785	\$ 836,292	\$ 120,877,136	\$ 36,000	(32,772,638)	(83,719)	(32,856,357)

**General revenues:**

Unrestricted county appropriations - operating	32,319,059	-	32,319,059
Unrestricted county appropriations - capital	8,499,557	-	8,499,557
Unrestricted State appropriations - operating *	-	-	-
Unrestricted State appropriation - capital	298,500	-	298,500
Unrestricted Federal appropriations - operating *, ***	-	-	-
Unrestricted Federal appropriations - capital *, ***	-	-	-
Investment earnings, unrestricted	1,880	122,002	123,882
Miscellaneous, unrestricted	71,938	-	71,938
Total general revenues excluding extraordinary items and transfers	41,190,934	122,002	41,312,936
Extraordinary Item: Asset impairment loss - mold remediation	(369,090)	-	(369,090)
Transfers	(14,000)	14,000	-
Total general revenues, extraordinary items and transfers	40,807,844	136,002	40,943,846
<b>Change in net position</b>	8,035,206	52,283	8,087,489
Net position, beginning	6,006,132	125,569	6,131,701
Net position, ending	\$ 14,041,338	\$ 177,852	\$ 14,219,190

\* These line items are included for illustrative purposes only; if there are functions and/or revenues for which your unit has no activity, please exclude those functions from the statement.

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

\*\*\* Some units may receive federal grants that may be used for either capital and/or operating purposes for the benefit of all programs and functions; these grants would be classified as unrestricted.

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

**Carolina County Board of Education, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	
<b>Assets</b>						
Cash and cash equivalents	\$ 72,361	\$ -	\$ 97,100	\$ 127,700	\$ 4,700	\$ 301,861
Due from other funds	7,700	-	-	-	-	7,700
Due from other governments	201,950	200,300	2,972	135,000	26,100	566,322
Assets held for resale	11,580	-	-	-	-	11,580
Inventories	14,200	-	-	-	-	14,200
Total assets	<u>\$ 307,791</u>	<u>\$ 200,300</u>	<u>\$ 100,072</u>	<u>\$ 262,700</u>	<u>\$ 30,800</u>	<u>\$ 901,663</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 43,600	\$ -	\$ -	\$ 36,700	\$ -	\$ 80,300
Accrued salaries and wages payable	73,900	200,300	-	-	30,800	305,000
Total liabilities	<u>117,500</u>	<u>200,300</u>	<u>-</u>	<u>36,700</u>	<u>30,800</u>	<u>385,300</u>
Deferred inflows of resources	<u>16,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,100</u>
Fund balances:						
Nonspendable:						
Inventories	14,200	-	-	-	-	14,200
Assets held for resale	11,580	-	-	-	-	11,580
Restricted:						
Stabilization by State Statute	14,650	-	-	-	-	14,650
School capital outlay	-	-	-	226,000	-	226,000
Individual schools	-	-	100,072	-	-	100,072
Assigned:						
Subsequent years expenditures	5,000	-	-	-	-	5,000
Unassigned	128,761	-	-	-	-	128,761
Total fund balances	<u>174,191</u>	<u>-</u>	<u>100,072</u>	<u>226,000</u>	<u>-</u>	<u>500,263</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 307,791</u>	<u>\$ 200,300</u>	<u>\$ 100,072</u>	<u>\$ 262,700</u>	<u>\$ 30,800</u>	

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

Net OPEB Asset	275
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	15,262,085
Deferred outflows of resources related to pensions	176,042
Deferred outflows of resources related to OPEB	71,869
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,430
Liabilities for earned but unavailable revenues in fund statements.	(831)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(329,141)
Net pension liability	(325,762)
Net other post employment benefits liability	(874,710)
Deferred inflows of resources related to pensions	18,432
Deferred inflows of resources related to unearned revenue	(16,100)
Deferred inflows of resources related to OPEB	(442,514)
Net position of governmental activities	<u>\$ 14,041,338</u>

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

**Carolina County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	Major Funds				Non-major Fund	Total
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	Governmental Funds
<b>Revenues</b>						
State of North Carolina	\$ 702,640	\$ 118,964,714	\$ -	\$ 411,000	\$ -	\$ 120,078,354
Carolina County						
Local current expense	32,319,059	-	-	-	-	32,319,059
Other	1,032	-	-	8,499,557	-	8,500,589
U.S. Government	-	-	-	-	197,774	197,774
Contributions and donations	-	-	452,000	-	-	452,000
Other	81,806	-	274,000	-	-	355,806
Total revenues	<u>33,104,537</u>	<u>118,964,714</u>	<u>726,000</u>	<u>8,910,557</u>	<u>197,774</u>	<u>161,903,582</u>
<b>Expenditures</b>						
Current:						
Instructional services						
Regular instructional	6,063,981	77,682,457	-	-	83,577	83,830,015
Special populations	2,146,497	35,475,641	-	-	50,797	37,672,935
Alternative programs	2,107,903	-	-	-	-	2,107,903
School leadership	1,022,316	-	-	-	-	1,022,316
Co-curricular	1,037,981	-	644,028	-	-	1,682,009
School-based support	1,094,952	-	-	-	-	1,094,952
System-wide support services						
Support and development	1,014,990	83,951	-	-	-	1,098,941
Special populations support and development	1,059,684	23,704	-	-	25,000	1,108,388
Alternative programs and services support and development	1,036,850	19,754	-	-	-	1,056,604
Technology support	165,487	248,895	-	-	-	414,382
Operational support	4,293,056	5,280,501	-	-	15,000	9,588,557
Financial and human resource	4,281,548	7,901	-	-	-	4,289,449
Accountability	157,040	127,910	-	-	-	284,950
System-wide pupil support	3,161,196	-	-	-	-	3,161,196
Policy, leadership and public relations	3,254,767	-	-	-	-	3,254,767
Ancillary services	1,048,990	-	-	-	-	1,048,990
Non-programmed charges	10,363	-	-	-	23,400	33,763
<b>Debt service:</b>						
Principal	-	-	-	47,975	-	47,975
Interest and other charges	-	-	-	1,100	-	1,100
<b>Capital outlay: *</b>						
Real property and buildings	-	-	-	8,692,353	-	8,692,353
Furniture and equipment	-	-	-	214,000	-	214,000
Buses and motor vehicles	-	-	-	108,000	-	108,000
Total expenditures	<u>32,957,601</u>	<u>118,950,714</u>	<u>644,028</u>	<u>9,063,428</u>	<u>197,774</u>	<u>161,813,545</u>
Excess (deficiency) of revenues over expenditures	<u>146,936</u>	<u>14,000</u>	<u>81,972</u>	<u>(152,871)</u>	<u>-</u>	<u>90,037</u>
<b>Other financing sources (uses):</b>						
Transfers to other funds	-	(14,000)	-	-	-	(14,000)
Installment purchase obligations issued	-	-	-	200,000	-	19,000
Capital lease obligations issued	-	-	-	19,000	-	200,000
Total other financing sources (uses)	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>219,000</u>	<u>-</u>	<u>205,000</u>
<b>Net change in fund balance</b>	<u>146,936</u>	<u>-</u>	<u>81,972</u>	<u>66,129</u>	<u>-</u>	<u>295,037</u>
Fund balances, beginning	26,055	-	18,100	159,871	-	204,026
Increase in reserve for inventories	1,200	-	-	-	-	1,200
Fund balances, ending	<u>\$ 174,191</u>	<u>\$ -</u>	<u>\$ 100,072</u>	<u>\$ 226,000</u>	<u>\$ -</u>	<u>\$ 500,263</u>

**Note to preparer:** Capital outlay \* expenditures may be allocated across functions.

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

**Carolina County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 295,037
Change in fund balance due to change in reserve for inventory	1,200
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,029,391
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	40,000
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	24,560
Difference in accrued investment income and income reported in fund statements	(25,908)
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.	(176,536)
Difference in accrued interest payable and interest expensed on fund statements	(444)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(91,551)
Net OPEB Expense	10,456
Compensated absences	(63,000)
Loss on disposal of assets	(8,000)
Total changes in net position of governmental activities	<u>\$ 8,035,206</u>

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

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**Carolina County Board of Education, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	General Fund				State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
State of North Carolina	\$ 881,475	\$ 810,914	\$ 702,640	\$ (108,274)	\$ 118,964,350	\$ 118,964,350	\$ 118,964,714	\$ 364
Carolina County	32,098,259	32,319,059	32,319,059	-	-	-	-	-
U.S. Government *	-	-	-	-	-	-	-	-
Contributions and donations *	-	-	-	-	-	-	-	-
Other	40,000	49,768	82,838	33,070	-	-	-	-
Total revenues	33,019,734	33,179,741	33,104,537	(75,204)	118,964,350	118,964,350	118,964,714	364
<b>Expenditures:</b>								
Current:								
Instructional services:								
Regular instructional	6,065,313	6,064,752	6,063,981	771	77,700,000	77,710,000	77,682,457	27,543
Special populations	2,146,900	2,146,900	2,146,497	403	35,415,000	35,414,900	35,475,641	(60,741)
Alternative programs	2,108,125	2,307,093	2,107,903	199,190	-	-	-	-
School leadership	1,022,975	1,022,975	1,022,316	659	-	-	-	-
Co-curricular	1,038,000	1,038,000	1,037,981	19	-	-	-	-
School-based support	1,095,000	1,095,000	1,094,952	48	-	-	-	-
System-wide support services:								
Support and development	1,015,000	1,015,000	1,014,990	10	117,000	117,000	83,951	33,049
Special population support and development	1,060,000	1,060,000	1,059,684	316	24,000	23,700	23,704	(4)
Alternative programs and services support and development	1,037,000	1,037,000	1,036,850	150	20,500	20,000	19,754	246
Technology support	170,000	170,000	165,487	4,513	251,000	249,000	248,895	105
Operational support	4,306,761	4,300,000	4,293,056	6,944	5,283,000	5,280,550	5,280,501	49
Financial and human resource	4,281,000	4,281,000	4,281,548	(548)	7,900	7,900	7,901	(1)
Accountability	157,559	157,559	157,040	519	131,950	127,300	127,910	(610)
System-wide pupil support	3,188,526	3,169,962	3,161,196	8,766	-	-	-	-
Policy, leadership and public relations	3,255,000	3,255,000	3,254,767	233	-	-	-	-
Ancillary services	1,049,000	1,049,000	1,048,990	10	-	-	-	-
Non-programmed charges	10,500	10,500	10,363	137	-	-	-	-
<b>Capital outlay:</b>								
Real property and buildings *	-	-	-	-	-	-	-	-
Furniture and equipment *	-	-	-	-	-	-	-	-
Buses and motor vehicles *	-	-	-	-	-	-	-	-
Total expenditures	33,006,659	33,179,741	32,957,601	222,140	118,950,350	118,950,350	118,950,714	(364)
<b>Revenues over (under) expenditures</b>	13,075	-	146,936	146,936	14,000	14,000	14,000	-

(continued)

Carolina County Board of Education, North Carolina  
General Fund and Annually Budgeted Major Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

(continuation)

	General Fund				State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Other financing sources (uses):</b>								
Transfers from other funds *	-	-	-	-	-	-	-	-
Transfers to other funds	(13,075)	-	-	-	(14,000)	(14,000)	(14,000)	-
Capital lease obligations issued *	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(13,075)	-	-	-	(14,000)	(14,000)	(14,000)	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	146,936	<u>\$ 146,936</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning			26,055				-	
Increase in reserve for inventories			1,200				-	
Fund balances, ending			<u>\$ 174,191</u>				<u>\$ -</u>	

**Note to preparer:** These line items with an \* are included only for illustrative purposes; if these are functions for which your unit has no activity, please do not include them.

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

**Carolina County Board of Education, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	<b>Total</b>
	<b>School Food Service</b>	<b>Child Care</b>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 298,813	\$ 18,221	\$ 317,034
Due from other governments	142,900	814	143,714
Receivables, net of allowance for doubtful accounts	-	4,500	4,500
Net other post employment benefits asset	48	21	69
Inventories	42,660	-	42,660
Total current assets	<u>484,421</u>	<u>23,556</u>	<u>507,977</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	42,825	-	42,825
Computer equipment, net	5,515	830	6,345
Total noncurrent assets	<u>48,340</u>	<u>830</u>	<u>49,170</u>
Total assets	<u>532,761</u>	<u>24,386</u>	<u>557,147</u>
<b>Deferred outflows of resources</b>	<u>43,386</u>	<u>18,593</u>	<u>61,979</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	3,000	2,200	5,200
Due to other funds	7,700	-	7,700
Total current liabilities	<u>10,700</u>	<u>2,200</u>	<u>12,900</u>
Noncurrent liabilities:			
Net pension liability	57,009	24,432	81,441
Net other post employment benefits liability	153,075	65,603	218,678
Compensated absences	5,000	8,016	13,016
Total noncurrent liabilities	<u>215,084</u>	<u>98,051</u>	<u>313,135</u>
Total liabilities	<u>225,784</u>	<u>100,251</u>	<u>326,035</u>
<b>Deferred inflows of resources</b>	<u>80,667</u>	<u>34,572</u>	<u>115,239</u>
<b>Net position</b>			
Net investment in capital assets	48,340	830	49,170
Restricted for DIPNC OPEB	341	146	487
Unrestricted	221,015	(92,820)	128,195
Total net position	<u>\$ 269,696</u>	<u>\$ (91,844)</u>	<u>\$ 177,852</u>

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

**Carolina County Board of Education, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	
			<b>Total</b>
<b>Operating revenues</b>			
Food sales	\$ 406,290	\$ -	\$ 406,290
Child care fees	-	147,002	147,002
Total operating revenues	406,290	147,002	553,292
<b>Operating expenses</b>			
Food cost:			
Purchase of food	840,290	-	840,290
Donated commodities	19,641	-	19,641
Salaries and benefits	108,318	142,064	250,382
Indirect costs	58,000	-	58,000
Materials and supplies	6,557	12,408	18,965
Repairs and maintenance	1,886	-	1,886
Depreciation	7,765	300	8,065
Contracted services	7,279	2,511	9,790
Other	7,000	-	7,000
Total operating expenses	1,056,736	157,283	1,214,019
Operating income (loss)	(650,446)	(10,281)	(660,727)
<b>Nonoperating revenues (expenses)</b>			
Federal reimbursements	552,367	-	552,367
Federal commodities	20,641	-	20,641
Interest earned	120,978	1,024	122,002
Indirect costs not paid	4,000	-	4,000
Total nonoperating revenue (expenses)	697,986	1,024	699,010
Income (loss) before contributions and transfers	47,540	(9,257)	38,283
Transfers from other funds	14,000	-	14,000
<b>Change in net position</b>	61,540	(9,257)	52,283
Total net position, beginning	208,156	(82,587)	125,569
Total net position, ending	\$ 269,696	\$ (91,844)	\$ 177,852

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

**Carolina County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	<b>Total</b>
	<b>School Food Service</b>	<b>Child Care</b>	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 406,290	\$ 148,390	\$ 554,680
Cash paid for goods and services	(962,925)	(17,360)	(980,285)
Cash paid to employees for services	(92,987)	(141,263)	(234,250)
Other cash payments	-	120	120
Net cash provided (used) by operating activities	(649,622)	(10,113)	(659,735)
<b>Cash flows from noncapital financing activities</b>			
Federal reimbursements	537,885	-	537,885
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(9,400)	(1,130)	(10,530)
<b>Cash flows from investing activities</b>			
Interest on investments	120,978	1,024	122,002
<b>Net increase (decrease) in cash and cash equivalents</b>	(159)	(10,219)	(10,378)
Balances, beginning	298,972	28,440	327,412
Balances, ending	\$ 298,813	\$ 18,221	\$ 317,034
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ (650,446)	\$ (10,281)	\$ (660,727)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,765	300	8,065
Donated commodities consumed	19,641	-	19,641
Salaries paid by special revenue fund	14,000	-	14,000
Indirect costs not paid	4,000	-	4,000
Changes in assets, deferred outflows of resources, and liabilities:			-
(Increase) in due from other governments	(50,000)	(744)	(50,744)
Decrease in accounts receivable	-	1,508	1,508
Decrease in net other post employment benefit asset	(20)	(8)	(28)
(Increase) in inventory	(9,290)	-	(9,290)
Increase in net pension liability	3,866	1,656	5,522
Increase in net OPEB Liability	(70,709)	(30,304)	(101,013)
(Decrease) in deferred outflows	(2,545)	(1,090)	(3,635)
Increase in deferred inflows	77,832	33,358	111,190
Increase (decrease) in accounts payable and accrued liabilities	1,284	(1,738)	(454)
Increase (decrease) in long-term liabilities	5,000	(2,770)	2,230
Total adjustments	824	168	992
Net cash provided by operating activities	\$ (649,622)	\$ (10,113)	\$ (659,735)

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

**Carolina County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

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

The State Public School Fund paid salaries and benefits of \$14,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 8.

Indirect costs of \$4,000 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$20,641 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$19,641 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

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

**Carolina County Board of Education  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021**

	<b>Private Purpose Trust</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 13,000
Due from other government	<u>142</u>
	<u>13,142</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Assets held in trust for private purpose	<u>\$ 13,142</u>

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

**Carolina County Board of Education  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2021**

	<b>Private Purpose Trust</b>
<b>ADDITIONS:</b>	
Contributions and other revenue	\$ 10,000
<b>DEDUCTIONS:</b>	
Instructional costs	<u>4,858</u>
Change in net position	5,142
Net position, beginning	<u>8,000</u>
Net position, ending	<u>\$ 13,142</u>

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



## **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](#). North Carolina Local Government COVID-19 resources may be found [here](#).

#### 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 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](#) 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:

<u>Category</u>	<u>Years</u>
Buildings	30 - 50
Furniture and equipment	8 - 10
Vehicles and motorized equipment	6
Library books	5
Computer equipment	3

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:

<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)	\$ 19,357,792
Less Accumulated Depreciation	<u>(4,095,707)</u>
Net capital assets	15,262,085
Accounts receivable recorded in the government-wide statements as these funds are not available and therefore unavailable in the fund statements.	1,430
Net OPEB Asset	275
Pension related deferred outflows of resources	176,042
OPEB related deferred outflows of resources	71,869
Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide	-
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:	
Bonds, leases, and installment financing	(209,141)
Compensated absences	(120,000)
Accrued interest payable	(831)
Net pension liability	(325,762)
Net OPEB liability	(874,710)
Deferred inflows of resources related to pensions	18,432
Deferred inflows of resources related to unearned	(16,100)
Deferred inflows of resources related to OPEB	<u>(442,514)</u>
Total adjustment	<u>\$ 13,541,075</u>

- 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:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 8,630,113
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	(231,631)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(219,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	47,975
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	40,000
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	24,560
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	(91,551)
OPEB expense	10,456
Difference in interest expense between fund statements and government-wide statements	(444)
Compensated absences are accrued in the government-wide statements but not in the fund statements because	(63,000)
Loss on disposal of asset	(8,000)
Asset impairment loss - mold remediation	(369,090)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:	
Difference in accrued investment income recognized on the government-wide statements and investment income as recorded on the fund statements	(25,908)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	1,200
Total adjustment	<u>\$ 7,745,680</u>

#### 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](#) 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:

Valuation				
<u>Investment Type</u>	<u>Measurement Method</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
US Treasuries	Fair Value – Level 1	\$ 105,903	August 30, 2022	AAA
Fannie Mae*	Fair Value – Level 1	100,525	December 31, 2022	AAA
NC Capital Management Trust – Government Portfolio	Fair Value – Level 1	155,697	N/A	AAAm
Department of State Treasurer Short Term Investment Fund (STIF)	Fair Value – Level 2	87,375	Effective Duration of 1.12 years	Unrated
Total		<u>\$ 449,500</u>		

\* October 1, 2022 is the call date for the bond.

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:

	Due from other funds (Internal Balances)	Due from other governments	Other	Total
<u>Governmental activities:</u>				
General Fund	\$ 7,700	\$ 201,950	\$ -	\$ 209,650
Other governmental activities	-	364,372	1,430	365,802
Total	<u>\$ 7,700</u>	<u>\$ 566,322</u>	<u>\$ 1,430</u>	<u>\$ 575,452</u>
 <u>Business-type activities:</u>				
School Food Service	\$ (7,700)	\$ 142,900	\$ -	\$ 135,200
Child Care	-	814	4,500	5,314
Total	<u>\$ (7,700)</u>	<u>\$ 143,714</u>	<u>\$ 4,500</u>	<u>\$ 140,514</u>

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:

Governmental activities

General Fund	\$ 201,950	Miscellaneous tax revenue from County
State Public School Fund	200,300	Operating funds from DPI
Individual Schools	2,972	Miscellaneous revenue from County
Capital Outlay Fund	135,000	State funds from State appropriations
Federal Grants Fund	26,100	Federal grant funds
Total	<u>\$ 566,322</u>	

Business-type activities

School Food Service Fund	\$ 142,900	Federal funds
Child Care Fund	814	Miscellaneous tax revenue from County
Total	<u>\$ 143,714</u>	

#### 4. Capital assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,589,000	\$ 357,000	\$ -	\$ 2,946,000
Construction in progress	69,600	841,400	-	911,000
Total capital assets not being depreciated	2,658,600	1,198,400	-	3,857,000
<b>Capital assets being depreciated:</b>				
Buildings	7,182,400	7,107,953	369,090	13,921,263
Furniture and equipment	534,816	192,400	27,000	700,216
Computer equipment	59,424	21,360	3,000	77,784
Vehicles and motorized equipment	500,000	108,000	21,000	587,000
Library books	212,529	2,000	-	214,529
Total capital assets being depreciated	8,489,169	7,431,713	420,090	15,500,792
<b>Less accumulated depreciation for:</b>				
Buildings	3,253,700	126,508	-	3,380,208
Furniture and equipment	267,408	30,200	22,000	275,608
Computer equipment	29,712	3,356	-	33,068
Vehicles and motorized equipment	250,000	68,063	21,000	297,063
Library books	106,256	3,504	-	109,760
Total accumulated depreciation	3,907,076	231,631	43,000	4,095,707
Total capital assets being depreciated, net	4,582,093			11,405,085
<b>Governmental activity capital assets, net</b>	<b>\$ 7,240,693</b>			<b>\$ 15,262,085</b>

Depreciation charged to governmental functions was as follows:

Unallocated depreciation	\$ 163,568
Operational support services	68,063
Total	<u>\$ 231,631</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Furniture and office equipment	\$ 60,600	\$ 9,400	\$ -	\$ 70,000
Computer equipment	9,400	-	-	9,400
Total capital assets being depreciated	70,000	9,400	-	79,400
<b>Less accumulated depreciation for:</b>				
Furniture and office equipment	20,175	7,000	-	27,175
Computer equipment	3,120	765	-	3,885
Total accumulated depreciation	23,295	7,765	-	31,060
<b>School Food Service capital assets, net</b>	<u>\$ 46,705</u>			<u>\$ 48,340</u>
<b>Other Business-type Activity Programs</b>				
<b>Capital assets being depreciated:</b>				
Computer equipment	\$ -	\$ 1,130	\$ -	\$ 1,130
<b>Less accumulated depreciation for:</b>				
Computer equipment	-	300	-	300
Other enterprise funds capital assets, net	-			830
<b>Business-type activities capital assets, net</b>	<u>\$ 46,705</u>			<u>\$ 49,170</u>

#### 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:

	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
School construction		<u>\$ 2,118,471</u>	<u>\$ 7,881,529</u>

**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 the 5 buses totals \$600,000. The payments are due in the fiscal year after June 30, 2021 are as follows:

Year ended June 30:	
2022	\$ 200,000
2023	200,000
2024	200,000

**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](#) and [here](#). 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,718	\$ 4,087
Changes of assumptions	81,715	-
Net difference between projected and actual earnings on pension plan investments	38,807	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	19,815	18,954
Board contributions subsequent to the measurement date	50,000	-
Total	<u>\$ 220,052</u>	<u>\$ 23,043</u>

\$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:

Year ended June 30:

2021	\$ 85,256
2022	50,196
2023	12,276
2024	(713)
2025	-
Thereafter	-

*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 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The 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:

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Board's proportionate share of the net pension liability	\$ 776,607	\$ 407,203	\$ 97,238

*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:

Year ended June 30:

2021	\$ (116,808)
2022	(116,808)
2023	(116,808)
2024	(116,691)
2025	(28,280)
Thereafter	-

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

Inflation	3%
Salary increases based on service	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7%
<u>Healthcare cost trend rates</u>	
Medical	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Prescription drug	9.50% grading down to 5.00% by 2028
Administrative costs	3%
Post-Retirement Mortality Rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.21% 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:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 1,291,848	\$ 1,093,387	\$ 934,299

*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:

	1% Decrease	Healthcare Trend Rates	1% Increase
	Medical - 4.0-5.5%	Medical - 5.0-6.5%	Medical - 6.0-7.5%
	Pharmacy - 4.0-8.5%	Pharmacy - 5.0-9.5%	Pharmacy - 6.0-10.5%
	Medicare Advantage - 4.0-5.5%	Medicare Advantage - 5.0-6.5%	Medicare Advantage - 6.0-7.5%
	Administrative - 2.0%	Administrative - 3.0%	Administrative - 4.0%
Net OPEB liability	\$ 902,016	\$ 1,093,387	\$ 1,344,620

*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:

Year ended June 30:

2021	\$	213
2022		214
2023		233
2024		186
2025		138
Thereafter		138

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

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB DIPNC			
asset	\$ 256	\$ 345	\$ 409

*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%.

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed		
Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	<u>100%</u>	



***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:

	RHBF	DIPNC	Total
OPEB Expense	\$ (12,699)	\$ 274	\$ (12,425)
OPEB Liability (Asset)	1,093,387	(345)	1,093,042
Proportionate share of the net OPEB liability (asset)	0.00384%	0.00281%	

Deferred of Outflows of Resources

Differences between expected and actual experience

- 781 781

Changes of assumptions

- 81 81

Net difference between projected and actual earnings on plan investments

118 333 451

Changes in proportion and differences between Board contributions and proportionate share of contributions

57,630 158 57,788

Board contributions subsequent to the measurement date

30,000 736 30,736

Deferred of Inflows of Resources

Differences between expected and actual experience

74,771 - 74,771

Changes of assumptions

473,680 - 473,680

Net difference between projected and actual earnings on plan investments

- - -

Changes in proportion and differences between Board contributions and proportionate share of contributions

4,692 - 4,692

**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](#).

## 2. Accounts payable

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

	<u>Vendors</u>	<u>Charter School</u>	<u>Total</u>
Governmental Activities:			
General	\$ 42,751	\$ 849	\$ 43,600
Other Governmental	<u>36,700</u>	<u>-</u>	<u>36,700</u>
Total governmental activities	<u>\$ 79,451</u>	<u>\$ 849</u>	<u>\$ 80,300</u>
Business-type Activities:			
School Food Service	\$ 3,000	\$ -	\$ 3,000
Other Business-type	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Total business-type activities	<u>\$ 5,200</u>	<u>\$ -</u>	<u>\$ 5,200</u>

**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:

	<u>Amounts</u>
Fines and forfeitures	\$ 189
Supplemental school tax	<u>660</u>
Total	<u>\$ 849</u>

### 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 30,440	\$ 78,858
Changes of assumptions	81,796	473,680
Net difference between projected and actual earnings on plan investments	39,240	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	77,714	23,646
Board contributions subsequent to the measurement date	80,700	-
Grants not yet earned (General Fund)	-	16,100
Total	<u>\$ 309,888</u>	<u>\$ 592,286</u>

**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:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computers	\$ 30,000	\$ 10,000	\$ 20,000

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:

Year Ending June 30	Governmental Activities
2022	\$ 20,668
2023	15,423
2024	15,269
Total minimum lease payments	51,360
Less: amount representing interest	6,219
Present value of the minimum lease payments	\$ 45,141

**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:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 45,696	\$ 4,554
2023	46,176	4,074
2024	10,680	3,570
2025	11,208	3,042
2026	11,763	2,487
2027-2030	38,477	3,850
Total	<u>\$ 164,000</u>	<u>\$ 21,577</u>

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Current portion
Governmental Activities					
Capital leases	\$ 38,116	\$ 19,000	\$ 11,975	\$ 45,141	\$ 7,840
Direct placement installment purchases	-	200,000	36,000	164,000	45,696
Net pension liability	221,529	104,234		325,763	-
Net OPEB liability	963,487		88,778	874,709	-
Compensated absences	57,000	117,000	54,000	120,000	54,000
Total	\$ 1,280,132	\$ 440,234	\$ 190,753	\$ 1,529,613	\$ 107,536
Business-type activities					
Net pension liability	\$ 55,382	\$ 26,059	\$ -	\$ 81,440	
Net OPEB liability	240,872	-	22,194	218,678	-
Compensated absences	-	15,000	1,984	13,016	5,000
Total	\$ 296,254	\$ 41,059	\$ 24,178	\$ 313,134	\$ 5,000

**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:

	Amount
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 14,000

**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.

Total fund balance: General Fund	\$ 174,191
Less:	
Inventories	14,200
Assets held for resale	11,580
Stabilization by State Statute	14,650
Appropriated Fund Balance in 2021 budget	5,000
Remaining Fund Balance	\$ 128,761



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

Encumbrances	General Fund	Capital Outlay Fund	Non-major Funds
	\$ 5,000	\$ -	\$ -

**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 30<sup>th</sup> 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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**Carolina County Board of Education, North Carolina**  
**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 \*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.004%	0.004%	0.003%	0.004%	0.004%	0.003%	0.003%	0.003%
Board's proportionate share of the net pension liability (asset)	\$ 407,203	\$ 369,456	\$ 276,911	\$ 379,589	\$ 148,882	\$ 40,215	\$ 182,131	\$ 116,500
Board's covered payroll	\$ 449,907	\$ 406,789	\$ 460,812	\$ 501,643	\$ 434,966	\$ 425,669	\$ 422,669	\$ 431,025
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	90.51%	90.82%	60.09%	75.67%	34.23%	9.45%	43.09%	27.03%
Plan fiduciary net position as a percentage of 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.

**Note to preparer:** Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

**Carolina County Board of Education, North Carolina**  
**Schedule of Board Contributions**  
**Teachers' and State Employees' Retirement System**  
Last Eight Fiscal Years

	<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	\$ 50,000	\$ 49,000	\$ 48,500	\$ 46,000	\$ 45,000	\$ 39,000	\$ 38,325	\$ 38,325
Contributions in relation to the contractually required contribution	<u>50,000</u>	<u>49,000</u>	<u>48,500</u>	<u>46,000</u>	<u>45,000</u>	<u>39,000</u>	<u>38,325</u>	<u>38,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 406,835	\$ 412,111	\$ 449,907	\$ 460,812	\$ 501,643	\$ 434,966	\$ 425,669	\$ 422,669
Contributions as a percentage of covered payroll	12.29%	11.89%	10.78%	9.98%	8.97%	8.97%	9.00%	9.07%

**Note to preparer:** Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Board's proportion of the net OPEB liability (asset)	0.0038%	0.0038%	0.0037%	0.0037%	0.0037%
Board's proportionate share of the net OPEB liability (asset)	\$ 1,093,387	\$ 1,114,756	\$ 1,204,359	\$ 1,598,454	\$ 1,532,024
Board's covered payroll	\$ 449,907	\$ 406,895	\$ 460,812	\$ 501,643	\$ 498,301
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	243.03%	273.97%	261.36%	318.64%	307.45%
Plan Fiduciary net position as a percentage of 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.

**Note to preparer:** Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2028.

**Carolina County Board of Education, North Carolina**  
**Schedule of Board Contributions**  
**Retiree Health Benefit Fund**  
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 30,000	\$ 28,500	\$ 27,219	\$ 26,773	\$ 28,092	\$ 23,880	\$ 22,986	\$ 19,853	\$ 16,482	\$ 14,214
Contributions in relation to the contractually required contribution	<u>30,000</u>	<u>28,500</u>	<u>27,219</u>	<u>26,773</u>	<u>28,092</u>	<u>23,880</u>	<u>22,986</u>	<u>19,853</u>	<u>16,482</u>	<u>14,214</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 406,835	\$ 412,111	\$ 449,907	\$ 460,812	\$ 501,643	\$ 434,966	\$ 425,669	\$ 374,589	\$ 329,638	\$ 290,082
Contributions as a percentage of the covered payroll	6.35%	6.35%	6.05%	5.81%	5.60%	5.49%	5.40%	5.30%	5.00%	4.90%



**Carolina County Board of Education, North Carolina**  
**Schedule of Required Supplementary Information**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB ASSET**  
**Disability Income Plan of North Carolina**  
Last Fiscal Five Years \*

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Board's proportion of the net OPEB asset	0.0014050%	0.0016550%	0.0000215%	0.0014900%	0.0013400%
Board's proportionate share of the net OPEB asset	\$ 427	\$ 537	\$ 911	\$ 1,335	\$ 1,235
Board's covered payroll	\$ 449,907	\$ 406,789	\$ 460,812	\$ 501,643	\$ 434,966
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.09%	0.13%	0.20%	0.27%	0.28%
Plan Fiduciary net position as a percentage of the total 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.

**Carolina County Board of Education, North Carolina**  
**Schedule of Contributions**  
**Disability Income Plan of North Carolina**  
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 610	\$ 1,030	\$ 630	\$ 1,751	\$ 2,057	\$ 1,783	\$ 1,873	\$ 1,817	\$ 2,083	\$ 2,020
Contributions in relation to the contractually required contribution	<u>610</u>	<u>1,030</u>	<u>630</u>	<u>1,751</u>	<u>2,057</u>	<u>1,783</u>	<u>1,873</u>	<u>1,817</u>	<u>2,083</u>	<u>2,020</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 406,835	\$ 412,111	\$ 449,907	\$ 460,812	\$ 501,643	\$ 434,966	\$ 425,669	\$ 412,899	\$ 400,512	\$ 388,497
Contributions as a percentage of the covered payroll	0.15%	0.25%	0.14%	0.38%	0.41%	0.41%	0.44%	0.44%	0.52%	0.52%

### **Combining and Individual Fund Statements and Schedules**

**Note to Preparer:** The Carolina County Board of Education has only one non-major fund, the Federal Grants Fund. All relevant data except for the budget-to-actual schedule for this fund appears in the Basic Financial Statements. Therefore, no supplemental schedules for the Federal Grants Fund are required except the budget-to-actual comparison.

For Boards with more than one non-major fund, a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balance should be included in the index and presented for each fund. Please refer to the Sample Financial Statements for Carolina County for examples.

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**Carolina County Board of Education, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>			
State of North Carolina:			
Other	\$ 810,914	\$ 702,640	\$ (108,274)
Carolina County:			
Local Current Expense	32,319,059	32,319,059	-
Other	-	1,032	1,032
Total	32,319,059	32,320,091	1,032
Other :			
Supplemental school taxes - municipality	27,000	21,900	(5,100)
Sales taxes	6,200	6,600	400
Tuition and fees	4,800	45,000	40,200
Fines and forfeitures - Clerk of Court	5,200	3,438	(1,762)
Rental of school property	2,968	2,968	-
Interest earned on investments	3,600	1,900	(1,700)
Total	49,768	81,806	32,038
<b>Total revenues</b>	33,179,741	33,104,537	(75,204)
<b>Expenditures:</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		3,224,821	
CTE curricular services		2,839,160	
Total	6,064,752	6,063,981	771
Special populations services:			
Children with disabilities curricular services		1,328,941	
Special populations CTE curricular services		554,817	
Limited English proficiency services		262,739	
Total	2,146,900	2,146,497	403
Alternative programs and services:			
Alternative instructional services K-12		1,034,689	
Extended day/year instructional Services		1,073,214	
Total	2,307,093	2,107,903	199,190
School leadership services	1,022,975	1,022,316	659
Co-curricular services	1,038,000	1,037,981	19
			(continued)

**Carolina County Board of Education, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

			(continued)
	Budget	Actual	Positive (Negative) Variance
School-based support services:			
Educational media services		284,698	
Student Accounting		265,632	
Guidance Services		265,216	
Safety and Security Support Services		279,406	
Total	1,095,000	1,094,952	48
System-wide support services:			
Support and development services:			
Regular curricular support and development services		504,689	
CTE curricular support and development services		510,301	
Total	1,015,000	1,014,990	10
Special population support and development services	1,060,000	1,059,684	316
Alternative programs and services support and development services	1,037,000	1,036,850	150
Technology support services	170,000	165,487	4,513
Operational support services:			
Communication services		1,029,477	
Printing and copying services		1,016,050	
Public utility and energy services		1,067,998	
Custodial/housekeeping services		545,681	
Transportation services		633,850	
Total	4,300,000	4,293,056	6,944
Financial and human resource services:			
Financial services		3,745,708	
Human resource services		535,840	
Total	4,281,000	4,281,548	(548)
Accountability services:			
Student testing services		82,431	
Planning, research development and program evaluation		74,609	
Total	157,559	157,040	519
System-wide pupil support services:			
Educational media support services		1,036,850	
Guidance support services		1,045,894	
Safety and security support services		1,078,452	
Total	3,169,962	3,161,196	8,766
			(continued)

**Carolina County Board of Education, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

			(continued)
	Budget	Actual	Positive (Negative) Variance
Policy, leadership and public relations services:			
Board of education		2,156,026	
Legal services		537,799	
Audit services		448,196	
Leadership services		112,746	
Total	3,255,000	3,254,767	233
Ancillary services:			
Community services		946,000	
Adult services		102,990	
Total	1,049,000	1,048,990	10
Non-programmed charges			
Payments to other governmental units		10,000	
Scholarships		363	
Total	10,500	10,363	137
<b>Total expenditures</b>	33,179,741	32,957,601	222,140
<b>Net change in fund balance</b>	\$ -	146,936	\$ 146,936
<b>Fund balance, beginning</b>		26,055	
Increase in reserve for inventories		1,200	
<b>Fund balance, ending</b>		\$ 174,191	

**Note to preparer:** Carolina County revenues include both the statutorily defined Local Current Expense revenue and miscellaneous revenues that result from other transactions between Carolina County and the Board of Education. Fees for rental of a Board of Education building for an event, for example. However, revenue other than that which is statutorily identified as Local Current Expense revenue should be presented separately.

**Carolina County Board of Education, North Carolina**  
**Federal Grants Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
U. S. Government	\$ 197,924	\$ 197,774	\$ (150)
Total revenues	<u>197,924</u>	<u>197,774</u>	<u>(150)</u>
Expenditures:			
Instructional services	108,677	134,374	(25,697)
System-wide supporting services	65,847	40,000	25,847
Ancillary services	-	-	-
Capital outlay	-	-	-
Non-programmed charges	<u>23,400</u>	<u>23,400</u>	<u>-</u>
Total expenditures	<u>197,924</u>	<u>197,774</u>	<u>150</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

<p><b>Note to Preparer:</b> In accordance with GASB Statement No. 54 any fund balance in this example would be classified as restricted because the revenue source restricts use of funds for specific purposes.</p>
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**Carolina County Board of Education, North Carolina**  
**Capital Outlay Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Critical School Facilities Needs	\$ 157,600	\$ 241,600	\$ 84,000
Public School Building Capital Fund	15,000	14,000	(1,000)
Public School Building Bond Fund	63,000	59,000	(4,000)
Public School Capital Fund - Lottery	39,400	60,400	21,000
State appropriations- buses	36,000	36,000	-
Total State of North Carolina	<u>311,000</u>	<u>411,000</u>	<u>100,000</u>
Carolina County:			
Appropriations from county - issued			
installment purchase	1,075,000	1,200,000	125,000
Restricted portion of sales taxes	149,480	184,600	35,120
General county revenues	<u>7,114,957</u>	<u>7,114,957</u>	<u>-</u>
Total Carolina County	<u>8,339,437</u>	<u>8,499,557</u>	<u>160,120</u>
Total revenues	<u>8,650,437</u>	<u>8,910,557</u>	<u>260,120</u>
Expenditures:			
Capital outlay:			
Real property and buildings:			
North Carolina State Senior High		2,062,882	
Tar Heel Elementary		2,812,071	
Tar Heel Elementary - Lottery		30,000	
Duke Elementary		2,807,000	
Duke Elementary - Lottery		30,400	
Cardinal Senior High - mold remediation		950,000	
Total land and buildings	<u>8,494,362</u>	<u>8,692,353</u>	<u>(197,991)</u>
Furniture and equipment:			
Duke Elementary	<u>216,000</u>	<u>214,000</u>	<u>2,000</u>
Total equipment and books	<u>216,000</u>	<u>214,000</u>	<u>2,000</u>
Buses and motor vehicles:			
Central Office	<u>110,000</u>	<u>108,000</u>	<u>2,000</u>
Debt service:			
Principal	47,975	47,975	-
Interest	<u>1,100</u>	<u>1,100</u>	<u>-</u>
	<u>49,075</u>	<u>49,075</u>	<u>-</u>
Total expenditures	<u>8,869,437</u>	<u>9,063,428</u>	<u>(193,991)</u>
Excess of revenues over expenditures	<u>(219,000)</u>	<u>(152,871)</u>	<u>66,129</u>

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

	Budget	Actual	Variance Positive (Negative) (continued)
Other financing sources:			
Installment purchase obligations issued	200,000	200,000	-
Capital lease obligations issued	19,000	19,000	-
Total other financing sources	219,000	219,000	-
Net change in fund balance	\$ -	66,129	\$ 66,129
Fund balance, beginning		159,871	
Fund balance, ending		\$ 226,000	

**Note to preparer:** Please note that although DPI's chart of accounts allows for the allocation of capital outlay expenditures to be allocated across functions, this Schedule should be presented at the Board adopted level.

The additional detail provided in this schedule, which includes the receipts and expenditures of lottery proceeds by project, will assist the State in preparing reports on school capital outlay expenditures. The appropriations from county-issued installment purchases presented on this schedule as a revenue source represent debt transactions entered by the county on behalf of the school system. As such, these transactions should be reported as part of the county's appropriation to the school system. The County is assumed to be authorized to enter installment purchase transactions to finance school construction under G.S.160A-20. The installment purchase was entered into by the county and the debt associated with that transaction is carried on the county's books. However, the assets are, in substance, the assets of the school system. Therefore, the expenditures of the debt proceeds should be recorded in the Board's Capital Outlay Fund. The amount recognized as revenue by the school system is offset by amounts of debt proceeds expended by the county. In accordance with generally accepted accounting principles, the proceeds of the lease purchase of computers entered into by the school system is accounted for as an Other Financing Source. Under State law, the payments for the computer lease should be accounted for in the capital outlay fund. Finally, the installment purchases presented as Other Financing Sources include a guaranteed energy savings contract entered into by the school system as authorized under G.S. 143-64.17C and a financing contract to purchase school buses as authorized under G.S. 115C-528. The periodic debt service payments for the guaranteed energy savings contract will be recorded in the Local Current Expense Fund, where they partially offset the utility payments assumed to be saved because of the installment purchase transaction.

**Replacement School Buses:** The financing agreement must be recorded in its entirety in the School's Capital Outlay Fund in the year the debt is issued. Even though there is no cash effect, it must be recorded since the agreement is in the name of the unit. The entry will be to debit capital expenditures for school buses and to credit Other Financing Sources for the amount of the debt issued.

Under GASB Statement No. 54 and the Board of Education (BOE) spending policy, the BOE would have to use all restricted and committed resources first. That would most likely level the \$226,000 fund balance as General County revenues. Since counties appropriate by capital project for schools this fund balance would be classified as restricted.

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

	Budget	Actual	Variance Positive (Negative)
Operating revenues, food sales	\$ 407,600	\$ 406,290	\$ (1,310)
Operating expenditures:			
Business support services:			
Purchase of food		830,000	
Donated commodities		19,641	
Salaries and benefits		75,987	
Indirect costs		57,000	
Materials and supplies		7,557	
Repairs and maintenance		1,886	
Contracted services		7,600	
Other		7,000	
Total business support services	1,062,136	1,006,671	55,465
Other support services:			
Salaries and benefits	19,000	19,000	-
Capital outlay	10,000	9,400	600
Total operating expenditures	1,091,136	1,035,071	56,065
Operating loss	(683,536)	(628,781)	54,755
Nonoperating revenues (expenditures):			
Federal reimbursements	540,000	552,367	12,367
Federal commodities	18,000	20,641	2,641
Interest earned	97,000	120,978	23,978
Total nonoperating revenues (expenditures)	655,000	693,986	38,986
Excess of revenues over (under) expenditures before other financing sources	(28,536)	65,205	93,741
Other financing sources:			
Transfers from other funds	28,536	14,000	(14,536)
Excess of revenues and other sources over expenditures	\$ -	79,205	\$ 79,205
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(7,765)	
Net OPEB asset		(20)	
Net pension liability		3,866	
Net OPEB liability		(70,709)	
Deferred outflows		(2,545)	
Deferred inflows		77,832	
Indirect costs		(1,000)	
Indirect costs not paid		1,000	
Equipment purchases		9,400	
Increase in accrued vacation pay		(5,000)	
Decrease in inventory		(9,290)	
Change in net position (full accrual)		\$ 61,540	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Child care fees	\$ 147,000	\$ 146,882	\$ (118)
Other operating revenues	1,200	120	(1,080)
Total revenues	<u>148,200</u>	<u>147,002</u>	<u>(1,198)</u>
Expenditures:			
Regular community service:			
Salaries and benefits		138,323	
Materials and supplies		12,408	
Contracted services		2,511	
Total regular community service	155,680	153,242	2,438
Capital outlay:			
Equipment	1,250	1,130	(120)
Total expenditures	<u>156,930</u>	<u>154,372</u>	<u>2,318</u>
Revenues over expenditures	(8,730)	(7,370)	1,120
Other financing sources:			
Interest earned	8,730	1,024	(7,706)
Revenues and other sources over expenditures	<u>\$ -</u>	(6,346)	<u>\$ (6,586)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(300)	
Net OPEB asset		(8)	
Net pension liability		1,656	
Net OPEB liability		(30,304)	
Deferred outflows		(8,273)	
Deferred inflows		33,358	
Capital outlay		1,130	
Increase in salaries and benefits		(170)	
Change in net position		<u>\$ (9,257)</u>	

## Compliance Section

**Note to Preparer:** A complete set of illustrative compliance reports can be found under Compliance Supplements and Resources [here](#).

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