



Board of Education of Beaufort County Schools

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

June 30, 2024



Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4

Exhibit

Basic Financial Statements

	Government-Wide Financial Statements	
1	Statement of Net Position (Deficit).....	11
2	Statement of Activities	12
	Fund Financial Statements	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit).....	13
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds	16
7	Statement of Net Position (Deficit) - Proprietary Fund	20
8	Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit) - Proprietary Fund	21
9	Statement of Cash Flows - Proprietary Fund	22
10	Statement of Fiduciary Net Position – Scholarship Fund	23
11	Statement of Change in Fiduciary Net Position.....	24
	Notes to the Financial Statements	25

Schedule

Required Supplementary Information

1	Schedule of the Board's Proportionate Share of the Net Pension Liability - Teachers' and State Employees' Retirement System.....	49
2	Schedule of Board Contributions - Teachers' and State Employees' Retirement System	50
3	Schedule of the Board's Proportionate Share of the Net OPEB Liability - Retiree Health Benefit Fund	51
4	Schedule of Board Contributions - Retiree Health Benefit Fund	52

Board of Education of Beaufort County Schools
Contents
June 30, 2024

Schedule

5	Schedule of the Board's Proportionate Share of the Net OPEB Asset (Liability) - Disability Income Plan of North Carolina	53
6	Schedule of Board Contributions - Disability Income Plan of North Carolina.....	54

Supplementary Information - Individual Fund Schedules:

7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	55
8	Schedule of Revenues and Expenditures – Budget and Actual – (Non- GAAP) - School Food Service Fund.....	56

Compliance Section

	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
	Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	59
	Report on Compliance for Each Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	62

Schedule

9	Schedule of Findings and Questioned Costs	65
10	Summary Schedule of Prior Audit Findings.....	67
11	Schedule of Expenditures of Federal and State Awards	68

Independent Auditor's Report

Board of Education
Beaufort County Schools
Washington, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Beaufort County Schools ("Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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 the Board, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, State Public School, Other Special Revenues, and Federal Grants Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Teachers' and State Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Board Contributions, on pages 49 through 50, respectively, and the Retiree Health Benefit Fund's Schedules of Proportionate Share of the Net OPEB Liability and Board Contributions, on pages 51 through 52, respectively, and the Disability Income Plan of North Carolina's Schedules of the Proportionate Share of the Net OPEB Asset (Liability) and Board Contributions, on pages 53 through 54, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The individual fund budgetary schedules and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules and the accompanying schedule of expenditures of federal and state awards is 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 November 25, 2024, on our consideration of the Board'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 that report is solely 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 Board's 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 Board's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Raleigh, North Carolina
November 25, 2024**

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

This section of the Board of Education of Beaufort County School's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2024. We encourage readers to read the information presented there in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

Financial Highlights

- For governmental funds, the Board experienced an increase in State funding of \$1.0 million in the fiscal year 2023-2024 compared to the \$1.7 million increase in the fiscal year 2022-2023. Further, the Board experienced a \$3.6 million decrease in their federal funds in the fiscal year 2023-2024 compared to a decrease of \$4.2 million in fiscal year 2022-2023.
- The Board's Current Expense Appropriation (General Fund) increased by \$991 thousand in the fiscal year 2023-2024 compared to the \$258 thousand increase in the fiscal year 2022-2023.
- The Board experienced a decrease in the General Fund Balance of \$150 thousand in the fiscal year 2023-2024 compared to an increase of \$36 thousand in the fiscal year 2022-2023.

Overview of the Financial Statements

The audited financial statements of the Board 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 and supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina, and budgetary statements for the governmental and proprietary funds.

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

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

Government-Wide Statements

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

The two government-wide statements report the Board's net position (deficit) and how they have changed. Net position (deficit) is the difference between the Board's total of assets and deferred outflows and the total of liabilities and deferred inflows of resources. This is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

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

Beaufort County Board of Education has three types of funds:

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

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

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

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

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

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

Financial Analysis of the Board as a Whole

The net deficit is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9.4 million as of June 30, 2024. The largest positive component of net deficit is the Board's net investment in capital assets of \$67.4 million. Restricted and unrestricted net position (deficit) amounted to \$2.7 million and (\$79.6) million, respectively. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liabilities, and related components has a \$81.2 million negative effect to the Board's overall net deficit.

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

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

**Table 1
Condensed Statement of Net Position (Deficit)
as of June 30, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 7,360,546	\$ 6,991,883	\$ 1,225,526	\$ 1,514,249	\$ 8,586,072	\$ 8,506,132
Capital assets	67,408,687	65,149,821	693,171	747,423	68,101,858	65,897,244
Total assets	74,769,233	72,141,704	1,918,697	2,261,672	76,687,930	74,403,376
Deferred outflows of resources	40,593,271	41,543,385	1,247,810	1,281,418	41,841,081	42,824,803
Current liabilities	2,764,940	2,857,842	134,044	125,148	2,898,984	2,982,990
Long-term liabilities	98,959,382	92,772,624	3,043,093	2,824,183	102,002,475	95,596,807
Total liabilities	101,724,322	95,630,466	3,177,137	2,949,331	104,901,459	98,579,797
Deferred inflows of resources	22,452,777	30,536,203	607,777	893,711	23,060,554	31,429,914
Net investment in capital assets	66,752,729	64,525,213	693,171	747,423	67,445,900	65,272,636
Restricted net position	2,717,212	2,524,168	-	-	2,717,212	2,524,168
Unrestricted net deficit	(78,284,536)	(79,530,961)	(1,311,578)	(1,047,375)	(79,596,114)	(80,578,336)
Total net deficit	<u>\$ (8,814,595)</u>	<u>\$ (12,481,580)</u>	<u>\$ (618,407)</u>	<u>\$ (299,952)</u>	<u>\$ (9,433,002)</u>	<u>\$ (12,781,532)</u>

The net deficit of governmental activities decreased from \$12.5 million at June 30, 2023 to \$8.8 million at June 30, 2024, a decrease of approximately \$3.7 million. The Board's net investment in capital assets increased by \$2.2 million during the year due to capital outlay in excess of depreciation expense in excess of capital outlay. Restricted net position increased by \$195 thousand due to increases in amounts restricted for capital outlay. The unrestricted net deficit decreased by \$1.2 million a result of the changes in the proportionate share of the Teachers' and State Employees' Retirement System plan net pension liability, as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources.

The net deficit of business-type activities increased \$318 thousand from \$(300) thousand at June 30, 2023 to \$(618) thousand at June 30, 2024. This represented an increase in the change in net deficit from the prior year, as net deficit increased by \$149 thousand for the year ended June 30, 2023. The increase in net deficit is primarily related to a decrease cash of \$262 thousand.

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

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2024 & 2023**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 1,085,781	\$ 959,807	\$ 115,117	\$ 107,775	\$ 1,200,898	\$ 1,067,582
Operating grants and contributions	59,107,249	61,837,157	4,218,065	3,893,493	63,325,314	65,730,650
Capital grants and contributions	656,015	600,482	-	-	656,015	600,482
General revenues:						
Unrestricted state and federal appropriations	1,705,357	1,604,238	-	-	1,705,357	1,604,238
Unrestricted county appropriations	18,424,092	17,414,442	-	-	18,424,092	17,414,442
Other revenues	1,260,888	2,699,415	51,019	53,683	1,311,907	2,753,098
Total revenues	82,239,382	85,115,541	4,384,201	4,054,951	86,623,583	89,170,492
Expenses:						
Governmental activities:						
Instructional services	55,595,899	55,325,828	-	-	55,595,899	55,325,828
System-wide support services	18,816,921	17,863,181	-	-	18,816,921	17,863,181
Ancillary services	103,255	127,194	-	-	103,255	127,194
Non-programmed charges	1,159,754	972,699	-	-	1,159,754	972,699
Interest on long-term debt	8,369	8,003	-	-	8,369	8,003
Unallocated depreciation expense	2,888,199	2,554,283	-	-	2,888,199	2,554,283
Business-type activities:						
School food service	-	-	4,702,656	4,203,476	4,702,656	4,203,476
Total expenses	78,572,397	76,851,188	4,702,656	4,203,476	83,275,053	81,054,664
Change in net deficit	3,666,985	8,264,353	(318,455)	(148,525)	3,348,530	8,115,828
Net deficit, beginning	(12,481,580)	(20,745,933)	(299,952)	(151,427)	(12,781,532)	(20,897,360)
Net deficit, ending	<u>\$ (8,814,595)</u>	<u>\$ (12,481,580)</u>	<u>\$ (618,407)</u>	<u>\$ (299,952)</u>	<u>\$ (9,433,002)</u>	<u>\$ (12,781,532)</u>

During the year ended June 30, 2024, governmental activities generated revenues of \$82.2 million and incurred expenses of \$78.5 million, resulting in the aforementioned decrease in the net deficit for these activities of \$3.7 million. Overall, revenues decreased by \$2.8 million when compared to the prior year, while expenses increased \$1.7 million. Primary sources of revenue were funding from the State of North Carolina, Beaufort County, and the United States government, which respectively comprised 59.8%, 22.4%, and 14.7% of our revenues.

The main driving force behind the decrease in revenues of \$2.8 million is a decrease in operating grants and contributions of \$2.7 million. Instructional services expenses comprised 70.8% of total governmental activities expenses while system-wide support services made up 23.9% of those expenses for the year ended June 30,

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

2024. In comparison, in the previous year, instructional services and system-wide support services were 72.0% and 23.2%, respectively, of total expenses.

Business-type activities generated revenues of \$4.4 million and incurred expenses of \$4.7 million, resulting in a increase in net deficit of \$318 thousand for the year ended June 30, 2024. Revenues increased by \$329 thousand primarily related to an increase in operating grants and contributions of \$325 thousand. Expenditures increased by \$499 thousand related primarily to increases in food cost of \$209 thousand and salaries and benefits of \$297 thousand.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$7 million at June 30, 2024, a \$320 thousand increase when compared to the prior year. Overall, total revenues decreased by \$3.1 million compared to the prior year, while total expenditures decreased by \$2.6 million.

For the fiscal year ended June 30, 2024, the Board's General Fund and the Other Special Revenues Fund experienced a decrease in fund balance of \$150 thousand and \$223 thousand, respectively. Specifically related to the General Fund, County revenues during this same period increased by \$991 thousand to \$16.2 million. Expenditures in the General Fund increased \$1 million related to an increase in operational support expenditures and finance and human resources expenditures of \$629 thousand and \$364 thousand, respectively. The Other Special Revenues Fund recognized a decrease in total revenues of \$1.4 million when compared to the prior year. During the same period, the Board experienced a decrease in expenditures of \$657 thousand in the Other Special Revenue Fund.

The Board's State Public School Fund and Federal Grants Fund recognized changes in revenues of \$611 thousand or 1.3% and \$(3.3) million or (22.2%), respectively. The decrease in Federal Grants Fund is attributable to decreases in the Education Stabilization and relief funds related to the COVID-19 Pandemic.

The Board's Individual Schools Fund and Capital Outlay Fund had a net change in fund balance of \$32 thousand and \$565 thousand, respectively. In comparison to the prior year, the Individual Schools Fund and Capital Outlay Fund had a net change of \$(6) thousand and \$377 thousand, respectively.

Proprietary funds: The Board's business-type fund, the School Food Service Fund, incurred an increase in net deficit in the current year of \$318 thousand. Revenues increased by \$329 thousand primarily related to an increase in operating grants and contributions of \$325 thousand. Expenditures increased by \$499 thousand related primarily to increases in food cost of \$209 thousand and salaries and benefits of \$297 thousand.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the General Fund budget several times to account for changes in revenue expectations and program allocations. Total budgeted revenues and total budgeted expenditures remained relatively consistent with minor shifts between Instructional Services expenditures and System-Wide Support Services expenditures. The primary reason for these changes were to redistribute the use of County appropriations for current year activities of the Board.

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

Capital Assets

During the fiscal year ended June 30, 2024, capital assets, net of accumulated depreciation/amortization, increased by \$2.3 million for governmental activities and decreased by \$54 thousand for business-type activities, compared to the prior year. Total depreciation/amortization charges for the year ended June 30, 2024 was \$3.5 million for governmental activities. Total depreciation charges for the year ended June 30, 2024 was \$109 thousand for business-type activities. For more detailed information, please see Capital Assets in Note 2 in the accompanying notes to the financial statements.

**Table 3
Summary of Capital Assets
as of June 30, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,178,555	\$ 1,178,555	\$ -	\$ -	\$ 1,178,555	\$ 1,178,555
Construction in progress	-	247,190	-	-	-	247,190
Buildings and improvements	58,335,010	58,929,855	62,128	67,032	58,397,138	58,996,887
Equipment and furniture	5,491,137	2,125,143	631,043	680,391	6,122,180	2,805,534
Right-to-use subscription assets	92,367	221,428	-	-	92,367	221,428
Vehicles	2,311,618	2,447,650	-	-	2,311,618	2,447,650
Total	<u>\$ 67,408,687</u>	<u>\$ 65,149,821</u>	<u>\$ 693,171</u>	<u>\$ 747,423</u>	<u>\$ 68,101,858</u>	<u>\$ 65,897,244</u>

Debt Outstanding

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. During the year ended June 30, 2024, the Board issued installment purchase obligations for school buses. For more detailed information, please see Long-Term Obligations in Note 2 in the accompanying notes to the financial statements.

Economic Factors

- The student population has decreased slightly. The final K-12 student average daily membership was 5,575 compared to 5,779 in the previous year.
- Beaufort County's unemployment rate showed a slight increase from 4.2% in June 2023 to 4.4% in June 2024.

Requests for Information

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

Christie Potts, Chief Financial Officer
Board of Education of Beaufort County Schools
321 Smaw Road
Washington, NC 27889

Basic Financial Statements

Board of Education of Beaufort County Schools
Statement of Net Position (Deficit)
June 30, 2024

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,195,136	\$ 1,059,525	\$ 8,254,661
Due from other governments	15,360	136,229	151,589
Receivables	65,259	-	65,259
Internal balances	84,791	(72,791)	12,000
Inventories	-	102,563	102,563
Capital assets			
Land and construction in progress	1,178,555	-	1,178,555
Other capital assets, net of depreciation/amortization	66,230,132	693,171	66,923,303
Total capital assets	67,408,687	693,171	68,101,858
Total assets	74,769,233	1,918,697	76,687,930
DEFERRED OUTFLOWS OF RESOURCES	40,593,271	1,247,810	41,841,081
LIABILITIES			
Accounts payable and accrued expenses	183,851	8,941	192,792
Accrued salaries and wages payable	165,602	-	165,602
Unearned revenue	-	9,914	9,914
Long-term liabilities			
Due within one year	2,415,487	115,189	2,530,676
Due in more than one year	98,959,382	3,043,093	102,002,475
Total liabilities	101,724,322	3,177,137	104,901,459
DEFERRED INFLOWS OF RESOURCES	22,452,777	607,777	23,060,554
NET POSITION (DEFICIT)			
Net investment in capital assets	66,752,729	693,171	67,445,900
Restricted for			
Stabilization by State Statute	165,410	-	165,410
School Capital Outlay	1,716,157	-	1,716,157
Individual Schools	835,645	-	835,645
Unrestricted	(78,284,536)	(1,311,578)	(79,596,114)
Total net deficit	\$ (8,814,595)	\$ (618,407)	\$ (9,433,002)

Board of Education of Beaufort County Schools
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities							
Instructional services							
Regular instructional	\$ 31,142,575	\$ -	\$ 28,669,961	\$ -	\$ (2,472,614)	\$ -	\$ (2,472,614)
Special populations	7,892,553	-	7,320,050	-	(572,503)	-	(572,503)
Alternative programs	5,045,353	-	4,104,356	-	(940,997)	-	(940,997)
School leadership	4,247,140	-	3,277,033	-	(970,107)	-	(970,107)
Co-curricular	1,467,482	1,070,861	-	-	(396,621)	-	(396,621)
School-based support	5,800,796	-	4,104,138	-	(1,696,658)	-	(1,696,658)
System-wide support services							
Support and development	970,157	-	556,441	-	(413,716)	-	(413,716)
Special population support and development	389,836	-	382,117	-	(7,719)	-	(7,719)
Alternative programs and services support and development	641,900	-	200,155	-	(441,745)	-	(441,745)
Technology support	826,541	-	165,895	-	(660,646)	-	(660,646)
Operational support	13,891,493	14,920	9,185,421	656,015	(4,035,137)	-	(4,035,137)
Financial and human resource	1,307,311	-	336,284	-	(971,027)	-	(971,027)
Accountability	9,775	-	-	-	(9,775)	-	(9,775)
System-wide pupil support	-	-	-	-	-	-	-
Policy, leadership, and public relations	779,908	-	321,500	-	(458,408)	-	(458,408)
Ancillary services	103,255	-	81,274	-	(21,981)	-	(21,981)
Non-programmed charges	1,159,754	-	394,255	-	(765,499)	-	(765,499)
Interest on long-term debt	8,369	-	8,369	-	-	-	-
Unallocated depreciation/amortization expense, excluding depreciation/depreciation expense charged to programs	2,888,199	-	-	-	(2,888,199)	-	(2,888,199)
Total governmental activities	<u>78,572,397</u>	<u>1,085,781</u>	<u>59,107,249</u>	<u>656,015</u>	<u>(17,723,352)</u>	<u>-</u>	<u>(17,723,352)</u>
Business-type activities							
School food service	4,702,656	115,117	4,218,065	-	-	(369,474)	(369,474)
Total business-type activities	<u>4,702,656</u>	<u>115,117</u>	<u>4,218,065</u>	<u>-</u>	<u>-</u>	<u>(369,474)</u>	<u>(369,474)</u>
Total primary government	<u>\$ 83,275,053</u>	<u>\$ 1,200,898</u>	<u>\$ 63,325,314</u>	<u>\$ 656,015</u>	<u>(17,723,352)</u>	<u>(369,474)</u>	<u>(18,092,826)</u>
General Revenues							
Unrestricted county appropriations - operating					16,182,093	-	16,182,093
Unrestricted county appropriations - capital					2,241,999	-	2,241,999
Unrestricted State and Federal appropriations - operating					1,705,357	-	1,705,357
Investment earnings, unrestricted					13,897	23,699	37,596
State OPEB contribution - non-capital					73,912	2,616	76,528
Miscellaneous, unrestricted					1,173,079	24,704	1,197,783
Total general revenues					<u>21,390,337</u>	<u>51,019</u>	<u>21,441,356</u>
Change in Net Deficit					3,666,985	(318,455)	3,348,530
Net Deficit, Beginning					(12,481,580)	(299,952)	(12,781,532)
Net Deficit, Ending					<u>\$ (8,814,595)</u>	<u>\$ (618,407)</u>	<u>\$ (9,433,002)</u>

See Notes to Financial Statements

Board of Education of Beaufort County Schools
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	Other Special Revenues	
ASSETS							
Cash and cash equivalents	\$ 1,322,834	\$ -	\$ -	\$ 1,719,989	\$ 835,645	\$ 3,316,668	\$ 7,195,136
Accounts receivable	65,259	-	-	-	-	-	65,259
Due from other governments	-	-	-	-	-	15,360	15,360
Due from other funds	72,791	-	-	-	-	12,000	84,791
Total assets	<u>\$ 1,460,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,989</u>	<u>\$ 835,645</u>	<u>\$ 3,344,028</u>	<u>\$ 7,360,546</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 175,298	\$ -	\$ -	\$ 3,832	\$ -	\$ 4,721	\$ 183,851
Accrued salaries and benefits payable	165,602	-	-	-	-	-	165,602
Total liabilities	<u>340,900</u>	<u>-</u>	<u>-</u>	<u>3,832</u>	<u>-</u>	<u>4,721</u>	<u>349,453</u>
Fund Balances							
Restricted							
Stabilization by State Statute	138,050	-	-	-	-	27,360	165,410
School Capital Outlay	-	-	-	1,716,157	-	-	1,716,157
Individual Schools	-	-	-	-	835,645	-	835,645
Assigned							
Other Special Programs	-	-	-	-	-	3,311,947	3,311,947
Unassigned	981,934	-	-	-	-	-	981,934
Total fund balances	<u>1,119,984</u>	<u>-</u>	<u>-</u>	<u>1,716,157</u>	<u>835,645</u>	<u>3,339,307</u>	<u>7,011,093</u>
Total liabilities and fund balances	<u>\$ 1,460,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,989</u>	<u>\$ 835,645</u>	<u>\$ 3,344,028</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position (Deficit) (Exhibit 1) are Different Because							
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds							67,408,687
Deferred outflows of resources related to pensions							24,320,212
Deferred outflows of resources related to OPEB							16,273,059
Some liabilities, including compensated absences, installment purchase obligations and subscription liabilities are not due and payable in the current period and therefore are not reported in the funds							(4,436,146)
Net pension liability							(40,383,458)
Net OPEB liabilities							(56,555,265)
Deferred inflows of resources related to pensions							(1,668,029)
Deferred inflows of resources related to OPEB							(20,784,748)
Net deficit of governmental activities							<u>\$ (8,814,595)</u>

Board of Education of Beaufort County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	Other Special Revenues	
Revenues							
Intergovernmental							
State of North Carolina	\$ -	\$ 47,366,625	\$ -	\$ 656,015	\$ -	\$ 1,330,044	\$ 49,352,684
Beaufort County							
Local current expense	16,182,093	-	-	-	-	-	16,182,093
Other	-	-	-	2,241,999	-	-	2,241,999
U.S. Government	-	-	11,740,624	-	-	375,313	12,115,937
Other	253,901	-	-	3,713	1,070,861	1,337,234	2,665,709
Total revenues	16,435,994	47,366,625	11,740,624	2,901,727	1,070,861	3,042,591	82,558,422
Expenditures							
Current							
Instructional services							
Regular instructional	2,731,915	26,041,035	2,492,873	-	-	247,478	31,513,301
Special populations	230,858	5,792,281	1,527,769	-	-	469,579	8,020,487
Alternative programs	187,007	1,428,962	2,675,394	-	-	831,745	5,123,108
School leadership	1,047,346	3,272,938	4,095	-	-	-	4,324,379
Co-curricular	531,244	-	-	-	944,987	436	1,476,667
School-based support	996,564	3,878,429	225,709	-	-	769,037	5,869,739
System-wide support services							
Support and development	381,884	543,524	12,917	-	-	47,000	985,325
Special population support and development	14,886	355,543	26,574	-	-	-	397,003
Alternative programs and services support and development	453,315	82,031	118,124	-	-	-	653,470
Technology support	639,244	165,495	400	-	-	32,243	837,382
Operational support	6,748,167	5,103,596	4,081,825	-	-	844,744	16,778,332
Financial and human resources	988,520	332,894	3,390	-	-	-	1,324,804
Accountability	9,790	-	-	-	-	-	9,790
System-wide pupil support	-	-	-	-	-	-	-
Policy, leadership, and public relations	467,058	225,395	96,105	-	-	-	788,558
Ancillary services	-	47,180	34,094	-	-	22,966	104,240
Non-programmed charges	1,158,451	-	394,255	-	-	-	1,552,706
Debt service							
Principal	-	92,922	43,131	402,565	-	-	538,618
Interest	-	4,400	3,969	-	-	-	8,369
Capital outlay							
Real property and buildings	-	-	-	293,293	-	-	293,293
Furnishings and equipment	-	-	-	1,387,062	-	-	1,387,062
Vehicles and other	-	-	-	823,418	-	-	823,418
Total expenditures	16,586,249	47,366,625	11,740,624	2,906,338	944,987	3,265,228	82,810,051
Revenues over (under) expenditures	(150,255)	-	-	(4,611)	125,874	(222,637)	(251,629)
Other Financing Sources (Uses)							
Transfers from (to) other funds	-	-	-	-	(93,519)	93,519	-
Installment purchase obligations issued	-	-	-	569,968	-	-	569,968
Total other financing sources (uses)	-	-	-	569,968	(93,519)	93,519	569,968
Net changes in fund balance	(150,255)	-	-	565,357	32,355	(129,118)	318,339
Fund balances, beginning of year	1,270,239	-	-	1,150,800	803,290	3,468,425	6,692,754
Fund balances, end of year	\$ 1,119,984	\$ -	\$ -	\$ 1,716,157	\$ 835,645	\$ 3,339,307	\$ 7,011,093

See Notes to Financial Statements

Board of Education of Beaufort County Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2024

Exhibit 5

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net changes in fund balances - total governmental funds	\$ 318,339
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/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlays in the current period.	2,258,866
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,814,661
Contributions to the OPEB plans in the current fiscal year are not included in the Statement of Activities	2,802,399
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
State OPEB contribution	73,912
Net OPEB benefit	1,709,946
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(31,350)
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.	
Compensated absences	118,230
Pension expense	<u>(10,398,018)</u>
Total changes in net position (deficit) of governmental activities	<u>\$ 3,666,985</u>

Board of Education of Beaufort County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 6
Page 1 of 4

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Beaufort County	16,419,681	16,182,093	16,182,093	-
Other	358,000	358,000	253,901	(104,099)
	<u>16,777,681</u>	<u>16,540,093</u>	<u>16,435,994</u>	<u>(104,099)</u>
Expenditures				
Current:				
Instructional services	6,620,543	5,800,255	5,724,934	75,321
System-wide support services	9,007,138	9,818,975	9,702,864	116,111
Ancillary services	-	-	-	-
Non-programmed charges	1,150,000	1,158,451	1,158,451	-
	<u>16,777,681</u>	<u>16,777,681</u>	<u>16,586,249</u>	<u>191,432</u>
Total expenditures				
	<u>16,777,681</u>	<u>16,777,681</u>	<u>16,586,249</u>	<u>191,432</u>
Revenues over (under) expenditures	-	(237,588)	(150,255)	87,333
Other Financing Uses				
Transfers to (from) other funds	-	-	-	-
Fund balance appropriated	-	(237,588)	-	237,588
Net change in fund balance	<u>\$ -</u>	<u>\$ (475,176)</u>	<u>(150,255)</u>	<u>\$ 324,921</u>
Fund balances, beginning of year			1,270,239	
Fund balance, end of year			<u>\$ 1,119,984</u>	

Board of Education of Beaufort County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 6
Page 2 of 4

	Other Special Revenues Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State of North Carolina	\$ -	\$ 1,224,280	\$ 1,330,044	\$ 105,764
U.S. Government	-	381,085	375,313	(5,772)
Other	-	822,123	1,337,234	515,111
	-	2,427,488	3,042,591	615,103
Expenditures				
Current:				
Instructional services	-	3,216,575	2,318,275	898,300
System-wide support services	-	1,366,301	923,987	442,314
Ancillary services	-	26,326	22,966	3,360
Non-programmed charges	-	-	-	-
Total expenditures	-	4,609,202	3,265,228	1,343,974
Revenues over (under) expenditures	-	(2,181,714)	(222,637)	1,959,077
Other Financing Uses				
Transfers to (from) other funds	-	92,943	93,519	576
Fund balance appropriated	-	2,168,577	-	(2,168,577)
Net change in fund balance	\$ -	\$ 79,806	(129,118)	\$ (208,924)
Fund balances, beginning of year			3,468,425	
Fund balance, end of year			\$ 3,339,307	

Board of Education of Beaufort County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 6
Page 3 of 4

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 47,678,432	\$ 48,411,694	\$ 47,366,625	\$ (1,045,069)
Expenditures:				
Current:				
Instructional services	40,722,746	41,353,941	40,413,645	940,296
System-wide support services	6,908,353	6,913,178	6,808,478	104,700
Ancillary services	47,333	47,253	47,180	73
Debt service	-	97,322	97,322	-
Total expenditures	47,678,432	48,411,694	47,366,625	1,045,069
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balance, end of year			\$ -	

Board of Education of Beaufort County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2024

Exhibit 6
Page 4 of 4

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
U.S. Government	<u>\$ 13,682,099</u>	<u>\$ 13,794,568</u>	<u>\$ 11,740,624</u>	<u>\$ (2,053,944)</u>
Expenditures:				
Current:				
Instructional services	7,855,194	8,603,931	6,925,840	1,678,091
System-wide support services	5,125,450	4,415,363	4,339,335	76,028
Ancillary services	43,144	43,144	34,094	9,050
Non-programmed charges	658,311	685,030	394,255	290,775
Debt service	<u>-</u>	<u>47,100</u>	<u>47,100</u>	<u>-</u>
Total expenditures	<u>13,682,099</u>	<u>13,794,568</u>	<u>11,740,624</u>	<u>2,053,944</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

Board of Education of Beaufort County Schools
Statement of Net Position (Deficit)
Proprietary Fund
June 30, 2024

Exhibit 7

	<u>Enterprise Major Fund School Food Service</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,059,525
Due from other governments	136,229
Inventories	102,563
Total current assets	<u>1,298,317</u>
Noncurrent Assets	
Capital assets	
Furniture, equipment and vehicles, net	<u>693,171</u>
Total assets	<u>1,991,488</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,247,810</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	8,941
Due to other funds	72,791
Unearned revenue	9,914
Compensated absences	115,189
Total current liabilities	<u>206,835</u>
Noncurrent Liabilities	
Net pension liability	1,274,826
Net OPEB liabilities	1,755,580
Compensated absences	12,687
Total noncurrent liabilities	<u>3,043,093</u>
Total liabilities	<u>3,249,928</u>
DEFERRED INFLOWS OF RESOURCES	<u>607,777</u>
NET POSITION (DEFICIT)	
Investment in capital assets	693,171
Unrestricted	<u>(1,311,578)</u>
Total net deficit	<u>\$ (618,407)</u>

Board of Education of Beaufort County Schools
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit 8

	<u>Enterprise</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating Revenues	
Food sales	\$ 115,117
Operating Expenses	
Food cost	
Purchase of food	1,527,862
Donated commodities	278,520
Salaries and benefits	2,333,575
Indirect costs	193,864
Materials and supplies	219,041
Repairs and maintenance	14,842
Contracted services	5,964
Depreciation	109,241
Non-capitalized equipment	3,765
Other	15,982
	<u>4,702,656</u>
Total operating expenses	<u>4,702,656</u>
Operating loss	<u>(4,587,539)</u>
Nonoperating Revenues	
Federal reimbursements	3,905,451
Federal commodities	278,520
State OPEB contribution	2,616
Miscellaneous revenues	24,704
Contributed capital	34,094
Interest earned	23,699
	<u>4,269,084</u>
Total nonoperating revenues	<u>4,269,084</u>
Change in net deficit	(318,455)
Total net deficit, beginning	<u>(299,952)</u>
Total net deficit, ending	<u><u>\$ (618,407)</u></u>

Board of Education of Beaufort County Schools
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit 9

	Enterprise Major Fund School Food Service
Cash Flows from Operating Activities	
Cash received from customers	\$ 114,220
Cash paid for goods and services	(1,931,684)
Cash paid to employees for services	(2,362,163)
Other cash received	24,704
Net cash used by operating activities	<u>(4,154,923)</u>
Cash Flows from Noncapital Financing Activities	
Federal and state reimbursements	<u>3,889,437</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(20,895)</u>
Cash Flows from Investing Activities	
Interest earned on investments	<u>23,699</u>
Net change in cash and cash equivalents	(262,682)
Cash and cash equivalents, beginning of year	<u>1,322,207</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,059,525</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (4,587,539)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	109,241
Donated commodities	278,520
State OPEB contribution	2,616
Other	24,704
Changes in assets, deferred outflows of resources, deferred inflows	
Change in accounts receivable	
Change in inventories	42,055
Change in deferred outflows of resources	33,608
Change in accounts payable and accrued liabilities	7,581
Change in unearned revenue	(897)
Change in compensated absences payable	4,269
Change in net pension liability	79,327
Change in net OPEB liabilities	137,526
Change in deferred inflows of resources	(285,934)
Total adjustments	<u>432,616</u>
Net cash used by operating activities	<u><u>\$ (4,154,923)</u></u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES

The School Food Service Fund received donated commodities with a value of \$278,520 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

During the fiscal year, capital assets of \$34,094 were contributed to the School Food Service Fund. The receipt of these items is reflected as nonoperating revenue on Exhibit 8.

During the fiscal year, the State Health Plan transferred assets to the Retiree Health Benefit Fund as a result of cost savings to the State Health Plan. In accordance with GASB 75, the School Food Service Fund recorded \$2,616 as a nonoperating revenue on Exhibit 8 as a result of this transfer.

Board of Education of Beaufort County Schools
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2024

Exhibit 10

	Private Purpose Trust
	<hr/>
ASSETS	
Cash	\$ 81,710
LIABILITIES	
Due to other funds	<hr/> 12,000
NET POSITION	
Assets held in trust for scholarships	<hr/> <hr/> \$ 69,710

Board of Education of Beaufort County Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2024

Exhibit 11

	Private Purpose Trust
Additions	
Interest	\$ 1,700
Subtractions	
Scholarships paid	-
Change in net position	1,700
Net position, beginning	68,010
Net position, ending	<u>\$ 69,710</u>

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Board of Education of Beaufort County Schools (the "Board") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

The Board reports the following major governmental funds:

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

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

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

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

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

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. These could include federal, state, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under leases and subscriptions are reported as other financing sources.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

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

D. Budgetary Data

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

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

(1) Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

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 North Carolina Capital Management Trust (NCCMT) Government Portfolio is a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAM by S&P and AAAMf by Moody's Investor Services and reported at fair value.

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. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2024 of 1.4 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.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Cash and Cash Equivalents

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

(2) Inventories

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

(3) Capital Assets

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

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

Intangible assets include right-to-use subscription-based information technology arrangement assets. Intangible assets follow the same policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Right-to-use subscription-based information technology are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the information technology subscription vendor at the start of the subscription term.

Beaufort County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board give 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.

Land and construction in progress are not depreciated. Right-to-use subscription-based information technology assets are amortized on a straight-line basis over the related subscription term. The other tangible and intangible property, plant, and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Equipment and furniture	3 to 10 years
Vehicles	6 to 10 years

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

(4) *Deferred Outflows and Inflows of Resources*

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

(5) *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.

(6) *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, 2024 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made, based on prior years' records, of the current portion of compensated absences.

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

(7) *Net Position (Deficit)*

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

(8) *Fund Balance*

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Assigned fund balance - portion of fund balance that the Board intends to use for specific purposes.

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

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

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

F. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position (deficit) - governmental activities* as reported in the government-wide Statement of Net Position (Deficit). The net adjustment of \$(15,825,688) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 140,891,741
Less accumulated depreciation/amortization	(73,483,054)
Net capital assets	67,408,687
Pension-related deferred outflows of resources	24,320,212
OPEB-related deferred outflows of resources	16,273,059
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:	
Direct placement installment purchases	(578,065)
Subscription liabilities	(77,893)
Compensated absences	(3,780,188)
Net pension liability	(40,383,458)
Net OPEB liability	(56,555,265)
Deferred inflows of resources related to pensions	(1,668,029)
Deferred inflows of resources related to OPEB	(20,784,748)
Total adjustment	\$ (15,825,688)

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

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 \$3,348,646 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,728,330
Depreciation/amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(3,469,464)
New debt and subscription liabilities issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities	(569,968)
Principal payments on installment purchases subscription liabilities are recorded as a use of funds on the fund statements but affect only the statement of net position (deficit) in the government-wide statements	538,618
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	6,814,661
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	2,802,399
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	(10,398,018)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
State OPEB contribution	73,912
Net OPEB benefit	1,709,946
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	118,230
Total adjustment	<u>\$ 3,348,646</u>

G. Defined Benefit Pension Plans and OPEB Plans

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

Note 2. Detail Notes on All Funds

A. Assets

(1) Deposits

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

At June 30, 2024, the Board had deposits with financial institutions with a carrying amount of \$7,675,120 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$7,750,542 and \$262,356, respectively. Of these balances, \$549,547 was covered by federal depository insurance and \$7,463,351 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

(2) Investments

At June 30, 2024, the Board had \$634,505 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is classified as a Level 2 fair value investment. At June 30, 2024, the Board of Education had \$26,746 invested with the North Carolina Capital Management Trust's Cash Portfolio

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.

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

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

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

(3) Receivables

Receivables at the government-wide level at June 30, 2024 were as follows:

	<u>Due from (to) Other Funds</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 72,791	\$ -	\$ 65,259	\$ 138,050
Other governmental activities	<u>12,000</u>	<u>15,360</u>	<u>-</u>	<u>27,360</u>
Total governmental activities	<u>\$ 84,791</u>	<u>\$ 15,360</u>	<u>\$ 65,259</u>	<u>\$ 165,410</u>
Business-type activities:				
School Food Service Fund	<u>\$ -</u>	<u>\$ 136,229</u>	<u>\$ -</u>	<u>\$ 136,229</u>

Internal balances consist of administrative costs due to the General Fund from the School Food Service Fund and Scholarship reimbursement costs due to the Other Special Revenues Fund from the Private Purpose Trust Fund.

Due from other governments consists of the following:

Governmental activities:		
Other Special Revenues Fund	<u>\$ 15,360</u>	Federal, state, and other local funds
Business-type activities:		
School Food Service Fund	<u>\$ 136,229</u>	USDA reimbursements

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

(4) Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated/amortized:					
Land	\$ 1,178,555	\$ -	\$ -	\$ -	\$ 1,178,555
Construction in progress	247,190	3,467,810	-	(3,715,000)	-
Total capital assets not being depreciated/amortized	<u>1,425,745</u>	<u>3,467,810</u>	<u>-</u>	<u>(3,715,000)</u>	<u>1,178,555</u>
Capital assets being depreciated/amortized:					
Buildings and improvements	115,296,212	1,382,120	-	200,000	116,878,332
Equipment and furniture	6,103,858	502,479	-	3,515,000	10,121,337
Right-to-use subscription assets	350,365	-	-	-	350,365
Vehicles	12,416,594	375,921	429,363	-	12,363,152
Total capital assets being depreciated and amortized	<u>134,167,029</u>	<u>2,260,520</u>	<u>429,363</u>	<u>3,715,000</u>	<u>139,713,186</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	56,366,357	2,176,965	-	-	58,543,322
Equipment and furniture	3,978,715	651,485	-	-	4,630,200
Right-to-use subscription assets	128,937	129,061	-	-	257,998
Vehicles	9,968,944	511,953	429,363	-	10,051,534
Total accumulated depreciation and amortization	<u>70,442,953</u>	<u>3,469,464</u>	<u>429,363</u>	<u>-</u>	<u>73,483,054</u>
Total capital assets being depreciated and amortized, net	<u>63,724,076</u>				<u>66,230,132</u>
Governmental activity capital assets, net	<u>\$ 65,149,821</u>				<u>\$ 67,408,687</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Building	\$ 196,192	\$ -	\$ -	\$ -	\$ 196,192
Equipment, furniture, and vehicles	2,292,171	54,989	-	-	2,347,160
Total capital assets being depreciated	<u>2,488,363</u>	<u>54,989</u>	<u>-</u>	<u>-</u>	<u>2,543,352</u>
Less accumulated depreciation for:					
Building	129,160	4,904	-	-	134,064
Equipment, furniture, and vehicles	1,611,780	104,337	-	-	1,716,117
	<u>1,740,940</u>	<u>109,241</u>	<u>-</u>	<u>-</u>	<u>1,850,181</u>
Business-type activities capital assets, net	<u>\$ 747,423</u>				<u>\$ 693,171</u>

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Depreciation/amortization was charged to governmental functions as follows:

Unallocated depreciation/amortization	\$ 2,888,199
Regular instruction services	129,061
Operational support services	<u>452,204</u>
	<u>\$ 3,469,464</u>

B. Liabilities

(1) Pension Plan and Other Postemployment Obligations

(a) Teachers' and State Employees' Retirement System

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

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

TSERS plan members who are law enforcement officers (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.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

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 was 17.63 percent of covered payroll from July 1, 2023 to June 30, 2024. These actuarially determined contribution rates were determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$7,055,718 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Board reported a liability of \$41,658,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. The Board's proportion was 0.2499% and 0.2650% at June 30, 2024 and June 30, 2023, respectively.

For the year ended June 30, 2024, the Board recognized pension expense of \$10,765,830. At June 30, 2024, 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	\$ 3,396,135	\$ 307,469
Changes of assumptions	1,462,984	-
Net difference between projected and actual earnings on pension plan investments	11,601,829	-
Changes in proportions and differences between Board contributions and proportionate share of contributions	1,546,759	1,383,441
Board contributions subsequent to the measurement date	<u>7,055,718</u>	<u>-</u>
Total	<u>\$ 25,063,425</u>	<u>\$ 1,690,910</u>

The Board reported \$7,055,718 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

2025	\$ 5,419,527
2026	3,309,726
2027	7,091,951
2028	<u>495,593</u>
	<u>\$ 16,316,797</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.5 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, 2022 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. 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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	<u>6.0%</u>	<u>4.3%</u>
Totals	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

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 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The discount rate used is consistent with the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.5 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	\$ 71,517,512	\$ 41,658,284	\$17,025,390

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 Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members - eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. The Board's contractually required contribution rate was 7.14 percent of covered payroll from July 1, 2023 to June 30, 2024. Board contributions to the plan were \$3,763,935 for the year ended June 30, 2024. During the year ended June 30, 2024, the North Carolina State Health Plan ("SHP") contributed \$475.2 million to the Retiree Health Benefit Fund. In accordance with GASB, the Board recognized revenue of \$76,527 as a result of this non-employer contribution.

RHBF OPEB Liability

At June 30, 2024, Board reported a liability of \$58,252,953 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 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, 2024 and 2023, the Board's proportion was 0.2186% and 0.2283% respectively.

The Board reported \$2,857,506 as deferred outflows of resources related to RHBF OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2025.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows for the year ended June 30:

2025	\$ (3,391,320)
2026	(3,389,267)
2027	(1,151,358)
2028	<u>345,883</u>
	<u>\$ (7,586,062)</u>

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

Inflation	2.5%
Salary increases based on service	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%
Healthcare cost trend rates:	
Medical	5.0% to 6.0%
Prescription drug	5.0% to 10.0%
Administrative costs	3.0%
Post-Retirement Mortality Rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	<u>6.0%</u>	4.3%
Totals	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including RHBF. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the Board’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65 percent) or 1 percentage point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Net RHBF OPEB liability	\$ 68,721,605	\$ 58,252,953	\$ 49,728,718

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the Board’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease Medical - 5.5%, Pharmacy - 6.25%, Administrative - 2.0%	Healthcare Trend Rates Medical - 6.5%, Pharmacy - 7.25%, Administrative - 3.0%	1% Increase Medical - 7.5%, Pharmacy - 8.25%, Administrative - 4.00%
Net RHBF OPEB liability	\$ 48,093,848	\$ 58,252,953	\$ 71,355,161

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.

(c) Other Postemployment 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.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

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, 2024, employers made a statutory contribution of 0.11% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$44,023 for the year ended June 30, 2024.

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

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

DIPNC OPEB Liability

At June 30, 2024, Board reported a liability of \$57,892 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 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, 2024 and 2023, the Board’s proportion was 0.2177% and 0.2318%, respectively.

The Board reported \$44,023 as deferred outflows of resources related to DIPNC OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

2025	\$	29,543
2026		18,422
2027		25,708
2028		8,842
2029		5,859
Thereafter		<u>4,171</u>
	\$	<u>92,545</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of OPEB plan investment expense, including inflation

Discount rate. The discount rate used to measure the total OPEB liability for the DIPNC was 3% at June 30, 2023. 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. In order to develop the blended discount rate of 3%, 3% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00 percent) or 1 percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net DIPNC OPEB liability	\$ 69,593	\$ 57,892	\$ 45,976

Common actuarial assumptions for both OPEB plans. The OPEB plans 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 used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

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

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

	RHBF	DIPNC	Total
OPEB (benefit) expense	\$ (1,852,343)	\$ 81,915	\$ (1,770,428)
OPEB liability	58,252,953	57,892	58,310,845
Proportionate share of the net OPEB liability	0.2186%	0.2177%	
Deferred outflows of resources			
Differences between expected and actual experience	\$ 641,479	\$ 50,735	\$ 692,214
Changes of assumptions	6,310,568	4,218	6,314,786
Net difference between projected and actual earnings on pension plan investments	465,355	75,614	540,969
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,313,674	14,484	6,328,158
Employer contributions subsequent to the measurement date	2,857,506	44,023	2,901,529
Total	<u>\$ 16,588,582</u>	<u>\$ 189,074</u>	<u>\$ 16,777,656</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 57,076	\$ 32,065	\$ 89,141
Changes of assumptions	15,541,418	9,882	15,551,300
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,718,644	10,559	5,729,203
Total	<u>\$ 21,317,138</u>	<u>\$ 52,506</u>	<u>\$ 21,369,644</u>

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

(2) Payables

Payables as of June 30, 2024 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 175,298	\$ 165,602	\$ 340,900
Other governmental	<u>8,553</u>	<u>-</u>	<u>8,553</u>
Total governmental activities	<u>\$ 183,851</u>	<u>\$ 165,602</u>	<u>\$ 349,453</u>
Business-type activities			
School Food Service	<u>\$ 8,941</u>	<u>\$ -</u>	<u>\$ 8,941</u>

(3) Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience (Pension & OPEB)	\$ 4,088,349	\$ 396,610
Changes of assumptions (Pension & OPEB)	7,777,770	15,551,300
Net difference between projected and actual earnings on plan investments (Pension & OPEB)	12,142,798	-
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	7,874,917	7,112,644
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>9,957,247</u>	<u>-</u>
Totals	<u>\$ 41,841,081</u>	<u>\$ 23,060,554</u>

(4) Unearned Revenues

The balance in unearned revenues as of June 30, 2024 is composed of the following elements:

Prepayments of meals (School Food Service fund)	<u>\$ 9,914</u>
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(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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 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

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$3,150,000 and \$3,150,000 for errors and omissions.

The Board participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. This 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 Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event.

The Board 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 benefits. 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 a minimum of \$50,000. The remaining employees that have access to funds are also bonded under a blanket bond.

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

(6) Contingent Liabilities

At June 30, 2024, the Board was a defendant to various lawsuits. In the opinion of the Board’s management and the Board’s attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board’s financial position.

(7) Long-Term Obligations

(a) Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. During the fiscal years ended June 30, 2024 and June 30, 2022, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contracts require only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchase as of June 30, 2024 follow:

Year Ending June 30,	Principal	Total
2025	300,197	300,197
2026	142,492	142,492
2027	135,376	135,376
	<u>\$ 578,065</u>	<u>\$ 578,065</u>

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

(b) Subscription liabilities

The Board has three outstanding subscription-based technology arrangements. The subscription-based technology arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception.

Two of the agreements were executed before July 1, 2022, with remaining terms of 24 to 36 months, and require annual or monthly payments in accordance with the respective contract. There are no variable payment components of the subscription-based technology arrangements. The subscription liabilities were measured using a discount rate of 4.50%.

One of the arrangements was executed on July 1, 2022, with a term of 36 months, and required one upfront payment in accordance with the contract. There are no variable payment components of the subscription-based technology arrangements. The subscription liability was measured using a discount rate of 4.50%.

The future minimum payment obligations and the net present value of these minimum payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 77,893	\$ 3,505	\$ 81,398

(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, 2024:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ 410,662	\$ 569,968	\$ 402,565	\$ 578,065	\$ 300,197
Subscription liabilities	213,946	-	136,053	77,893	77,893
Net pension liability	38,140,884	2,242,574	-	40,383,458	-
Net OPEB liabilities	52,667,427	3,887,838	-	56,555,265	-
Compensated absences	3,898,418	2,714,367	2,832,597	3,780,188	2,037,397
Total	<u>\$ 95,331,337</u>	<u>\$ 9,414,747</u>	<u>\$ 3,371,215</u>	<u>\$ 101,374,869</u>	<u>\$ 2,415,487</u>
Business-type activities:					
Net pension liability	\$ 1,195,499	\$ 79,327	\$ -	\$ 1,274,826	\$ -
Net OPEB liabilities	1,618,054	137,526	-	1,755,580	-
Compensated absences	123,607	115,613	111,344	127,876	115,189
Total	<u>\$ 2,937,160</u>	<u>\$ 332,466</u>	<u>\$ 111,344</u>	<u>\$ 3,158,282</u>	<u>\$ 115,189</u>

Compensated absences for governmental activities are typically liquidated by the State Public School Fund.

Board of Education of Beaufort County Schools
Notes to Financial Statements
June 30, 2024

(8) Interfund Activity

Transfers to/from other funds during the year ended June 30, 2024 consists of the following:

From the Individual School Fund to Other Special Revenue Fund for reimbursement for individual school activity costs	\$ <u>93,519</u>
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Balances due to/from other funds at June 30, 2024 consist of the following:

From the School Food Service Fund to the General Fund for administrative costs paid on their behalf	\$ <u>72,791</u>
From the Fiduciary Fund to the Other Special Revenue Fund scholarships paid on their behalf	\$ <u>13,700</u>

C. Fund Balance

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

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

Total fund balance - General Fund	\$ 1,460,884
Less:	
Stabilization by State Statute	<u>(138,050)</u>
Unassigned fund balance	<u>\$ 1,119,984</u>

Note 3. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

Required Supplementary Information

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

- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Board Contributions
- Schedule of the Proportionate Share of the Net OPEB Liability
- Schedule of Board Contributions
- Schedule of the Proportionate Share of the Net OPEB Liability
- Schedule of Board Contributions

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

Schedule 1

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	0.2499%	0.2650%	0.2290%	0.2427%	0.2468%	0.2518%	0.2563%	0.2615%	0.2626%	0.2603%
Board's proportionate share of the net pension liability	\$ 41,658,284	\$ 39,336,383	\$ 10,727,372	\$ 29,318,174	\$ 25,589,797	\$ 25,067,441	\$ 20,334,385	\$ 24,033,634	\$ 9,678,803	\$ 3,052,281
Board's covered payroll	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780	\$ 37,226,657	\$ 38,162,160	\$ 36,206,751
Board's proportionate share of the net pension liability as a percentage of its covered payroll	97.14%	90.32%	27.68%	77.62%	66.18%	66.74%	54.20%	64.56%	25.36%	8.43%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	92.01%	91.89%	89.51%	87.32%	94.64%	98.24%	90.60%

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

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

Schedule 2

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,055,718	\$ 7,407,404	\$ 7,063,135	\$ 5,659,934	\$ 4,877,611	\$ 4,699,502	\$ 4,025,597	\$ 3,945,614	\$ 3,387,825	\$ 3,449,536
Contributions in relation to the contractually required contribution	<u>7,055,718</u>	<u>7,407,404</u>	<u>7,063,135</u>	<u>5,659,934</u>	<u>4,877,611</u>	<u>4,699,502</u>	<u>4,025,597</u>	<u>3,945,614</u>	<u>3,387,825</u>	<u>3,449,536</u>
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	\$ 40,817,008	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780	\$ 37,226,657	\$ 38,162,160
Contributions as a percentage of covered payroll	17.29%	17.27%	16.22%	14.60%	12.91%	12.15%	10.72%	10.52%	9.10%	9.04%

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

Schedule 3

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.2186%	0.2283%	0.1996%	0.2108%	0.2139%	0.2228%	0.2322%	0.2255%
Board's proportionate share of the net OPEB liability	\$ 58,252,953	\$ 54,285,481	\$ 61,463,003	\$ 61,692,439	\$ 67,669,099	\$ 63,482,083	\$ 76,141,522	\$ 98,112,662
Board's covered payroll	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780	\$ 37,226,657
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	135.84%	124.65%	158.60%	163.32%	175.00%	169.01%	202.94%	263.55%
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	4.40%	3.52%	3.52%	2.41%	2.41%

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

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

Schedule 4

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,857,506	\$ 2,936,537	\$ 2,707,112	\$ 2,558,075	\$ 2,433,164	\$ 2,397,548	\$ 2,259,264	\$ 2,150,295
Contributions in relation to the contractually required contribution	<u>2,857,506</u>	<u>2,936,537</u>	<u>2,707,112</u>	<u>2,558,075</u>	<u>2,433,164</u>	<u>2,397,548</u>	<u>2,259,264</u>	<u>2,150,295</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 40,817,008	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780
Contributions as a percentage of covered payroll	7.00%	6.85%	6.22%	6.60%	6.44%	6.20%	6.01%	5.73%

* Ten years of data not yet available

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

Schedule 5

	2024	2023	2022	2021	2020	2019	2018	2017
Board's proportion of the net OPEB asset (liability)	0.2177%	0.2318%	0.2024%	0.2127%	0.2174%	0.2222%	0.2252%	0.2317%
Board's proportionate share of the net OPEB asset (liability)	\$ (57,892)	\$ (68,944)	\$ 29,927	\$ 104,631	\$ 93,787	\$ 67,517	\$ 137,654	\$ 143,892
Board's covered payroll	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780	\$ 37,226,657
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	-0.13%	-0.16%	0.08%	0.28%	0.24%	0.18%	0.37%	0.39%
Plan fiduciary net position as a percentage of the net OPEB asset (liability)	90.61%	90.34%	105.18%	116.47%	116.37%	116.23%	116.06%	116.06%

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

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

Schedule 6

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 44,023	\$ 42,620	\$ 38,763	\$ 34,465	\$ 37,607	\$ 53,534	\$ 52,280	\$ 140,571
Contributions in relation to the contractually required contribution	<u>44,023</u>	<u>38,763</u>	<u>38,763</u>	<u>34,465</u>	<u>37,607</u>	<u>53,534</u>	<u>52,280</u>	<u>140,571</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 40,817,008	\$ 42,883,702	\$ 43,549,954	\$ 38,754,361	\$ 37,773,256	\$ 38,668,010	\$ 37,562,032	\$ 37,518,780
Contributions as a percentage of covered payroll	0.11%	0.09%	0.09%	0.09%	0.10%	0.14%	0.14%	0.37%

* Ten years of data not yet available

Individual Fund Statements and Schedules

Board of Education of Beaufort County Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Outlay Fund
For the Fiscal Year Ended June 30, 2024

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
State of North Carolina:			
State appropriations - buses	\$ 854,952	\$ 402,565	\$ (452,387)
Volkswagen mitigation grant	-	253,450	253,450
Total State of North Carolina	<u>854,952</u>	<u>656,015</u>	<u>(198,937)</u>
Beaufort County			
General county revenues	<u>2,241,999</u>	<u>2,241,999</u>	<u>-</u>
Other			
Miscellaneous revenues	-	-	-
Interest earned on investments	-	3,713	3,713
Total other	<u>-</u>	<u>3,713</u>	<u>3,713</u>
Total revenues	<u>3,096,951</u>	<u>2,901,727</u>	<u>(195,224)</u>
Expenditures			
Capital outlay			
Real property and buildings		293,293	
Furniture and equipment		1,387,062	
Buses and motor vehicles		823,418	
Total capital outlay	<u>4,222,736</u>	<u>2,503,773</u>	<u>1,718,963</u>
Debt service			
Principal	<u>402,565</u>	<u>402,565</u>	<u>-</u>
Total expenditures	<u>4,625,301</u>	<u>2,906,338</u>	<u>1,718,963</u>
Revenues under expenditures	(1,528,350)	(4,611)	1,523,739
Other Financing Sources			
Installment purchase obligations issued	402,564	569,968	167,404
Fund balance appropriated	<u>1,125,786</u>	<u>-</u>	<u>(1,125,786)</u>
Net change in fund balance	<u>\$ -</u>	<u>565,357</u>	<u>\$ 565,357</u>
Fund balance, beginning of year		<u>1,150,800</u>	
Fund balance, end of year		<u>\$ 1,716,157</u>	

Board of Education of Beaufort County Schools
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
School Food Service Fund
For the Fiscal Year Ended June 30, 2024

Schedule 8

	Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Food sales	\$ 159,750	\$ 115,117	\$ (44,633)
Operating Expenditures			
Business support services			
Purchase of food		1,485,807	
Donated commodities		278,520	
Salaries and benefits		2,364,779	
Indirect costs		193,864	
Materials and supplies		219,041	
Repairs and maintenance		14,842	
Contracted services		5,964	
Non-capitalized equipment		3,765	
Other		15,982	
Capital outlay		20,895	
Total operating expenditures	4,998,000	4,603,459	394,541
Operating loss	(4,838,250)	(4,488,342)	349,908
Nonoperating Revenues			
Federal reimbursements	4,075,000	3,905,451	(169,549)
Federal commodities	273,040	278,520	5,480
Miscellaneous revenues	7,460	24,704	17,244
Interest earned	24,000	23,699	(301)
Total nonoperating revenues	4,379,500	4,232,374	(147,126)
Excess of revenues over (under) expenditures before fund balance appropriated	(458,750)	(255,968)	202,782
Fund balance appropriated	458,750	-	(458,750)
Excess revenues and other financing sources over (under) expenditures	\$ -	(255,968)	\$ (255,968)
Reconciliation of Modified Accrual to Full Accrual Basis			
Reconciling items			
Equipment purchases		20,895	
Contributed capital		34,094	
Depreciation		(109,241)	
State OPEB contribution		2,616	
Change in inventories		(42,055)	
Change in deferred outflows of resources		(33,608)	
Change in net pension liability		(79,327)	
Change in net OPEB liabilities		(137,526)	
Change in compensated absences payable		(4,269)	
Change in deferred inflows of resources		285,934	
Change in net position (full accrual)		\$ (318,455)	

Compliance Section

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

Independent Auditor's Report

Board of Education
Beaufort County Schools
Washington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Beaufort County Schools ("Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 25, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Forvis Mazars, LLP

**Raleigh, North Carolina
November 25, 2024**

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

Board of Education
Beaufort County Schools
Washington, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Board of Education of Beaufort County Schools ("Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Board's major federal programs for the year ended June 30, 2024. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Forvis Mazars, LLP

**Raleigh, North Carolina
November 25, 2024**

Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

Board of Education
Beaufort County Schools
Washington, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Board of Education of Beaufort County Schools ("Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Board's major state programs for the year ended June 30, 2024. The Board's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Forvis Mazars, LLP

**Raleigh, North Carolina
November 25, 2024**

Note 1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses Yes X None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses Yes X None reported

Noncompliance material to federal awards Yes X No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes X No

Identification of major federal programs:

Assistance Listing

Names of Federal Program or Cluster

84.010

Title I

84.425

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over major state programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses ☐ Yes ☒ None reported

Noncompliance material to state awards ☐ Yes ☒ No

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ☐ Yes ☒ No

Identification of major state program(s):

Program Name

N. C. Department of Public Instruction:
State Public School Fund
Career and Technical Education - State Months of Employment

Note 2. Financial Statement Findings

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

Note 3. Federal Award Findings and Questioned Costs

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

Note 4. State Award Findings and Questioned Costs

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

There were no findings or questioned costs related to the audit of federal and state awards for the fiscal year ended June 30, 2023.

Board of Education of Beaufort County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2024

Schedule 11
(Page 1 of 3)

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-Through Grantor's Number	Expenditures
Federal Grants			
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	<u>2,677,929</u>
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	1,105,477
Coordinated Early Intervening Services	84.027	PRC 070	271,591
Children with Disabilities - Risk Pool	84.027	PRC 114	44,335
Special Needs Target Assistance	84.027	PRC 118	1,590
Special Education - Preschool Grants (IDEA Preschool) - Targeted Assistance	84.173	PRC 119	9,348
Preschool Handicapped	84.173	PRC 049	86,960
ARP 619 - Grants to States - ESSER III	84.173X	PRC 186	368
Total Special Education Cluster			<u>1,519,669</u>
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	<u>156,940</u>
Special Education - State Personnel Development	84.323	PRC 082	<u>11,465</u>
Rural Education	84.358	PRC 109	<u>156,829</u>
English Language Acquisition Grants	84.365	PRC 104, 111	<u>55,892</u>
Supporting Effective Instruction State Grants	84.367	PRC 103	<u>310,916</u>
School Mental Health Support	84.184H	PRC 102	<u>96,606</u>
Student Support and Academic Enrichment Program	84.424	PRC 108	<u>174,540</u>
COVID-19 Education Stabilization Fund			
Rethink Education Stipends	84.425B	PRC 146	21,227
GEER I - Specialized Instructional Support for COVID-19 Response	84.425C	PRC 169	26,509
GEER I - Supplemental Instructional Services	84.425C	PRC 170	7,210
ESSER II - Learning Loss Funding	84.425D	PRC 176	16,454
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	6,302,275
ESSER III - Summer Career Accelerator Program	84.425U	PRC 188	106,952
ESSER III - Math Enrichment Programs	84.425U	PRC 189	49,589
ESSER III - Grants for Identification and Location of Missing Students	84.425U	PRC 191	12,203
ESSER III - NBPTS Certification Fee Reimbursement Program	84.425U	PRC 198	3,325
Total COVID-19 Education Stabilization Fund	84.425		<u>6,545,744</u>
Total U. S. Department of Education			<u>11,706,530</u>
<u>U.S. Department of Defense</u>			
Direct Program			
ROTC	NONE	PRC 301	<u>205,842</u>
<u>Federal Communications Commission</u>			
Direct Program			
COVID-19 Emergency Connectivity Fund Program	32.009	PRC 430	<u>270,062</u>

Board of Education of Beaufort County Schools
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2024

Schedule 11
(Page 2 of 3)

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
School Nutrition Program			
<u>Child Nutrition Cluster</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Public Instruction			
National School Lunch Program	10.555	PRC 035	\$ 278,520
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
School Breakfast Program	10.553	PRC 035	856,626
National School Lunch Program	10.555	PRC 035	2,805,657
Fresh Fruit and Vegetable Program	10.582	PRC 035	121,707
Summer Food Service Program for Children	10.559	PRC 035	121,461
Total Cash Assistance			3,905,451
Total Child Nutrition Cluster			4,183,971
Child Nutrition Discretionary Grants Limited Availability	10.579	PRC 035	34,094
Passed-through the N.C. Department of Agriculture and Consumer Services			
Local Food for Schools Cooperative Agreement Program	10.185	PRC 353	22,047
Total U.S. Department of Agriculture			4,240,112
Total Federal Assistance			16,422,546
State Grants			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund (SPSF)			44,362,546
Driver Training - SPSF		PRC 012	118,952
School Technology Fund - SPSF		PRC 015	56,662
Career and Technical Education			
- State Months of Employment		PRC 013	2,443,921
- Program Support Funds		PRC 014	261,340
Textbooks and Digital Resources		PRC 131	123,204
Total N.C. Department of Public Instruction			47,366,625
<u>N.C. Department of Environmental Quality</u>			
Volkswagen Mitigation Settlement		xxxx	360,236
<u>N.C. Department of Juvenile Justice & Delinquency Prevention</u>			
Juvenile Crime Prevention Program		xxxx	110,667
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development:			
State School Nurse Initiative		xxxx	230,647
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	402,565
Total State Assistance			48,470,740
Total Federal and State Assistance			\$ 64,893,286

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards ("SEFSA") includes the federal and state grant activity of the Board of Education of Beaufort County Schools ("Board") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position of the Board.

Note 2: Summary of Significant Account Policies

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

Note 3: Non-Cash Assistance

Included in the amounts reported on the SEFSA, the Board received non-cash assistance in the form of food commodities and school buses. Non-cash items with a fair value of \$681,085 were received during the year ended June 30, 2024. These non-cash items received were included in the determination of federal and state awards expended for the year ended June 30, 2024.