

**ORANGE COUNTY
BOARD OF EDUCATION
Hillsborough, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2020*

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Orange County Board of Education
Hillsborough, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Board of Education, as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Board of Education as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Other Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 46 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020 on our consideration of the Orange County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Orange County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 1, 2020
Rockingham, North Carolina
(910) 997-1418

ORANGE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Orange County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2020. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- For the fiscal year ended June 30, 2020, the Board's total government-wide net position increased by \$9.9 million. Governmental activities net position increased by \$9.7 million and business-type activities net position increased by \$111,000.
- The total funding increase over the prior year from the Orange County Board of County Commissioners for local current expense appropriations was \$2.0 million.
- A financial reporting award was received from the Association of School Business Officials International for the June 30, 2019 fiscal year.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions.*
- *Supplementary section that presents individual and combining fund statements and schedules for governmental and enterprise funds.*

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

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

ORANGE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and how it has changed. Net position is the difference between the Board's assets plus deferred outflows of resources and liabilities plus 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 are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

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

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

Orange 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 that 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 a reconciliation, 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 Revenue Fund and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

**ORANGE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 Orange County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund. The proprietary fund statements are 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. Orange County Board of Education has one fiduciary fund – an administrative fund. The Administrative Fund is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund. The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$57.0 million as of June 30, 2020 as compared to \$66.8 million as of June 30, 2019.

The following is a summary of the Statement of Net Position at June 30, 2020 and 2019:

**Table 1
Condensed Statement of Net Position
As of June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current assets	\$ 18,019,062	\$ 14,062,360	\$ 1,361,121	\$ 1,268,729	\$ 19,380,183	\$ 15,331,089
Capital assets	79,940,330	72,032,427	280,243	316,686	80,220,573	72,349,113
Total assets	<u>97,959,392</u>	<u>86,094,787</u>	<u>1,641,364</u>	<u>1,585,415</u>	<u>99,600,756</u>	<u>87,680,202</u>
Deferred outflows of resources	25,426,971	27,418,869	666,907	740,538	26,093,878	28,159,407
Current liabilities	7,882,715	6,905,245	117,029	105,501	7,999,744	7,010,746
Long-term liabilities	130,272,583	125,709,243	3,381,973	3,344,300	133,654,556	129,053,543
Total liabilities	<u>138,155,298</u>	<u>132,614,488</u>	<u>3,499,002</u>	<u>3,449,801</u>	<u>141,654,300</u>	<u>136,064,289</u>
Deferred inflows of resources	39,963,522	45,380,036	1,048,178	1,225,636	41,011,700	46,605,672
Net investment in capital assets	79,612,167	71,317,091	280,243	316,686	79,892,410	71,633,777
Restricted net position	3,818,944	3,357,405	8,864	11,024	3,827,808	3,368,429
Unrestricted net position (deficit)	<u>(138,163,568)</u>	<u>(139,155,364)</u>	<u>(2,528,016)</u>	<u>(2,677,194)</u>	<u>(140,691,584)</u>	<u>(141,832,558)</u>
Total net position (deficit)	<u>\$ (54,732,457)</u>	<u>\$ (64,480,868)</u>	<u>\$ (2,238,909)</u>	<u>\$ (2,349,484)</u>	<u>\$ (56,971,366)</u>	<u>\$ (66,830,352)</u>

Net position is an indicator of the fiscal health of the Board. The net position of the Board's governmental activities increased \$9.7 million during the year, from \$(64.5) million at June 30, 2019 to \$(54.7) million at June 30, 2020, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$462,000 due primarily to increases in amounts restricted for instructional services. Unrestricted net position increased \$992,000 over the prior year. Net investment in capital assets increased \$8.3 million due to an excess of capital additions over depreciation expense for the year.

Net position of the Board's business-type activities increased \$111,000 during the year. This increase is the combined net profit generated by our school food service and child care operations during the 2020 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**ORANGE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 1,534,140	\$ 1,716,518	\$ 1,303,780	\$ 1,702,109	\$ 2,837,920	\$ 3,418,627
Operating grants and contributions	52,453,156	51,926,958	2,081,531	1,998,347	54,534,687	53,925,305
Capital grants and contributions	387,173	555,157	-	-	387,173	555,157
General revenues:						
County appropriations	51,957,095	45,464,717	-	-	51,957,095	45,464,717
Other revenues	275,281	391,229	-	-	275,281	391,229
Total revenues	<u>106,606,845</u>	<u>100,054,579</u>	<u>3,385,311</u>	<u>3,700,456</u>	<u>109,992,156</u>	<u>103,755,035</u>
Expenses:						
Governmental activities:						
Instructional services	67,246,516	64,868,862	-	-	67,246,516	64,868,862
System-wide support services	23,152,631	20,321,391	-	-	23,152,631	20,321,391
Ancillary services	124,761	46,733	-	-	124,761	46,733
Payments to other governments	3,819,308	3,466,215	-	-	3,819,308	3,466,215
Interest on long-term debt	8,757	17,378	-	-	8,757	17,378
Unallocated depreciation	2,247,933	2,424,751	-	-	2,247,933	2,424,751
Business-type activities:						
School food service	-	-	2,927,194	2,838,707	2,927,194	2,838,707
Child care	-	-	606,070	932,480	606,070	932,480
Total expenses	<u>96,599,906</u>	<u>91,145,330</u>	<u>3,533,264</u>	<u>3,771,187</u>	<u>100,133,170</u>	<u>94,916,517</u>
Excess (deficiency) of revenues over expenses before transfers	10,006,939	8,909,249	(147,953)	(70,731)	9,858,986	8,838,518
Transfers in (out)	<u>(258,528)</u>	<u>(293,725)</u>	<u>258,528</u>	<u>293,725</u>	<u>-</u>	<u>-</u>
Increase in net position	9,748,411	8,615,524	110,575	222,994	9,858,986	8,838,518
Beginning net position (deficit)	<u>(64,480,868)</u>	<u>(73,096,392)</u>	<u>(2,349,484)</u>	<u>(2,572,478)</u>	<u>(66,830,352)</u>	<u>(75,668,870)</u>
Ending net position (deficit)	<u>\$ (54,732,457)</u>	<u>\$ (64,480,868)</u>	<u>\$ (2,238,909)</u>	<u>\$ (2,349,484)</u>	<u>\$ (56,971,366)</u>	<u>\$ (66,830,352)</u>

Total governmental activities generated revenues of \$106.6 million while expenses in this category totaled \$96.6 million for the year ended June 30, 2020, resulting in an increase in net position of \$9.7 million (including transfers to business-type activities of \$259,000). Comparatively, revenues were \$100.1 million, expenses totaled \$91.1 million and transfers out were \$294,000 for the year ended June 30, 2019, resulting in an increase in net position of \$8.6 million. In comparing the two years, revenues increased \$6.6 million, or 6.6%, while expenses increased \$5.5 million, or 6.0%. Revenue from the County for local appropriations and capital outlay increased \$2.0 million and \$4.6 million, respectively. The overall increase in expenses is largely attributable to a \$2.6 million year-over-year increase in pension and OPEB expense. See the footnotes for detailed information regarding pension and OPEB-related amounts and disclosures.

The Board's primary sources of revenues were funding from the State of North Carolina, Orange County, and the United States Government, which respectively comprised 45.8%, 48.9% and 2.6% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 69.6% of our total expenses during the most recent fiscal year. Of the remaining 30.4% of our total expenses, 24.0% was attributable to system-wide support services.

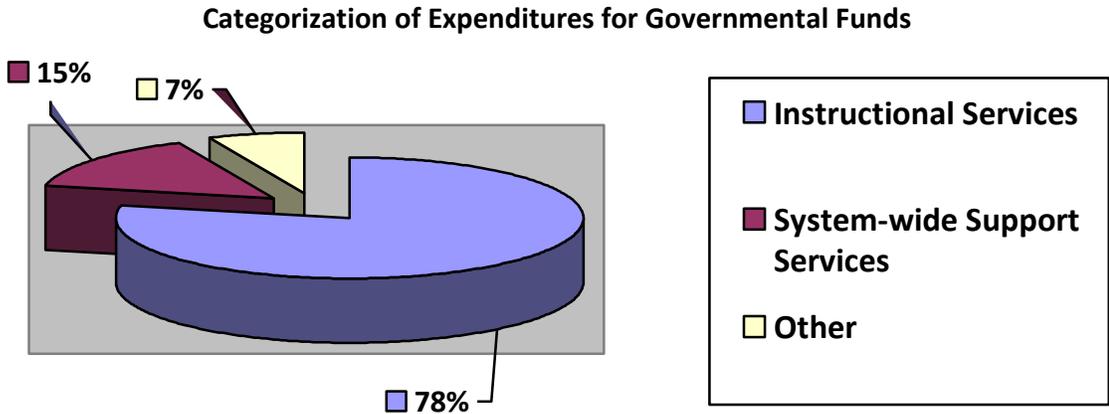
**ORANGE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our business-type activities generated revenues of \$3.4 million, expenses of \$3.5 million and reported transfers in from governmental activities of \$259,000 for the year ended June 30, 2020. For the year, net position increased by \$111,000. Comparatively, revenues were \$3.7 million, expenses were \$3.8 million and transfers in from governmental activities totaled \$294,000 for the year ended June 30, 2019, resulting in an increase in net position of \$223,000. In comparing the two years, revenues from food sales and child care fees decreased significantly as a result of the early school closure for the COVID-19 pandemic.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$12.0 million at June 30, 2020, an increase of \$2.1 million over the \$9.9 million reported at June 30, 2019. The Board's General, Other Special Revenue and nonmajor special revenue funds each reported increases in fund balance for the year of \$1.4 million, \$577,000 and \$134,000, respectively. Total governmental funds reported an increase in revenues of \$6.5 million, or 6.5%, over the prior year while expenditures increased by \$5.4 million, or 5.5%. These changes are largely due to a \$4.6 million increase in revenues and from the County expended for a geothermal HVAC project and a classroom wing addition.



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service and Child Care funds, reported a combined increase in net position of \$111,000 for the current year compared to a \$223,000 increase for the year ended June 30, 2019. See the section above *Financial Analysis of the Board as a Whole*, for more detailed discussion regarding School Food Service and Child Care program operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. However, during the year ended June 30, 2020, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

For the year, the Board's General Fund reported an increase in fund balance of \$1.4 million compared to an increase of \$543,000 in the prior year. Revenues increased \$2.0 million over the prior year due primarily to an increase in appropriations from Orange County. Total expenditures reported an increase

**ORANGE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

of \$1.0 million, or 3.1%. An increase in system-wide support services accounted for the majority of the overall increase in expenditures.

Due to some State and federal revenue sources being uncertain at the start of the year, management budgeted \$1.9 million of fund balance in case it was needed to cover instructional or system-wide support service costs that could not be paid from State or federal funds. The district did not have to use this appropriated fund balance as State and federal sources were sufficient to pay most of these budgeted expenditures. This resulted in the General Fund reporting a \$3.3 million positive budget variance in expenditures for the year.

Capital Assets

Total primary government capital assets were \$80.2 million at June 30, 2020 compared to \$72.3 million at June 30, 2019, an increase of 10.9%. This increase was due largely to expenditures incurred for a geothermal project at Orange High School and a classroom wing addition at Cedar Ridge High School. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2020 and 2019:

**Table 3
Summary of Capital Assets
As of June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Land	\$ 773,988	\$ 773,988	\$ -	\$ -	\$ 773,988	\$ 773,988
Construction in progress	17,763,178	7,387,567	-	-	17,763,178	7,387,567
Buildings and improvements	58,771,668	60,956,084	-	97	58,771,668	60,956,181
Equipment and furniture	122,758	128,586	280,243	316,589	403,001	445,175
Vehicles	2,508,738	2,786,202	-	-	2,508,738	2,786,202
Total	<u>\$ 79,940,330</u>	<u>\$ 72,032,427</u>	<u>\$ 280,243</u>	<u>\$ 316,686</u>	<u>\$ 80,220,573</u>	<u>\$ 72,349,113</u>

Debt Outstanding

During the year, the Board's long-term debt decreased from \$1.3 million at June 30, 2019 to \$328,000 at June 30, 2020. 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. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

Economic Factors

County funding is a major source of income for the Orange County Board of Education. Therefore, the County's economic outlook directly affects that of the school district. The following factors reflect a positive outlook on the growth and prosperity of Orange County:

- The County enjoys a consistently low unemployment rate. The unemployment rates estimated by the North Carolina Employment Security Commission were 5.9% and 4.0% at June 2020 and 2019, respectively, among the lowest in the State. The State averages for June 2020 and 2019 were 7.7% and 4.4%, respectively.
- The County's economy is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture make up a smaller portion of the County's economy.

**ORANGE COUNTY BOARD OF EDUCATION
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- The economy of the area is stabilized by the presence of State and Local government employment markets. The University of North Carolina at Chapel Hill and University Hospitals in the Town of Chapel Hill and their associated service, teaching and research programs have a reputation of excellence in the educational and medical fields. The County is also the place of residence for many technical and professional workers and executives who work in the Research Triangle Park and neighboring cities of Durham, Raleigh and Burlington.

Impact of Coronavirus on District

During the fiscal year, the State and nation were affected by the spread of a coronavirus. The Board's response to the virus included the closure of school educational facilities in mid-March. From this time until the end of the year, educational services were provided remotely to all students. The Board incurred additional expenses as a result of the coronavirus, including the purchase of personal protective equipment and delivery expenses attributable to the delivery of lunches to students when the educational facilities were closed.

Requests for Information

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

Rhonda Rath, Chief Finance Officer
Orange County Board of Education
200 East King Street
Hillsborough, NC 27278

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 12,710,188	\$ 1,014,179	\$ 13,724,367
Due from other governments	5,213,607	233,809	5,447,416
Receivables	337	-	337
Internal balances	(30,236)	30,236	-
Net OPEB asset	125,166	3,283	128,449
Inventories	-	79,614	79,614
Capital assets:			
Land and construction in progress	18,537,166	-	18,537,166
Other capital assets, net of depreciation	<u>61,403,164</u>	<u>280,243</u>	<u>61,683,407</u>
Total capital assets	<u>79,940,330</u>	<u>280,243</u>	<u>80,220,573</u>
Total assets	<u>97,959,392</u>	<u>1,641,364</u>	<u>99,600,756</u>
Deferred Outflows of Resources	<u>25,426,971</u>	<u>666,907</u>	<u>26,093,878</u>
Liabilities			
Bank overdraft	12,439	-	12,439
Accounts payable and accrued expenses	3,337,789	2,748	3,340,537
Accrued salaries and wages payable	2,469,803	5,731	2,475,534
Unearned revenue	65,284	73,633	138,917
Long-term liabilities:			
Due within one year	1,997,400	34,917	2,032,317
Due in more than one year	<u>130,272,583</u>	<u>3,381,973</u>	<u>133,654,556</u>
Total liabilities	<u>138,155,298</u>	<u>3,499,002</u>	<u>141,654,300</u>
Deferred Inflows of Resources	<u>39,963,522</u>	<u>1,048,178</u>	<u>41,011,700</u>
Net position			
Net investment in capital assets	79,612,167	280,243	79,892,410
Restricted for:			
Stabilization by State statute	177,175	-	177,175
School capital outlay	1,543,113	-	1,543,113
Instructional services	918,995	-	918,995
Individual schools activities	841,711	-	841,711
DIPNC OPEB plan	337,950	8,864	346,814
Unrestricted (deficit)	<u>(138,163,568)</u>	<u>(2,528,016)</u>	<u>(140,691,584)</u>
Total net position (deficit)	<u>\$ (54,732,457)</u>	<u>\$ (2,238,909)</u>	<u>\$ (56,971,366)</u>

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

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 38,857,398	\$ -	\$ 28,400,188	\$ -	\$ (10,457,210)	\$ -	\$ (10,457,210)
Special populations	10,855,787	-	9,286,053	-	(1,569,734)	-	(1,569,734)
Alternative programs	4,617,571	-	3,956,751	-	(660,820)	-	(660,820)
School leadership	4,617,231	-	2,201,670	-	(2,415,561)	-	(2,415,561)
Co-curricular	2,142,374	1,332,943	-	-	(809,431)	-	(809,431)
School-based support	6,156,155	-	2,290,844	-	(3,865,311)	-	(3,865,311)
System-wide support services:							
Support and development	1,740,403	-	198,029	-	(1,542,374)	-	(1,542,374)
Special population support and development	423,122	-	219,172	-	(203,950)	-	(203,950)
Alternative programs and services support and development	99,179	-	26,981	-	(72,198)	-	(72,198)
Technology support	1,127,612	-	284,061	-	(843,551)	-	(843,551)
Operational support	15,544,463	16,872	4,583,538	387,173	(10,556,880)	-	(10,556,880)
Financial and human resource services	1,944,826	184,325	619,322	-	(1,141,179)	-	(1,141,179)
Accountability	179,669	-	-	-	(179,669)	-	(179,669)
System-wide pupil support	25,879	-	-	-	(25,879)	-	(25,879)
Policy, leadership and public relations	2,067,478	-	244,109	-	(1,823,369)	-	(1,823,369)
Ancillary services	124,761	-	75,136	-	(49,625)	-	(49,625)
Payments to other governments	3,819,308	-	67,302	-	(3,752,006)	-	(3,752,006)
Interest on long-term debt	8,757	-	-	-	(8,757)	-	(8,757)
Unallocated depreciation expense**	2,247,933	-	-	-	(2,247,933)	-	(2,247,933)
Total governmental activities	<u>96,599,906</u>	<u>1,534,140</u>	<u>52,453,156</u>	<u>387,173</u>	<u>(42,225,437)</u>	<u>-</u>	<u>(42,225,437)</u>
Business-type activities:							
School food service	2,927,194	574,320	2,081,531	-	-	(271,343)	(271,343)
Child care	606,070	729,460	-	-	-	123,390	123,390
Total business-type activities	<u>3,533,264</u>	<u>1,303,780</u>	<u>2,081,531</u>	<u>-</u>	<u>-</u>	<u>(147,953)</u>	<u>(147,953)</u>
Total primary government	<u>\$ 100,133,170</u>	<u>\$ 2,837,920</u>	<u>\$ 54,534,687</u>	<u>\$ 387,173</u>	<u>(42,225,437)</u>	<u>(147,953)</u>	<u>(42,373,390)</u>
General revenues:							
Unrestricted county appropriations - operating					36,817,882	-	36,817,882
Unrestricted county appropriations - capital					15,139,213	-	15,139,213
Investment earnings, unrestricted					49,133	-	49,133
Miscellaneous, unrestricted					226,148	-	226,148
Total general revenues					<u>52,232,376</u>	<u>-</u>	<u>52,232,376</u>
Transfers					<u>(258,528)</u>	<u>258,528</u>	<u>-</u>
Total general revenues and transfers					<u>51,973,848</u>	<u>258,528</u>	<u>52,232,376</u>
Change in net position					9,748,411	110,575	9,858,986
Net position (deficit) - beginning					<u>(64,480,868)</u>	<u>(2,349,484)</u>	<u>(66,830,352)</u>
Net position (deficit) - ending					<u>\$ (54,732,457)</u>	<u>\$ (2,238,909)</u>	<u>\$ (56,971,366)</u>

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

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

ORANGE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Other Special Revenue	Capital Outlay	Special Revenue	
Assets						
Cash and cash equivalents	\$ 7,948,113	\$ -	\$ 3,597,528	\$ 322,836	\$ 841,711	\$ 12,710,188
Due from other governments	150,615	1,918,589	26,223	2,969,773	148,407	5,213,607
Accounts receivable	337	-	-	-	-	337
Total assets	<u>\$ 8,099,065</u>	<u>\$ 1,918,589</u>	<u>\$ 3,623,751</u>	<u>\$ 3,292,609</u>	<u>\$ 990,118</u>	<u>\$ 17,924,132</u>
Liabilities and fund balances						
Liabilities:						
Bank overdraft	\$ -	\$ 12,439	\$ -	\$ -	\$ -	\$ 12,439
Accounts payable and accrued liabilities	1,588,293	-	-	1,749,496	-	3,337,789
Accrued salaries and wages payable	356,688	1,906,150	58,558	-	148,407	2,469,803
Due to other funds	30,236	-	-	-	-	30,236
Unearned revenue	-	-	65,284	-	-	65,284
Total liabilities	<u>1,975,217</u>	<u>1,918,589</u>	<u>123,842</u>	<u>1,749,496</u>	<u>148,407</u>	<u>5,915,551</u>
Fund balances:						
Restricted:						
Stabilization by State statute	150,952	-	26,223	-	-	177,175
School capital outlay	-	-	-	1,543,113	-	1,543,113
Instructional services	-	-	918,995	-	-	918,995
Individual schools	-	-	-	-	841,711	841,711
Assigned:						
Subsequent year's expenditures	2,239,027	-	482,582	-	-	2,721,609
Special revenues	-	-	2,072,109	-	-	2,072,109
Unassigned	3,733,869	-	-	-	-	3,733,869
Total fund balances	<u>6,123,848</u>	<u>-</u>	<u>3,499,909</u>	<u>1,543,113</u>	<u>841,711</u>	<u>12,008,581</u>
Total liabilities and fund balances	<u>\$ 8,099,065</u>	<u>\$ 1,918,589</u>	<u>\$ 3,623,751</u>	<u>\$ 3,292,609</u>	<u>\$ 990,118</u>	

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

Net OPEB asset	125,166
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,940,330
Deferred outflows of resources related to pensions	13,777,870
Deferred outflows of resources related to OPEB	11,649,101
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(4,847,842)
Net pension liability	(34,147,785)
Net OPEB liability	(93,274,356)
Deferred inflows of resources related to pensions	(887,513)
Deferred inflows of resources related to OPEB	<u>(39,076,009)</u>
Net position (deficit) of governmental activities	<u>\$ (54,732,457)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

Exhibit 4

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Other Special Revenue	Capital Outlay	Special Revenue	
Revenues:						
State of North Carolina	\$ -	\$ 48,451,107	\$ -	\$ 387,173	\$ -	\$ 48,838,280
Orange County:						
Local current expense	35,401,202	-	-	-	-	35,401,202
Other	-	-	1,416,680	15,139,213	-	16,555,893
U.S. Government	-	75,136	-	-	2,682,854	2,757,990
Other	238,110	-	1,549,729	-	1,332,943	3,120,782
Total revenues	<u>35,639,312</u>	<u>48,526,243</u>	<u>2,966,409</u>	<u>15,526,386</u>	<u>4,015,797</u>	<u>106,674,147</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	9,772,914	28,109,144	164,184	176,221	135,585	38,358,048
Special populations	1,596,735	7,346,009	358,777	-	1,382,184	10,683,705
Alternative programs	786,003	2,559,100	351,574	-	866,911	4,563,588
School leadership	2,341,645	2,201,670	-	-	-	4,543,315
Co-curricular	884,047	-	-	47,620	1,198,966	2,130,633
School-based support	2,280,676	2,213,623	1,414,992	96,864	77,221	6,083,376
System-wide support services:						
Support and development	1,517,191	101,450	-	-	96,579	1,715,220
Special population support and development	200,141	189,081	-	-	30,091	419,313
Alternative programs and services support and development	13,200	-	56,694	-	26,981	96,875
Technology support	827,829	284,061	-	-	-	1,111,890
Operational support	6,745,535	4,530,073	21,325	14,140,353	-	25,437,286
Financial and human resource services	1,192,292	619,322	-	113,730	-	1,925,344
Accountability	175,591	-	-	-	-	175,591
System-wide pupil support	25,869	-	-	-	-	25,869
Policy, leadership and public relations	1,811,470	244,109	-	-	-	2,055,579
Ancillary services	10,339	75,136	22,277	8,590	-	116,342
Non-programmed charges	3,819,308	-	-	-	67,302	3,886,610
Debt service:						
Principal retirement	-	-	-	948,495	-	948,495
Interest and fees	-	-	-	8,757	-	8,757
Total expenditures	<u>34,000,785</u>	<u>48,472,778</u>	<u>2,389,823</u>	<u>15,540,630</u>	<u>3,881,820</u>	<u>104,285,836</u>
Revenues over (under) expenditures	1,638,527	53,465	576,586	(14,244)	133,977	2,388,311
Other financing uses:						
Transfers to other funds	(205,063)	(53,465)	-	-	-	(258,528)
Net change in fund balance	1,433,464	-	576,586	(14,244)	133,977	2,129,783
Fund balances:						
Beginning of year	4,690,384	-	2,923,323	1,557,357	707,734	9,878,798
End of year	<u>\$ 6,123,848</u>	<u>\$ -</u>	<u>\$ 3,499,909</u>	<u>\$ 1,543,113</u>	<u>\$ 841,711</u>	<u>\$ 12,008,581</u>

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

ORANGE COUNTY BOARD OF EDUCATION
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, 2020

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 2,129,783
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,907,903
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,479,643
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	3,282,286
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.	948,495
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension (expense) benefit	(12,212,400)
OPEB (expense) benefit	1,251,699
Compensated absences	<u>(38,998)</u>
Total change in net position of governmental activities	<u>\$ 9,748,411</u>

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

ORANGE COUNTY BOARD OF EDUCATION
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, 2020

Exhibit 6

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	35,401,202	35,401,202	35,401,202	-
U.S. Government	-	-	-	-
Other	220,000	220,000	238,110	18,110
Total revenues	<u>35,621,202</u>	<u>35,621,202</u>	<u>35,639,312</u>	<u>18,110</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	11,751,625	11,314,371	9,772,914	1,541,457
Special populations	1,928,901	1,944,120	1,596,735	347,385
Alternative programs	844,989	809,689	786,003	23,686
School leadership	2,062,056	2,341,647	2,341,645	2
Co-curricular	1,132,198	909,468	884,047	25,421
School-based support	2,355,150	2,355,150	2,280,676	74,474
Total instructional services	<u>20,074,919</u>	<u>19,674,445</u>	<u>17,662,020</u>	<u>2,012,425</u>
System-wide support services:				
Support and development	1,624,371	1,558,470	1,517,191	41,279
Special population support and development	195,556	200,141	200,141	-
Alternative programs and services support and development	15,588	15,588	13,200	2,388
Technology support	820,532	827,829	827,829	-
Operational support	7,856,533	7,819,705	6,745,535	1,074,170
Financial and human resource services	1,268,870	1,243,628	1,192,292	51,336
Accountability	187,083	185,093	175,591	9,502
System-wide pupil support	11,200	25,870	25,869	1
Policy, leadership and public relations	1,758,926	1,907,944	1,811,470	96,474
Total system-wide support services	<u>13,738,659</u>	<u>13,784,268</u>	<u>12,509,118</u>	<u>1,275,150</u>
Ancillary services:				
Community	8,355	10,345	10,339	6
Nutrition	-	-	-	-
Total ancillary services	<u>8,355</u>	<u>10,345</u>	<u>10,339</u>	<u>6</u>
Nonprogrammed charges	<u>3,500,000</u>	<u>3,819,400</u>	<u>3,819,308</u>	<u>92</u>
Total expenditures	<u>37,321,933</u>	<u>37,288,458</u>	<u>34,000,785</u>	<u>3,287,673</u>
Revenues over (under) expenditures	(1,700,731)	(1,667,256)	1,638,527	3,305,783
Other financing uses:				
Transfers to other funds	(129,588)	(205,063)	(205,063)	-
Fund balance appropriated	<u>1,830,319</u>	<u>1,872,319</u>	<u>-</u>	<u>(1,872,319)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,433,464</u>	<u>\$ 1,433,464</u>
Fund balances:				
Beginning of year			<u>4,690,384</u>	
End of year			<u>\$ 6,123,848</u>	

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

ORANGE COUNTY BOARD OF EDUCATION

Exhibit 6 (continued)

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, 2020

State Public School Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 45,891,419	\$ 49,550,371	\$ 48,451,107	\$ (1,099,264)
Orange County	-	-	-	-
U.S. Government	-	181,138	75,136	(106,002)
Other	-	-	-	-
Total revenues	<u>45,891,419</u>	<u>49,731,509</u>	<u>48,526,243</u>	<u>(1,205,266)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	26,792,636	28,153,187	28,109,144	44,043
Special populations	7,320,547	7,559,424	7,346,009	213,415
Alternative programs	2,948,268	3,010,910	2,559,100	451,810
School leadership	2,149,658	2,201,670	2,201,670	-
Co-curricular	-	-	-	-
School-based support	1,737,790	2,394,761	2,213,623	181,138
Total instructional services	<u>40,948,899</u>	<u>43,319,952</u>	<u>42,429,546</u>	<u>890,406</u>
System-wide support services:				
Support and development	201,800	102,917	101,450	1,467
Special population support and development	159,100	190,146	189,081	1,065
Alternative programs and services support and development	-	-	-	-
Technology support	239,419	391,071	284,061	107,010
Operational support	3,448,799	4,530,073	4,530,073	-
Financial and human resource services	542,077	619,322	619,322	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	304,011	246,085	244,109	1,976
Total system-wide support services	<u>4,895,206</u>	<u>6,079,614</u>	<u>5,968,096</u>	<u>111,518</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	276,951	75,136	201,815
Total ancillary services	<u>-</u>	<u>276,951</u>	<u>75,136</u>	<u>201,815</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>45,844,105</u>	<u>49,676,517</u>	<u>48,472,778</u>	<u>1,203,739</u>
Revenues over (under) expenditures	47,314	54,992	53,465	(1,527)
Other financing uses:				
Transfers to other funds	(47,314)	(54,992)	(53,465)	1,527
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year	-	-	-	-
End of year	-	-	<u>\$ -</u>	-

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

ORANGE COUNTY BOARD OF EDUCATION

Exhibit 6 (continued)

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, 2020

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	968,335	1,513,608	1,416,680	(96,928)
U.S. Government	-	-	-	-
Other	1,355,344	815,670	1,549,729	734,059
Total revenues	<u>2,323,679</u>	<u>2,329,278</u>	<u>2,966,409</u>	<u>637,131</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	614,764	614,764	164,184	450,580
Special populations	486,984	482,161	358,777	123,384
Alternative programs	231,836	351,579	351,574	5
School leadership	-	-	-	-
Co-curricular	9,573	9,573	-	9,573
School-based support	1,559,686	1,517,021	1,414,992	102,029
Total instructional services	<u>2,902,843</u>	<u>2,975,098</u>	<u>2,289,527</u>	<u>685,571</u>
System-wide support services:				
Support and development	-	-	-	-
Special population support and development	-	-	-	-
Alternative programs and services support and development	64,651	64,651	56,694	7,957
Technology support	-	-	-	-
Operational support	437,820	353,385	21,325	332,060
Financial and human resource services	10,000	10,000	-	10,000
Accountability	-	-	-	-
System-wide pupil support	1,245	1,245	-	1,245
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>513,716</u>	<u>429,281</u>	<u>78,019</u>	<u>351,262</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	4,500	22,280	22,277	3
Total ancillary services	<u>4,500</u>	<u>22,280</u>	<u>22,277</u>	<u>3</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>3,421,059</u>	<u>3,426,659</u>	<u>2,389,823</u>	<u>1,036,836</u>
Revenues over (under) expenditures	(1,097,380)	(1,097,381)	576,586	1,673,967
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	1,097,380	1,097,381	-	(1,097,381)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	576,586	<u>\$ 576,586</u>
Fund balances:				
Beginning of year			2,923,323	
End of year			<u>\$ 3,499,909</u>	

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

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2020**

Exhibit 7

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 474,041	\$ 540,138	\$ 1,014,179
Due from other governments	233,809	-	233,809
Due from other funds	30,236	-	30,236
Net OPEB asset	2,294	989	3,283
Inventories	79,614	-	79,614
Total current assets	<u>819,994</u>	<u>541,127</u>	<u>1,361,121</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>280,243</u>	<u>-</u>	<u>280,243</u>
Total assets	<u>1,100,237</u>	<u>541,127</u>	<u>1,641,364</u>
Deferred Outflows of Resources	<u>465,984</u>	<u>200,923</u>	<u>666,907</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	206	2,542	2,748
Accrued salaries and wages payable	5,731	-	5,731
Compensated absences	28,999	5,918	34,917
Unearned revenue	<u>73,633</u>	<u>-</u>	<u>73,633</u>
Total current liabilities	<u>108,569</u>	<u>8,460</u>	<u>117,029</u>
Noncurrent liabilities:			
Net pension liability	625,806	269,834	895,640
Net OPEB liability	1,709,382	737,050	2,446,432
Compensated absences	<u>24,461</u>	<u>15,440</u>	<u>39,901</u>
Total noncurrent liabilities	<u>2,359,649</u>	<u>1,022,324</u>	<u>3,381,973</u>
Total liabilities	<u>2,468,218</u>	<u>1,030,784</u>	<u>3,499,002</u>
Deferred Inflows of Resources	<u>732,388</u>	<u>315,790</u>	<u>1,048,178</u>
Net position			
Investment in capital assets	280,243	-	280,243
Restricted for DIPNC OPEB plan	6,193	2,671	8,864
Unrestricted (deficit)	<u>(1,920,821)</u>	<u>(607,195)</u>	<u>(2,528,016)</u>
Total net position (deficit)	<u>\$ (1,634,385)</u>	<u>\$ (604,524)</u>	<u>\$ (2,238,909)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2020

Exhibit 8

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 574,320	\$ -	\$ 574,320
Child care fees	-	729,460	729,460
Total operating revenues	<u>574,320</u>	<u>729,460</u>	<u>1,303,780</u>
Operating expenses:			
Food cost:			
Purchase of food	909,122	20,615	929,737
Donated commodities	201,053	-	201,053
Salaries and benefits	1,672,299	514,978	2,187,277
Materials and supplies	86,096	24,582	110,678
Depreciation	35,881	97	35,978
Non-capitalized equipment	1,300	20,823	22,123
Contracted services	6,650	1,041	7,691
Loss on disposal of capital assets	465	-	465
Other	14,328	23,934	38,262
Total operating expenses	<u>2,927,194</u>	<u>606,070</u>	<u>3,533,264</u>
Operating income (loss)	<u>(2,352,874)</u>	<u>123,390</u>	<u>(2,229,484)</u>
Nonoperating revenues:			
Federal reimbursements and grants	1,876,706	-	1,876,706
Federal commodities	201,053	-	201,053
State reimbursements	3,772	-	3,772
Total nonoperating revenues	<u>2,081,531</u>	<u>-</u>	<u>2,081,531</u>
Income (loss) before transfers	(271,343)	123,390	(147,953)
Transfers from other funds	<u>258,528</u>	<u>-</u>	<u>258,528</u>
Change in net position	(12,815)	123,390	110,575
Net position (deficit), beginning of year	<u>(1,621,570)</u>	<u>(727,914)</u>	<u>(2,349,484)</u>
Net position (deficit), end of year	<u>\$ (1,634,385)</u>	<u>\$ (604,524)</u>	<u>\$ (2,238,909)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2020

Exhibit 9

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 606,599	\$ 709,985	\$ 1,316,584
Cash paid for goods and services	(945,167)	(89,981)	(1,035,148)
Cash paid to employees for services	(1,484,032)	(603,148)	(2,087,180)
Net cash provided (used) by operating activities	<u>(1,822,600)</u>	<u>16,856</u>	<u>(1,805,744)</u>
Cash flows from noncapital financing activities:			
Due from other funds	(30,236)	-	(30,236)
Federal and State reimbursements and grants	<u>1,710,496</u>	<u>-</u>	<u>1,710,496</u>
Net cash provided by noncapital financing activities	<u>1,680,260</u>	<u>-</u>	<u>1,680,260</u>
Net increase (decrease) in cash and cash equivalents	(142,340)	16,856	(125,484)
Cash and cash equivalents, beginning of year	<u>616,381</u>	<u>523,282</u>	<u>1,139,663</u>
Cash and cash equivalents, end of year	<u>\$ 474,041</u>	<u>\$ 540,138</u>	<u>\$ 1,014,179</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating loss	\$ (2,352,874)	\$ 123,390	\$ (2,229,484)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	35,881	97	35,978
Donated commodities	201,053	-	201,053
Expenses paid by other funds	258,528	-	258,528
Changes in assets and liabilities:			
Decrease in accounts receivable	6,716	-	6,716
Increase in net OPEB asset	(590)	(188)	(778)
Increase in inventories	(23,596)	-	(23,596)
Increase in accounts payable and accrued liabilities	153	1,014	1,167
Increase in accrued salaries and wages payable	5,731	-	5,731
Increase (decrease) in unearned revenue	25,563	(19,475)	6,088
Decrease in net pension liability	(4,488)	(26,393)	(30,881)
Increase (decrease) in net OPEB liability	84,068	(26,820)	57,248
Decrease in deferred outflows	37,789	35,842	73,631
Decrease in deferred inflows	(101,387)	(76,071)	(177,458)
Increase in compensated absences payable	<u>4,388</u>	<u>5,460</u>	<u>9,848</u>
Total adjustments	<u>530,274</u>	<u>(106,534)</u>	<u>423,740</u>
Net cash provided (used) by operating activities	<u>\$ (1,822,600)</u>	<u>\$ 16,856</u>	<u>\$ (1,805,744)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2020

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$201,053 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund and the General Fund paid School Food Service Fund salary and other operating expenses of \$53,465 and \$205,063, respectively, during the fiscal year. These payments are reflected as a transfer from other funds and an operating expense on Exhibit 8.

The School Food Service Fund reported a loss on disposal of capital assets of \$465 on Exhibit 8.

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

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2020**

Exhibit 10

	<u>Administrative Fund</u>
Assets	
Cash and cash equivalents	\$ <u>116,578</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net Position	
Assets held in trust for private purpose	\$ <u>116,578</u>

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

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2020**

Exhibit 11

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 222
Deductions:	
Instructional costs and other expenditures	<u>-</u>
Change in net position	222
Beginning net position	<u>116,356</u>
Ending net position	<u>\$ 116,578</u>

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Orange County Board of Education 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 Orange County Board of Education (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 Orange County, North Carolina, except in the Chapel Hill and Carrboro townships. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities 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. Interfund services provided and used are not eliminated in the process of consolidation.

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

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 accounted for in another fund.

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.

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020**

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Orange County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following nonmajor governmental funds:

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

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

The Board reports the following major enterprise funds:

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

Child Care Fund. The Child Care Fund is used to account for the after-school care program at the elementary schools within the school system. The costs associated with these programs are recovered by user charges.

The Board reports the following fiduciary fund:

Administrative Fund. The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the 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 sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the fiduciary funds and the individual schools special revenue funds, as required by the 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 functional level for all annually budgeted funds. The Board has authorized the Superintendent to transfer appropriations between sub-functions, objects of expenditures within a function and amounts not to exceed \$1,000 between functions, without limitation, with a report to the Board being required at its next regular meeting. The Superintendent is not authorized to transfer any amounts between funds nor from any contingency appropriation within a fund. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. 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 STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. The NCCMT is reported at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2020**

3. Inventories

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

4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in both governmental 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 two 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 - 50
Equipment and furniture	3 - 10
Vehicles	6 - 12

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

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals.

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

accumulated earned vacation and the salary-related payments as of June 30, 2020 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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 instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by NC General Statutes.

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will pay expenditures from restricted revenue sources first and then from 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 of Education.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(66,741,038) 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)	\$ 157,902,428
Less accumulated depreciation	<u>(77,962,098)</u>
Net capital assets	79,940,330
Net OPEB asset	125,166
Deferred outflows of resources related to pensions	13,777,870
Deferred outflows of resources related to OPEB	11,649,101
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(328,163)
Compensated absences	(4,519,679)
Net pension liability	(34,147,785)
Net OPEB liability	(93,274,356)
Deferred inflows of resources related to pensions	(887,513)
Deferred inflows of resources related to OPEB	<u>(39,076,009)</u>
Total adjustment	<u>\$ (66,741,038)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$7,618,628 as follows:

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2020**

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 10,505,240
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,597,337)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	948,495
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,479,643
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	3,282,286
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) benefit	(12,212,400)
OPEB (expense) benefit	1,251,699
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>(38,998)</u>
Total adjustment	<u>\$ 7,618,628</u>

10. Defined Benefit Pension Plans

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

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

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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, 2020, the Board had deposits with banks and savings and loans with a carrying amount of \$11,196,701 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$11,468,390 and \$434,554, respectively. Of these balances, \$1,306,053 was covered by federal depository insurance and \$10,596,891 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board had cash on hand at year-end of \$118.

2. Investments

At June 30, 2020, the Board had \$2,644,126 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2020. The Board has no investment balances in the NCCMT as of June 30, 2020. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2020 are as follows:

	<u>Internal Balances</u>	<u>Due from other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ (30,236)	\$ 150,615	\$ 337	\$ 120,716
Other governmental activities	-	5,062,992	-	5,062,992
Total governmental activities	<u>\$ (30,236)</u>	<u>\$ 5,213,607</u>	<u>\$ 337</u>	<u>\$ 5,183,708</u>
Business-type activities:				
School Food Service Fund	<u>\$ 30,236</u>	<u>\$ 233,809</u>	<u>\$ -</u>	<u>\$ 264,045</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 150,615	Amounts due from the County and refund due from the NC Dept. of Revenue
State Public School Fund	1,918,589	Operating funds from DPI
Other Special Revenue Fund	26,223	Reimbursements due from DPI
Capital Outlay Fund	2,969,773	Amounts due from County
Non-major funds	<u>148,407</u>	Federal grant funds
Total	<u>\$ 5,213,607</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 233,809</u>	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 773,988	\$ -	\$ -	\$ 773,988
Construction in progress	<u>7,387,567</u>	<u>10,375,611</u>	<u>-</u>	<u>17,763,178</u>
Total capital assets not being depreciated	<u>8,161,555</u>	<u>10,375,611</u>	<u>-</u>	<u>18,537,166</u>
Capital assets being depreciated:				
Buildings and improvements	122,873,739	-	-	122,873,739
Equipment and furniture	5,311,889	57,689	10,000	5,359,578
Vehicles	<u>11,153,511</u>	<u>71,940</u>	<u>93,506</u>	<u>11,131,945</u>
Total capital assets being depreciated	<u>139,339,139</u>	<u>129,629</u>	<u>103,506</u>	<u>139,365,262</u>
Less accumulated depreciation for:				
Buildings and improvements	61,917,655	2,184,416	-	64,102,071
Equipment and furniture	5,183,303	63,517	10,000	5,236,820
Vehicles	<u>8,367,309</u>	<u>349,404</u>	<u>93,506</u>	<u>8,623,207</u>
Total accumulated depreciation	<u>75,468,267</u>	<u>2,597,337</u>	<u>103,506</u>	<u>77,962,098</u>
Total capital assets being depreciated, net	<u>63,870,872</u>			<u>61,403,164</u>
Governmental activity capital assets, net	<u>\$ 72,032,427</u>			<u>\$ 79,940,330</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,378,304	\$ -	\$ 24,160	\$ 1,354,144
Less accumulated depreciation for:				
Equipment and furniture	<u>1,061,715</u>	<u>35,881</u>	<u>23,695</u>	<u>1,073,901</u>
School Food Service capital assets, net	<u>316,589</u>			<u>280,243</u>
Child Care Fund:				
Capital assets being depreciated:				
Building improvements	48,448	-	-	48,448
Equipment and furniture	<u>85,479</u>	<u>-</u>	<u>-</u>	<u>85,479</u>
Total capital assets being depreciated	<u>133,927</u>	<u>-</u>	<u>-</u>	<u>133,927</u>
Less accumulated depreciation for:				
Building improvements	48,351	97	-	48,448
Equipment and furniture	<u>85,479</u>	<u>-</u>	<u>-</u>	<u>85,479</u>
Total accumulated depreciation	<u>133,830</u>	<u>97</u>	<u>-</u>	<u>133,927</u>
Child Care Fund capital assets, net	<u>97</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 316,686</u>			<u>\$ 280,243</u>

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Depreciation was charged to governmental functions as follows:

Operational support services	\$ 349,404
Unallocated depreciation	<u>2,247,933</u>
Total	<u>\$ 2,597,337</u>

5. Construction and Other Significant Commitments

As of June 30, 2020, the Board had several construction projects and a repair and maintenance project in progress in the district. At year-end, the Board’s commitments with contractors for the remaining portion of the contracts related to these projects totaled approximately \$7.7 million.

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

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

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

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beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board’s contractually required contribution rate for the year ended June 30, 2020, was 12.97% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$6,649,593 for the year ended June 30, 2020.

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.

At June 30, 2020, the Board reported a liability of \$35,043,425 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net pension liability was based on a projection of the Board’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2019 and 2018, the Board’s proportion was 0.33380% and 0.3539%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of \$12,520,605. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,931,342	\$ 70,155
Changes of assumptions	3,734,015	-
Net difference between projected and actual earnings on pension plan investments	671,733	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	152,557	840,636
Board contributions subsequent to the measurement date	<u>6,649,593</u>	<u>-</u>
Total	<u>\$ 14,139,240</u>	<u>\$ 910,791</u>

\$6,649,593 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2021	\$ 5,011,401
2022	983,749
2023	348,717
2024	<u>234,989</u>
Total	<u>\$ 6,578,856</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 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 actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

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The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability reported at June 30, 2020 and 2019 was 7.00% for both years. 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 asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 66,697,386	\$ 35,043,425	\$ 8,489,786

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.47% of covered payroll which amounted to \$3,317,106.

At June 30, 2020, the Board reported a liability of \$95,720,788 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 and 2018, the Board's proportion was 0.3025% and 0.3189%, respectively.

\$3,317,106 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB

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liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (9,246,085)
2022	(9,246,085)
2023	(9,236,869)
2024	(3,605,926)
2025	<u>(346,777)</u>
Total	\$ <u>(31,681,742)</u>

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

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-9.50%
Healthcare cost trend rate -Medicare advantage	5.00-6.50%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2020 and 2019 were 3.50% and 3.87%, respectively. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

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 District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	1% decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 113,752,514	\$ 95,720,788	\$ 81,285,133

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 District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

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	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00-5.50%, Administrative - 2.00%)	(Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00- 6.50%, Administrative - 3.00%)	1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 10.50%, Medicare Advantage - 6.00-7.50%, Administrative - 4.00%)
Net OPEB liability	\$ 78,819,944	\$ 95,720,788	\$ 117,945,889

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

2. Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits 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.

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, 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$51,269 for the year ended June 30, 2020.

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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2020**

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

At June 30, 2020, the Board reported an asset of \$128,449 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and 2018, the Board's proportion was 0.2977% and 0.3136%, respectively.

\$51,269 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 54,212
2022	37,959
2023	28,001
2024	17,874
2025	24,328
Thereafter	<u>4,722</u>
Total	<u>\$ 167,096</u>

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

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 108,793	\$ 128,449	\$ 147,548

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2020:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (benefit)	\$ (1,505,749)	\$ 123,645	\$ (1,382,104)
OPEB liability (asset)	95,720,788	(128,449)	95,592,339
Proportionate share of the net OPEB liability (asset)	0.3025%	0.2977%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 131,220	\$ 131,220
Changes of assumptions	4,600,792	14,229	4,615,021
Net difference between projected and actual earnings on plan investments	63,742	24,466	88,208
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,736,890	14,924	3,751,814
Board contributions subsequent to the measurement date	<u>3,317,106</u>	<u>51,269</u>	<u>3,368,375</u>
Total deferred outflows of resources	<u>\$ 11,718,530</u>	<u>\$ 236,108</u>	<u>\$ 11,954,638</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 4,825,534	\$ -	\$ 4,825,534
Changes of assumptions	28,777,864	13,178	28,791,042
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>6,479,768</u>	<u>4,565</u>	<u>6,484,333</u>
Total deferred inflows of resources	<u>\$ 40,083,166</u>	<u>\$ 17,743</u>	<u>\$ 40,100,909</u>

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Accounts Payable

Accounts payable as of June 30, 2020 are as follows:

	<u>Vendors and Other</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 1,588,293	\$ 356,688	\$ 1,944,981
Other governmental activities	<u>1,749,496</u>	<u>2,113,115</u>	<u>3,862,611</u>
Total governmental activities	<u>\$ 3,337,789</u>	<u>\$ 2,469,803</u>	<u>\$ 5,807,592</u>
Business-type activities:			
School Food Service Fund	\$ 206	\$ 5,731	\$ 5,937
Child Care Fund	<u>2,542</u>	<u>-</u>	<u>2,542</u>
Total business-type activities	<u>\$ 2,748</u>	<u>\$ 5,731</u>	<u>\$ 8,479</u>

3. Unearned Revenues

The balance in unearned revenues at year-end is composed of the following elements:

Governmental activities:	
Prepayments of tuition (Other Special Revenue Fund)	<u>\$ 65,284</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 73,633</u>

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,062,562	\$ 4,895,689
Changes of assumptions	8,349,036	28,791,042
Net difference between projected and actual earnings on pension and OPEB plan investments	759,941	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,904,371	7,324,969
Board contributions subsequent to the measurement date	<u>10,017,968</u>	<u>-</u>
Total	<u>\$ 26,093,878</u>	<u>\$ 41,011,700</u>

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1,000,000 each claim made / \$3,150,000 coverage period aggregate. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage.

Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays most of the 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 are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

6. Contingent Liabilities

As of the date of our report, the Board was a defendant to a lawsuit. The Board's management and the Board's attorney have been unable to determine the amount of loss, if any, the Board will incur as a result of this legal matter.

7. Long-Term Obligations

a. Direct Placement 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 moneys 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 special third-party direct placement financing arrangements. During the

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

prior two fiscal years, the Board entered into such contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contracts outstanding at year-end totaled \$868,586. The contracts each require four equal principal-only payments with the first payment due within ten days of receipt of the buses and the following three payments due on each of the three subsequent November 15th dates.

The Board entered into a direct placement installment purchase contract for the purchase of computers during the fiscal year ended June 30, 2016. The computers were pledged as collateral for the debt while the debt was outstanding. The original amount of the installment purchase contract totaled \$2,194,084. The contract required four equal payments of principal and interest at 1.56% due annually through 2020. The contract was paid in full during the year ended June 30, 2020.

The future minimum payments of the installment purchases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 217,145
2022	<u>111,018</u>
Total principal obligation	<u>\$ 328,163</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2020:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement installment purchases	\$ 1,276,658	\$ -	\$ 948,495	\$ 328,163	\$ 217,145
Net pension liability	34,305,091	-	157,306	34,147,785	-
Net OPEB liability	88,461,250	4,813,106	-	93,274,356	-
Compensated absences	<u>4,480,681</u>	<u>2,976,177</u>	<u>2,937,179</u>	<u>4,519,679</u>	<u>1,780,255</u>
Total	<u>\$ 128,523,680</u>	<u>\$ 7,789,283</u>	<u>\$ 4,042,980</u>	<u>\$ 132,269,983</u>	<u>\$ 1,997,400</u>
Business-type activities:					
Net pension liability	\$ 926,521	\$ -	\$ 30,881	\$ 895,640	\$ -
Net OPEB liability	2,389,184	57,248	-	2,446,432	-
Compensated absences	<u>64,970</u>	<u>81,410</u>	<u>71,562</u>	<u>74,818</u>	<u>34,917</u>
Total	<u>\$ 3,380,675</u>	<u>\$ 138,658</u>	<u>\$ 102,443</u>	<u>\$ 3,416,890</u>	<u>\$ 34,917</u>

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases are typically liquidated by the Capital Outlay Fund.

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2020**

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	<u>\$ 30,236</u>

The balance above represents salary reimbursements owed as of June 30, 2020. This amount is expected to be paid prior to June 30, 2021.

2. Transfers to/from other Funds

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

From the State Public School Fund to the School Food Service Fund for salaries and benefits	<u>\$ 53,465</u>
From the General Fund to the School Food Service Fund for salaries, benefits and other operational costs	<u>\$ 205,063</u>

D. Net Position/Fund Balance

1. Fund Balance

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

Total fund balance - General Fund	\$ 6,123,848
Less:	
Stabilization by State statute	(150,952)
Appropriated fund balance in the 2020-2021 budget	<u>(2,239,027)</u>
Remaining fund balance	<u>\$ 3,733,869</u>

2. Encumbrances

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2020 are as follows:

Capital Outlay Fund	<u>\$ 6,434,760</u>
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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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Board's proportion of the net pension liability (asset)	0.338%	0.354%	0.350%	0.344%	0.333%
Board's proportionate share of the net pension liability (asset)	\$ 35,043,425	\$ 35,231,612	\$ 27,788,793	\$ 31,588,661	\$ 12,258,443
Board's covered payroll	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158	\$ 46,481,354
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.75%	69.01%	55.67%	66.76%	26.37%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%
	<u>2015</u>	<u>2014</u>			
Board's proportion of the net pension liability (asset)	0.328%	0.332%			
Board's proportionate share of the net pension liability (asset)	\$ 3,845,424	\$ 20,125,428			
Board's covered payroll	\$ 44,329,287	\$ 45,150,148			
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.67%	44.57%			
Plan fiduciary net position as a percentage of the total	98.24%	90.60%			

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only seven years of data presented.

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,649,593	\$ 6,264,927	\$ 5,503,276	\$ 4,981,861	\$ 4,329,337
Contributions in relation to the contractually required contribution	<u>6,649,593</u>	<u>6,264,927</u>	<u>5,503,276</u>	<u>4,981,861</u>	<u>4,329,337</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 4,253,044	\$ 3,852,215	\$ 3,772,589	\$ 3,227,771	\$ 2,157,602
Contributions in relation to the contractually required contribution	<u>4,253,044</u>	<u>3,852,215</u>	<u>3,772,589</u>	<u>3,227,771</u>	<u>2,157,602</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020	\$ 43,764,755
Contributions as a percentage of covered payroll	9.15%	8.69%	8.33%	7.44%	4.93%

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST FOUR FISCAL YEARS***

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.303%	0.319%	0.320%	0.303%
Board's proportionate share of the net OPEB liability (asset)	\$ 95,720,788	\$ 90,850,434	\$ 105,035,373	\$ 131,770,855
Board's covered payroll	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	187.78%	177.96%	210.41%	278.50%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only four years of data presented.

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,317,106	\$ 3,196,183	\$ 3,088,573	\$ 2,918,963	\$ 2,638,501
Contributions in relation to the contractually required contribution	<u>3,317,106</u>	<u>3,196,183</u>	<u>3,088,573</u>	<u>2,918,963</u>	<u>2,638,501</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,535,204	\$ 2,389,510	\$ 2,400,327	\$ 2,169,201	\$ 2,144,473
Contributions in relation to the contractually required contribution	<u>2,535,204</u>	<u>2,389,510</u>	<u>2,400,327</u>	<u>2,169,201</u>	<u>2,144,473</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020	\$ 43,764,755
Contributions as a percentage of covered payroll	5.49%	5.40%	5.30%	5.00%	4.90%

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST FOUR FISCAL YEARS***

	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.298%	0.314%	0.309%	0.307%
Board's proportionate share of the net OPEB asset	\$ 128,449	\$ 95,259	\$ 189,118	\$ 190,510
Board's covered payroll	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.25%	0.19%	0.38%	0.40%
Plan fiduciary net position as a percentage of the total OPEB asset	113.00%	108.47%	116.23%	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only four years of data presented.

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 51,269	\$ 71,366	\$ 71,471	\$ 190,913	\$ 193,176
Contributions in relation to the contractually required contribution	<u>51,269</u>	<u>71,366</u>	<u>71,471</u>	<u>190,913</u>	<u>193,176</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 189,332	\$ 194,701	\$ 199,272	\$ 225,597	\$ 227,577
Contributions in relation to the contractually required contribution	<u>189,332</u>	<u>194,701</u>	<u>199,272</u>	<u>225,597</u>	<u>227,577</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020	\$ 43,764,755
Contributions as a percentage of covered payroll	0.41%	0.44%	0.44%	0.52%	0.52%

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Orange County:			
Local current expense	\$ 35,401,202	\$ 35,401,202	\$ -
Other:			
Fines and forfeitures	220,000	187,343	(32,657)
Interest earned on investment	-	49,133	49,133
Miscellaneous	-	1,634	1,634
Total other	<u>220,000</u>	<u>238,110</u>	<u>18,110</u>
Total revenues	<u>35,621,202</u>	<u>35,639,312</u>	<u>18,110</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	11,314,371	9,772,914	1,541,457
Special populations	1,944,120	1,596,735	347,385
Alternative programs	809,689	786,003	23,686
School leadership	2,341,647	2,341,645	2
Co-curricular	909,468	884,047	25,421
School-based support	2,355,150	2,280,676	74,474
Total instructional services	<u>19,674,445</u>	<u>17,662,020</u>	<u>2,012,425</u>
System-wide support services:			
Support and development	1,558,470	1,517,191	41,279
Special population support and development	200,141	200,141	-
Alternative programs and services support and development	15,588	13,200	2,388
Technology support	827,829	827,829	-
Operational support	7,819,705	6,745,535	1,074,170
Financial and human resource services	1,243,628	1,192,292	51,336
Accountability	185,093	175,591	9,502
System-wide pupil support	25,870	25,869	1
Policy, leadership and public relations	1,907,944	1,811,470	96,474
Total system-wide support services	<u>13,784,268</u>	<u>12,509,118</u>	<u>1,275,150</u>
Ancillary services:			
Community	<u>10,345</u>	<u>10,339</u>	<u>6</u>

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	<u>3,819,400</u>	<u>3,819,308</u>	<u>92</u>
Total expenditures	<u>37,288,458</u>	<u>34,000,785</u>	<u>3,287,673</u>
Revenues over (under) expenditures	<u>(1,667,256)</u>	<u>1,638,527</u>	<u>3,305,783</u>
Other financing uses:			
Transfers to other funds	(205,063)	(205,063)	-
Fund balance appropriated	<u>1,872,319</u>	<u>-</u>	<u>(1,872,319)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,433,464</u>	<u>\$ 1,433,464</u>
Fund balance:			
Beginning of year		<u>4,690,384</u>	
End of year		<u>\$ 6,123,848</u>	

**ORANGE COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2020**

	<u>Special Revenue Funds</u>		
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ -	\$ 841,711	\$ 841,711
Due from other governments	<u>148,407</u>	<u>-</u>	<u>148,407</u>
Total assets	<u>\$ 148,407</u>	<u>\$ 841,711</u>	<u>\$ 990,118</u>
Liabilities			
Accrued salaries and wages payable	<u>\$ 148,407</u>	<u>\$ -</u>	<u>\$ 148,407</u>
Fund balances			
Restricted:			
Individual schools	<u>-</u>	<u>841,711</u>	<u>841,711</u>
Total liabilities and fund balances	<u>\$ 148,407</u>	<u>\$ 841,711</u>	<u>\$ 990,118</u>

**ORANGE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds		Totals
	Federal Grants	Individual Schools	
Revenues:			
U.S. Government	\$ 2,682,854	\$ -	\$ 2,682,854
Other	-	1,332,943	1,332,943
Total revenues	<u>2,682,854</u>	<u>1,332,943</u>	<u>4,015,797</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	135,585	-	135,585
Special populations	1,382,184	-	1,382,184
Alternative programs	866,911	-	866,911
Co-curricular	-	1,198,966	1,198,966
School-based support	<u>77,221</u>	<u>-</u>	<u>77,221</u>
Total instructional services	<u>2,461,901</u>	<u>1,198,966</u>	<u>3,660,867</u>
System-wide support services:			
Support and development	96,579	-	96,579
Special population support and development	30,091	-	30,091
Alternative programs and services support and development	<u>26,981</u>	<u>-</u>	<u>26,981</u>
Total system-wide support services	<u>153,651</u>	<u>-</u>	<u>153,651</u>
Non-programmed charges	<u>67,302</u>	<u>-</u>	<u>67,302</u>
Total expenditures	<u>2,682,854</u>	<u>1,198,966</u>	<u>3,881,820</u>
Net change in fund balance	-	133,977	133,977
Fund balances:			
Beginning of year	<u>-</u>	<u>707,734</u>	<u>707,734</u>
End of year	<u>\$ -</u>	<u>\$ 841,711</u>	<u>\$ 841,711</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FEDERAL GRANTS FUND
For the Fiscal Year Ended June 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
U.S. Government	\$ 4,826,435	\$ 2,682,854	\$ (2,143,581)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	444,083	135,585	308,498
Special populations	1,797,466	1,382,184	415,282
Alternative programs	1,373,408	866,911	506,497
School-based support	<u>783,935</u>	<u>77,221</u>	<u>706,714</u>
Total instructional services	<u>4,398,892</u>	<u>2,461,901</u>	<u>1,936,991</u>
System-wide support services:			
Support and development	102,574	96,579	5,995
Special population support and development	30,107	30,091	16
Alternative programs and services support and development	52,114	26,981	25,133
Operational support	<u>51,237</u>	<u>-</u>	<u>51,237</u>
Total system-wide support services	<u>236,032</u>	<u>153,651</u>	<u>82,381</u>
Non-programmed charges:			
Payments to other governments	85,772	67,302	18,470
Unbudgeted Federal grant funds	<u>105,739</u>	<u>-</u>	<u>105,739</u>
Total non-programmed charges	<u>191,511</u>	<u>67,302</u>	<u>124,209</u>
Total expenditures	<u>4,826,435</u>	<u>2,682,854</u>	<u>2,143,581</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2020

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2019	Fund balances 6/30/2020
Orange High	\$ 348,902	\$ 288,737	\$ 60,165	\$ 234,227	\$ 294,392
Cedar Ridge High	272,267	274,494	(2,227)	184,290	182,063
C.W. Stanford Middle	134,565	142,021	(7,456)	43,648	36,192
Gravelly Hill Middle	79,851	75,067	4,784	22,612	27,396
A.L. Stanback Middle	118,583	85,699	32,884	53,478	86,362
Efland-Cheeks Elementary	37,265	21,524	15,741	6,897	22,638
Grady A. Brown Elementary	40,747	40,302	445	14,894	15,339
Central Elementary	26,295	25,727	568	19,344	19,912
Cameron Park Elementary	76,105	73,778	2,327	31,367	33,694
New Hope Elementary	62,013	56,926	5,087	54,197	59,284
Hillsborough Elementary	61,123	49,668	11,455	18,261	29,716
Pathways Elementary	72,669	62,779	9,890	23,229	33,119
Partnership Academy Alternative	2,558	2,244	314	1,290	1,604
Totals	<u>\$ 1,332,943</u>	<u>\$ 1,198,966</u>	<u>\$ 133,977</u>	<u>\$ 707,734</u>	<u>\$ 841,711</u>

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 431,110	\$ 387,173	\$ (43,937)
Orange County:			
Bond revenues	26,083,846	11,185,047	(14,898,799)
Local sales tax	1,301,276	-	(1,301,276)
General county appropriations	1,195,800	1,195,800	-
Reimbursements	12,406,802	2,758,366	(9,648,436)
Total Orange County	<u>40,987,724</u>	<u>15,139,213</u>	<u>(25,848,511)</u>
Other:			
Miscellaneous	801,989	-	(801,989)
Total revenues	<u>42,220,823</u>	<u>15,526,386</u>	<u>(26,694,437)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	188,800	176,221	12,579
Co-curricular	70,000	47,620	22,380
School-based support	1,532,988	96,864	1,436,124
Total instructional services	<u>1,791,788</u>	<u>320,705</u>	<u>1,471,083</u>
System-wide support services:			
Operational support	39,302,557	14,140,353	25,162,204
Financial and human resource	114,300	113,730	570
Total system-wide support services	<u>39,416,857</u>	<u>14,254,083</u>	<u>25,162,774</u>
Ancillary services:			
Nutrition	860,989	8,590	852,399
Debt service:			
Principal retirement	992,432	948,495	43,937
Interest and fees	8,757	8,757	-
Total debt service	<u>1,001,189</u>	<u>957,252</u>	<u>43,937</u>
Total expenditures	<u>43,070,823</u>	<u>15,540,630</u>	<u>27,530,193</u>
Revenues under expenditures	(850,000)	(14,244)	835,756
Fund balance appropriated	850,000	-	(850,000)
Net change in fund balance	<u>\$ -</u>	<u>(14,244)</u>	<u>\$ (14,244)</u>
Fund balance:			
Beginning of year		1,557,357	
End of year		<u>\$ 1,543,113</u>	

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance with Final Budget
Operating revenues - food sales	\$ 856,400	\$ 574,320	\$ (282,080)
Operating expenditures:			
Business support services:			
Purchase of food		932,718	
Donated commodities		201,053	
Salaries and benefits		1,652,519	
Materials and supplies		86,096	
Non-capitalized equipment		1,300	
Contracted services		6,650	
Other		14,328	
Total operating expenditures	2,932,900	2,894,664	38,236
Operating loss	(2,076,500)	(2,320,344)	(243,844)
Nonoperating revenues:			
Federal reimbursements and grants	1,841,000	1,876,706	35,706
Federal commodities	184,000	201,053	17,053
State reimbursements	6,500	3,772	(2,728)
Total nonoperating revenues	2,031,500	2,081,531	50,031
Deficiency of revenues over expenditures before other financing sources	(45,000)	(238,813)	(193,813)
Other financing sources:			
Transfers from other funds	45,000	258,528	213,528
Net change in fund balance	\$ -	19,715	\$ 19,715
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(35,881)	
Net OPEB asset		590	
Net pension liability		4,488	
Net OPEB liability		(84,068)	
Deferred outflows - pension and OPEB		(37,789)	
Deferred inflows - pension and OPEB		101,387	
Loss on disposal of capital assets		(465)	
Increase in compensated absences payable		(4,388)	
Increase in inventories		23,596	
Change in net position (full accrual)		\$ (12,815)	

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
CHILD CARE FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	\$ 1,557,550	\$ 729,460	\$ (828,090)
Operating expenditures:			
Regular community services:			
Purchase of food		20,615	
Salaries and benefits		603,148	
Materials and supplies		24,582	
Non-capitalized equipment		20,823	
Contracted services		1,041	
Other		23,934	
Total operating expenditures	1,588,244	694,143	894,101
Revenues over (under) expenditures	(30,694)	35,317	66,011
Fund balance appropriated	30,694	-	(30,694)
Net change in fund balance	\$ -	35,317	\$ 35,317
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(97)	
Net OPEB asset		188	
Net pension liability		26,393	
Net OPEB liability		26,820	
Deferred outflows - pension and OPEB		(35,842)	
Deferred inflows - pension and OPEB		76,071	
Increase in compensated absences payable		(5,460)	
Change in net position (full accrual)		\$ 123,390	



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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*

To the Orange County Board of Education
Hillsborough, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County Board of Education, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprises the Orange County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

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

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 over financial reporting 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orange County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*October 1, 2020
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Orange County Board of Education
Hillsborough, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Orange County Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. The Orange County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Orange County Board of Education 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

*October 1, 2020
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Orange County Board of Education
Hillsborough, North Carolina

Report on Compliance for Each Major State Program

We have audited Orange County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2020. The Orange County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Orange County Board of Education 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

*October 1, 2020
Rockingham, North Carolina*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

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)? *No*

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Special Education Cluster:
84.027	Grants to States - IDEA, part B (611)
84.027	Special Needs Targeted Assistance
84.173	Preschool Targeted Assistance
84.173	Preschool Grants - IDEA, Part B (619)

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

Auditee qualified as low-risk auditee? *Yes*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

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?

No

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

**ORANGE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2020**

There were no findings reported in the prior year.

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed-through the N.C. Department of Public Instruction:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 201,053
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	298,865
National School Lunch Program	10.555	PRC 035	870,409
Summer Food Service Program for Children	10.559	PRC 035	707,432
Cash Assistance Subtotal			<u>1,876,706</u>
Total N.C. Department of Public Instruction			<u>2,077,759</u>
Total Child Nutrition Cluster			<u>2,077,759</u>
Total U.S. Department of Agriculture			<u>2,077,759</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund	21.019		
School Nutrition		PRC 125	<u>75,136</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education:			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 115	933,339
Supporting Effective Instruction State Grant	84.367	PRC 103	169,219
Student Support and Academic Enrichment Program	84.424	PRC 108	20,016
Language Acquisition Grant	84.365	PRC 104	64,542
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,348,930
Special Needs Targeted Assistance	84.027	PRC 118	3,394
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	51,838
Preschool Targeted Assistance	84.173	PRC 119	566
Total Special Education Cluster			<u>1,404,728</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	4,776
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>86,234</u>
Total U.S. Department of Education			<u>2,682,854</u>
Total Federal Assistance			<u>4,835,749</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund		Various	45,031,301
Career and Technical Education:			
State Months of Employment		PRC 013	2,701,793
Program Support Funds		PRC 014	158,053
Driver Training		PRC 012	157,925
School Technology Fund		PRC 015	175,079
State COVID-19 Supplemental Funds		PRC 154	<u>226,956</u>
Cash assistance subtotal			<u>48,451,107</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	<u>387,173</u>
Total N.C. Department of Public Instruction			<u>48,838,280</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>3,772</u>
Total State Assistance			<u>48,842,052</u>
Total Federal and State Assistance			<u>\$ 53,677,801</u>

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 Orange County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of 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. Because the Schedule presents only a selected portion of the operations of Orange County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Orange County Board of Education.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Orange County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.