

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

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

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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, 2021 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, 2021, 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 47 through 52, 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 21, 2021 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 21, 2021
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, 2021. This information should be read in conjunction with the audited financial statements included in this report.

Impact of Coronavirus on District

During the fiscal year, the State and nation continued to be affected by the spread of a coronavirus (COVID-19). Educational services were provided to students remotely, within the traditional classroom environment or a hybrid method incorporating on-site instruction and remote learning. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment and remote learning educational tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.

Financial Highlights

- For the fiscal year ended June 30, 2021, the Board's total government-wide net position increased by \$6.2 million. Governmental activities net position increased by \$5.8 million and business-type activities net position increased by \$387,000.
- The total funding increase over the prior year from the Orange County Board of County Commissioners for local current expense appropriations was \$216,000.
- Financial reporting awards were received from the Association of School Business Officials International and the Government Finance Officers Association for the June 30, 2020 fiscal year.

Overview of the Financial Statements

The audited financial statements of the Orange County Board of Education consist of five 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

ORANGE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

next fiscal year. The proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

The two government-wide statements report the Board's net position 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,

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

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.

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 \$50.7 million as of June 30, 2021 as compared to \$57.0 million as of June 30, 2020.

The following is a summary of the Statement of Net Position at June 30, 2021 and 2020:

**Table 1
Condensed Statement of Net Position
As of June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Current assets	\$ 18,397,088	\$ 18,019,062	\$ 1,602,644	\$ 1,361,121	\$ 19,999,732	\$ 19,380,183
Capital assets	83,433,903	79,940,330	245,020	280,243	83,678,923	80,220,573
Total assets	101,830,991	97,959,392	1,847,664	1,641,364	103,678,655	99,600,756
Deferred outflows of resources	24,858,319	25,426,971	637,053	666,907	25,495,372	26,093,878
Current liabilities	7,546,941	7,882,715	132,672	117,029	7,679,613	7,999,744
Long-term liabilities	123,484,464	130,272,583	3,061,879	3,381,973	126,546,343	133,654,556
Total liabilities	131,031,405	138,155,298	3,194,551	3,499,002	134,225,956	141,654,300
Deferred inflows of resources	44,553,653	39,963,522	1,141,794	1,048,178	45,695,447	41,011,700
Net investment in capital assets	83,322,887	79,612,167	245,020	280,243	83,567,907	79,892,410
Restricted net position	4,140,875	3,818,944	7,078	8,864	4,147,953	3,827,808
Unrestricted net position (deficit)	(136,359,510)	(138,163,568)	(2,103,726)	(2,528,016)	(138,463,236)	(140,691,584)
Total net position (deficit)	\$ (48,895,748)	\$ (54,732,457)	\$ (1,851,628)	\$ (2,238,909)	\$ (50,747,376)	\$ (56,971,366)

Net position is an indicator of the fiscal health of the Board. The net position of the Board's governmental activities increased \$5.8 million during the year, from \$(54.7) million at June 30, 2020 to \$(48.9) million at June 30, 2021, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$322,000 due primarily to increases in amounts restricted for capital outlay and instructional services. Unrestricted net position increased \$1.8 million over the prior year. Net investment in capital

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

assets increased \$3.7 million due to an excess of capital additions over depreciation expense for the year. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans.

Net position of the Board's business-type activities increased \$387,000 during the year. This increase is the combined net profit generated by our school food service and child care operations during the 2021 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Revenues:						
Program revenues:						
Charges for services	\$ 533,261	\$ 1,534,140	\$ 73,163	\$ 1,303,780	\$ 606,424	\$ 2,837,920
Operating grants and contributions	55,105,942	52,453,156	3,770,745	2,081,531	58,876,687	54,534,687
Capital grants and contributions	217,147	387,173	-	-	217,147	387,173
General revenues:						
County appropriations	52,227,639	51,957,095	-	-	52,227,639	51,957,095
Other revenues	213,099	275,281	-	-	213,099	275,281
Total revenues	<u>108,297,088</u>	<u>106,606,845</u>	<u>3,843,908</u>	<u>3,385,311</u>	<u>112,140,996</u>	<u>109,992,156</u>
Expenses:						
Governmental activities:						
Instructional services	71,016,199	67,246,516	-	-	71,016,199	67,246,516
System-wide support services	24,613,747	23,152,631	-	-	24,613,747	23,152,631
Ancillary services	624,827	124,761	-	-	624,827	124,761
Payments to other governments	3,973,984	3,819,308	-	-	3,973,984	3,819,308
Interest on long-term debt	-	8,757	-	-	-	8,757
Unallocated depreciation	2,187,702	2,247,933	-	-	2,187,702	2,247,933
Business-type activities:						
School food service	-	-	3,286,162	2,927,194	3,286,162	2,927,194
Child care	-	-	214,385	606,070	214,385	606,070
Total expenses	<u>102,416,459</u>	<u>96,599,906</u>	<u>3,500,547</u>	<u>3,533,264</u>	<u>105,917,006</u>	<u>100,133,170</u>
Excess (deficiency) of revenues over expenses before transfers	5,880,629	10,006,939	343,361	(147,953)	6,223,990	9,858,986
Transfers in (out)	<u>(43,920)</u>	<u>(258,528)</u>	<u>43,920</u>	<u>258,528</u>	<u>-</u>	<u>-</u>
Increase in net position	5,836,709	9,748,411	387,281	110,575	6,223,990	9,858,986
Beginning 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>
Ending net position (deficit)	<u>\$ (48,895,748)</u>	<u>\$ (54,732,457)</u>	<u>\$ (1,851,628)</u>	<u>\$ (2,238,909)</u>	<u>\$ (50,747,376)</u>	<u>\$ (56,971,366)</u>

Total governmental activities generated revenues of \$108.3 million while expenses in this category totaled \$102.4 million for the year ended June 30, 2021, resulting in an increase in net position of \$5.8 million (including transfers to business-type activities of \$44,000). Comparatively, revenues were \$106.6 million, expenses totaled \$96.6 million and transfers out were \$259,000 for the year ended June 30, 2020, resulting in an increase in net position of \$9.7 million. In comparing the two years, revenues increased \$1.7 million, or 1.6%, while expenses increased \$5.8 million, or 6.0%. The overall increase in

ORANGE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

expenses is largely attributable to a \$3.8 million year-over-year increase in instructional services expense. This expense category includes the purchase of laptops totaling \$3.0 million.

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 44.9%, 48.2% and 5.0% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 69.3% of our total expenses during the most recent fiscal year. Of the remaining 30.7% of our total expenses, 24.0% was attributable to system-wide support services.

Our business-type activities generated revenues of \$3.8 million, expenses of \$3.5 million and reported transfers in from governmental activities of \$44,000 for the year ended June 30, 2021. For the year, net position increased by \$387,000. Comparatively, revenues were \$3.4 million, expenses were \$3.5 million and transfers in from governmental activities totaled \$259,000 for the year ended June 30, 2020, resulting in an increase in net position of \$111,000. Due to the ongoing COVID-19 pandemic and student instruction being provided remotely most of the year, food sales and child care fees decreased significantly. However, due to the pandemic, the federal government allowed all students to be served free breakfast and lunch all year. The child nutrition program was able to increase revenue from USDA reimbursements by utilizing various methods to deliver meals to students and increase meal participation. The increase in USDA revenues was the primary factor contributing to the year-over-year improvement in business-type activities change in net position.

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.

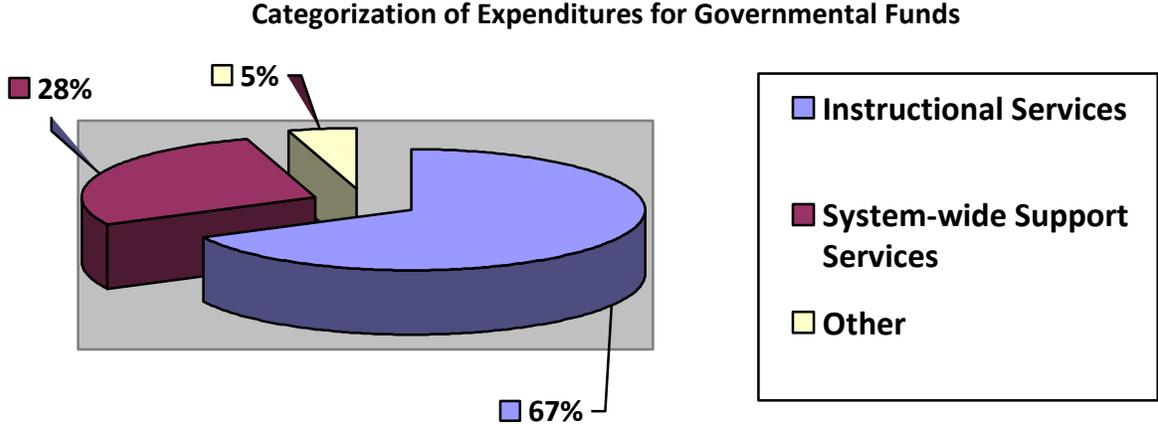
The Board's governmental funds reported a combined fund balance of \$13.4 million at June 30, 2021, an increase of \$1.4 million over the \$12.0 million reported at June 30, 2020. The Board's General, Other Special Revenue and Capital Outlay funds each reported increases in fund balance for the year of \$490,000, \$702,000 and \$204,000, respectively. Total governmental funds reported an increase in revenues of \$1.7 million, or 1.6%, over the prior year while expenditures increased by \$5.7 million, or 5.5%. These changes are largely due to a \$2.6 million increase in revenues from the federal government, primarily from COVID-19 relief grants, that were used for various instructional, system-wide support and ancillary services throughout the district.

For the year, the Board's General Fund reported an increase in fund balance of \$490,000 compared to an increase of \$1.4 million in the prior year. Revenues increased slightly by \$289,000, or 0.8%, over the prior year while expenditures reported an increase of \$1.4 million, or 4.2%. An increase in instructional services accounted for the majority of the overall increase in expenditures.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received. Combined revenues and expenditures in these two funds increased \$2.3 million over the previous year, or 4.5%. The district received various federal COVID-19 grants through these two funds which were used to pay for specific costs incurred by the district in response to the pandemic.

The Other Special Revenue Fund reported fund balance of \$4.2 million at June 30, 2021, an increase for the year of \$702,000. Revenues were comparable to the prior year, decreasing \$77,000, or 2.6%, while expenditures decreased \$202,000, or 8.5%, due to reduced spending as a result of the pandemic.

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



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 \$387,000 for the current year compared to a \$111,000 increase for the year ended June 30, 2020. 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, 2021, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

Due to some State and federal revenue sources being uncertain at the start of the year, management budgeted \$2.7 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 \$3.1 million positive budget variance in expenditures for the year.

Capital Assets

Total primary government capital assets were \$83.7 million at June 30, 2021 compared to \$80.2 million at June 30, 2020, an increase of 4.3%. 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.

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

The following is a summary of the Board’s capital assets, net of depreciation, at June 30, 2021 and 2020:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/21	6/30/20	6/30/21	6/30/20	6/30/21	6/30/20
Land	\$ 773,988	\$ 773,988	\$ -	\$ -	\$ 773,988	\$ 773,988
Construction in progress	10,232,370	17,763,178	-	-	10,232,370	17,763,178
Buildings and improvements	70,162,847	58,771,668	-	-	70,162,847	58,771,668
Equipment and furniture	77,453	122,758	245,020	280,243	322,473	403,001
Vehicles	2,187,245	2,508,738	-	-	2,187,245	2,508,738
Total	<u>\$ 83,433,903</u>	<u>\$ 79,940,330</u>	<u>\$ 245,020</u>	<u>\$ 280,243</u>	<u>\$ 83,678,923</u>	<u>\$ 80,220,573</u>

Debt Outstanding

During the year, the Board’s long-term debt increased from \$328,000 at June 30, 2020 to \$3.1 million at June 30, 2021. The increase is attributable to a \$3.0 million installment purchase agreement for computer equipment entered during the current year. 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 3.7% and 5.9% at June 2021 and 2020, respectively, among the lowest in the State. The State averages for June 2021 and 2020 were 4.9% and 7.7%, 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.
- 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.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 15,200,945	\$ 1,356,242	\$ 16,557,187
Due from other governments	3,061,686	155,462	3,217,148
Receivables	25,130	-	25,130
Internal balances	(30,236)	30,236	-
Net OPEB asset	139,563	3,577	143,140
Inventories	-	57,127	57,127
Capital assets:			
Land and construction in progress	11,006,358	-	11,006,358
Other capital assets, net of depreciation	<u>72,427,545</u>	<u>245,020</u>	<u>72,672,565</u>
Total capital assets	<u>83,433,903</u>	<u>245,020</u>	<u>83,678,923</u>
Total assets	<u>101,830,991</u>	<u>1,847,664</u>	<u>103,678,655</u>
Deferred Outflows of Resources	<u>24,858,319</u>	<u>637,053</u>	<u>25,495,372</u>
Liabilities			
Bank overdraft	11,708	-	11,708
Accounts payable and accrued expenses	2,317,527	766	2,318,293
Accrued salaries and wages payable	2,511,441	9,425	2,520,866
Unearned revenue	56,771	90,257	147,028
Long-term liabilities:			
Due within one year	2,649,494	32,224	2,681,718
Due in more than one year	<u>123,484,464</u>	<u>3,061,879</u>	<u>126,546,343</u>
Total liabilities	<u>131,031,405</u>	<u>3,194,551</u>	<u>134,225,956</u>
Deferred Inflows of Resources	<u>44,553,653</u>	<u>1,141,794</u>	<u>45,695,447</u>
Net position			
Net investment in capital assets	83,322,887	245,020	83,567,907
Restricted for:			
Stabilization by State statute	49,038	-	49,038
School capital outlay	1,747,506	-	1,747,506
Instructional services	1,271,309	-	1,271,309
Individual schools activities	796,872	-	796,872
DIPNC OPEB plan	276,150	7,078	283,228
Unrestricted (deficit)	<u>(136,359,510)</u>	<u>(2,103,726)</u>	<u>(138,463,236)</u>
Total net position (deficit)	<u>\$ (48,895,748)</u>	<u>\$ (1,851,628)</u>	<u>\$ (50,747,376)</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, 2021**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 38,418,065	\$ -	\$ 29,710,070	\$ -	\$ (8,707,995)	\$ -	\$ (8,707,995)
Special populations	10,369,084	-	9,797,021	-	(572,063)	-	(572,063)
Alternative programs	5,049,750	-	4,490,343	-	(559,407)	-	(559,407)
School leadership	4,526,281	-	2,488,769	-	(2,037,512)	-	(2,037,512)
Co-curricular	1,126,237	348,481	-	-	(777,756)	-	(777,756)
School-based support	11,526,782	-	3,337,657	-	(8,189,125)	-	(8,189,125)
System-wide support services:							
Support and development	1,607,416	-	278,379	-	(1,329,037)	-	(1,329,037)
Special population support and development	399,552	-	233,354	-	(166,198)	-	(166,198)
Alternative programs and services support and development	87,190	-	30,885	-	(56,305)	-	(56,305)
Technology support	1,111,961	-	279,803	-	(832,158)	-	(832,158)
Operational support	16,805,536	1,959	3,368,499	217,147	(13,217,931)	-	(13,217,931)
Financial and human resource services	1,967,364	182,821	616,214	-	(1,168,329)	-	(1,168,329)
Accountability	128,784	-	-	-	(128,784)	-	(128,784)
System-wide pupil support	569,502	-	-	-	(569,502)	-	(569,502)
Policy, leadership and public relations	1,936,442	-	165,487	-	(1,770,955)	-	(1,770,955)
Ancillary services	624,827	-	205,257	-	(419,570)	-	(419,570)
Non-programmed charges	3,973,984	-	104,204	-	(3,869,780)	-	(3,869,780)
Unallocated depreciation expense**	2,187,702	-	-	-	(2,187,702)	-	(2,187,702)
Total governmental activities	<u>102,416,459</u>	<u>533,261</u>	<u>55,105,942</u>	<u>217,147</u>	<u>(46,560,109)</u>	<u>-</u>	<u>(46,560,109)</u>
Business-type activities:							
School food service	3,286,162	5,816	3,770,745	-	-	490,399	490,399
Child care	214,385	67,347	-	-	-	(147,038)	(147,038)
Total business-type activities	<u>3,500,547</u>	<u>73,163</u>	<u>3,770,745</u>	<u>-</u>	<u>-</u>	<u>343,361</u>	<u>343,361</u>
Total primary government	<u>\$ 105,917,006</u>	<u>\$ 606,424</u>	<u>\$ 58,876,687</u>	<u>\$ 217,147</u>	<u>(46,560,109)</u>	<u>343,361</u>	<u>(46,216,748)</u>
General revenues:							
Unrestricted county appropriations - operating					37,034,738	-	37,034,738
Unrestricted county appropriations - capital					15,192,901	-	15,192,901
Investment earnings, unrestricted					11,908	-	11,908
Miscellaneous, unrestricted					201,191	-	201,191
Total general revenues					<u>52,440,738</u>	<u>-</u>	<u>52,440,738</u>
Transfers					<u>(43,920)</u>	<u>43,920</u>	<u>-</u>
Total general revenues and transfers					<u>52,396,818</u>	<u>43,920</u>	<u>52,440,738</u>
Change in net position					5,836,709	387,281	6,223,990
Net position (deficit) - beginning					<u>(54,732,457)</u>	<u>(2,238,909)</u>	<u>(56,971,366)</u>
Net position (deficit) - ending					<u>\$ (48,895,748)</u>	<u>\$ (1,851,628)</u>	<u>\$ (50,747,376)</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.

FUND FINANCIAL STATEMENTS

**ORANGE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

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	\$ 8,973,253	\$ -	\$ 4,296,388	\$ 1,134,432	\$ 796,872	\$ 15,200,945
Due from other governments	23,908	1,979,998	-	856,422	201,358	3,061,686
Accounts receivable	25,130	-	-	-	-	25,130
Total assets	<u>\$ 9,022,291</u>	<u>\$ 1,979,998</u>	<u>\$ 4,296,388</u>	<u>\$ 1,990,854</u>	<u>\$ 998,230</u>	<u>\$ 18,287,761</u>
Liabilities and fund balances						
Liabilities:						
Bank overdraft	\$ -	\$ 11,708	\$ -	\$ -	\$ -	\$ 11,708
Accounts payable and accrued liabilities	2,073,336	-	843	243,348	-	2,317,527
Accrued salaries and wages payable	304,615	1,968,290	37,178	-	201,358	2,511,441
Due to other funds	30,236	-	-	-	-	30,236
Unearned revenue	-	-	56,771	-	-	56,771
Total liabilities	<u>2,408,187</u>	<u>1,979,998</u>	<u>94,792</u>	<u>243,348</u>	<u>201,358</u>	<u>4,927,683</u>
Fund balances:						
Restricted:						
Stabilization by State statute	49,038	-	-	-	-	49,038
School capital outlay	-	-	-	1,747,506	-	1,747,506
Instructional services	-	-	1,271,309	-	-	1,271,309
Individual schools	-	-	-	-	796,872	796,872
Assigned:						
Subsequent year's expenditures	2,710,995	-	198,034	-	-	2,909,029
Special revenues	-	-	2,732,253	-	-	2,732,253
Unassigned	3,854,071	-	-	-	-	3,854,071
Total fund balances	<u>6,614,104</u>	<u>-</u>	<u>4,201,596</u>	<u>1,747,506</u>	<u>796,872</u>	<u>13,360,078</u>
Total liabilities and fund balances	<u>\$ 9,022,291</u>	<u>\$ 1,979,998</u>	<u>\$ 4,296,388</u>	<u>\$ 1,990,854</u>	<u>\$ 998,230</u>	

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

Net OPEB asset	139,563
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	83,433,903
Deferred outflows of resources related to pensions	15,199,461
Deferred outflows of resources related to OPEB	9,658,858
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.	(7,688,971)
Net pension liability	(39,098,166)
Net OPEB liability	(79,346,821)
Deferred inflows of resources related to pensions	(1,023,613)
Deferred inflows of resources related to OPEB	<u>(43,530,040)</u>
Net position (deficit) of governmental activities	<u>\$ (48,895,748)</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, 2021

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	\$ -	\$ 48,433,262	\$ -	\$ 217,147	\$ -	\$ 48,650,409
Orange County:						
Local current expense	35,617,252	-	-	-	-	35,617,252
Other	120,000	-	1,297,486	15,192,901	-	16,610,387
U.S. Government	4,644	1,120,695	-	-	4,276,421	5,401,760
Other	185,963	-	1,591,815	-	348,481	2,126,259
Total revenues	35,927,859	49,553,957	2,889,301	15,410,048	4,624,902	108,406,067
Expenditures:						
Current:						
Instructional services:						
Regular instructional	10,849,908	29,061,988	107,342	128,346	488,042	40,635,626
Special populations	1,390,462	7,608,985	291,002	-	1,609,354	10,899,803
Alternative programs	902,892	2,430,277	357,327	-	1,523,224	5,213,720
School leadership	2,265,496	2,488,769	-	-	-	4,754,265
Co-curricular	712,713	-	-	54,422	393,320	1,160,455
School-based support	2,543,539	2,979,566	1,360,811	4,503,304	358,091	11,745,311
System-wide support services:						
Support and development	1,406,464	192,607	-	-	85,772	1,684,843
Special population support and development	177,628	201,807	-	-	31,547	410,982
Alternative programs and services support and development	14,144	-	49,360	-	30,885	94,389
Technology support	880,384	279,803	-	-	-	1,160,187
Operational support	6,262,096	3,303,276	-	12,806,002	21,303	22,392,677
Financial and human resource services	1,266,157	616,214	-	143,742	-	2,026,113
Accountability	141,520	-	-	-	-	141,520
System-wide pupil support	569,186	-	-	-	-	569,186
Policy, leadership and public relations	1,805,322	165,487	-	-	-	1,970,809
Ancillary services	270,933	181,258	21,772	153,786	23,999	651,748
Non-programmed charges	3,978,759	-	-	-	104,204	4,082,963
Debt service:						
Principal retirement	-	-	-	217,147	-	217,147
Capital outlay	-	-	-	198,906	-	198,906
Total expenditures	35,437,603	49,510,037	2,187,614	18,205,655	4,669,741	110,010,650
Revenues over (under) expenditures	490,256	43,920	701,687	(2,795,607)	(44,839)	(1,604,583)
Other financing sources (uses):						
Transfers to other funds	-	(43,920)	-	-	-	(43,920)
Installment purchase obligations issued	-	-	-	3,000,000	-	3,000,000
Total other financing sources (uses)	-	(43,920)	-	3,000,000	-	2,956,080
Net change in fund balance	490,256	-	701,687	204,393	(44,839)	1,351,497
Fund balances:						
Beginning of year	6,123,848	-	3,499,909	1,543,113	841,711	12,008,581
End of year	\$ 6,614,104	\$ -	\$ 4,201,596	\$ 1,747,506	\$ 796,872	\$ 13,360,078

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, 2021

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 1,351,497
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.	3,493,573
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	7,382,292
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	3,381,468
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	1,359,210
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.	(2,782,853)
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	(11,047,182)
OPEB (expense) benefit	2,756,980
Compensated absences	<u>(58,276)</u>
Total change in net position of governmental activities	<u>\$ 5,836,709</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, 2021

Exhibit 6

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	35,617,252	35,737,252	35,737,252	-
U.S. Government	-	-	4,644	4,644
Other	185,000	185,000	185,963	963
Total revenues	<u>35,802,252</u>	<u>35,922,252</u>	<u>35,927,859</u>	<u>5,607</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	11,618,542	11,377,134	10,849,908	527,226
Special populations	1,788,267	1,802,000	1,390,462	411,538
Alternative programs	869,316	901,460	902,892	(1,432)
School leadership	2,469,534	2,486,948	2,265,496	221,452
Co-curricular	1,039,973	935,138	712,713	222,425
School-based support	2,939,256	2,794,348	2,543,539	250,809
Total instructional services	<u>20,724,888</u>	<u>20,297,028</u>	<u>18,665,010</u>	<u>1,632,018</u>
System-wide support services:				
Support and development	1,660,142	1,651,951	1,406,464	245,487
Special population support and development	206,839	209,261	177,628	31,633
Alternative programs and services support and development	13,240	14,144	14,144	-
Technology support	814,938	1,034,463	880,384	154,079
Operational support	6,995,459	6,976,430	6,262,096	714,334
Financial and human resource services	1,286,427	1,330,465	1,266,157	64,308
Accountability	194,729	188,267	141,520	46,747
System-wide pupil support	100,000	603,800	569,186	34,614
Policy, leadership and public relations	2,059,287	1,955,239	1,805,322	149,917
Total system-wide support services	<u>13,331,061</u>	<u>13,964,020</u>	<u>12,522,901</u>	<u>1,441,119</u>
Ancillary services:				
Community	9,560	245,763	235,879	9,884
Nutrition	110,975	89,709	35,054	54,655
Total ancillary services	<u>120,535</u>	<u>335,472</u>	<u>270,933</u>	<u>64,539</u>
Nonprogrammed charges	3,864,795	3,978,759	3,978,759	-
Total expenditures	<u>38,041,279</u>	<u>38,575,279</u>	<u>35,437,603</u>	<u>3,137,676</u>
Revenues over (under) expenditures	(2,239,027)	(2,653,027)	490,256	3,143,283
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	2,239,027	2,653,027	-	(2,653,027)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	490,256	<u>\$ 490,256</u>
Fund balances:				
Beginning of year			6,123,848	
End of year			<u>\$ 6,614,104</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, 2021

State Public School Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 49,302,016	\$ 50,068,687	\$ 48,433,262	\$ (1,635,425)
Orange County	-	-	-	-
U.S. Government	-	1,155,749	1,120,695	(35,054)
Other	-	-	-	-
Total revenues	<u>49,302,016</u>	<u>51,224,436</u>	<u>49,553,957</u>	<u>(1,670,479)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	29,169,782	29,247,005	29,061,988	185,017
Special populations	7,650,623	8,233,527	7,608,985	624,542
Alternative programs	2,674,272	3,142,303	2,430,277	712,026
School leadership	2,353,135	2,488,769	2,488,769	-
Co-curricular	-	-	-	-
School-based support	2,206,672	2,979,566	2,979,566	-
Total instructional services	<u>44,054,484</u>	<u>46,091,170</u>	<u>44,569,585</u>	<u>1,521,585</u>
System-wide support services:				
Support and development	104,616	192,607	192,607	-
Special population support and development	187,670	201,807	201,807	-
Alternative programs and services support and development	-	-	-	-
Technology support	82,427	279,803	279,803	-
Operational support	3,766,842	3,335,481	3,303,276	32,205
Financial and human resource services	596,035	616,214	616,214	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	258,503	255,238	165,487	89,751
Total system-wide support services	<u>4,996,093</u>	<u>4,881,150</u>	<u>4,759,194</u>	<u>121,956</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	201,815	201,816	181,258	20,558
Total ancillary services	<u>201,815</u>	<u>201,816</u>	<u>181,258</u>	<u>20,558</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>49,252,392</u>	<u>51,174,136</u>	<u>49,510,037</u>	<u>1,664,099</u>
Revenues over (under) expenditures	49,624	50,300	43,920	(6,380)
Other financing uses:				
Transfers to other funds	(49,624)	(50,300)	(43,920)	6,380
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, 2021

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	1,513,608	1,513,608	1,297,486	(216,122)
U.S. Government	-	-	-	-
Other	<u>377,768</u>	<u>882,193</u>	<u>1,591,815</u>	<u>709,622</u>
Total revenues	<u>1,891,376</u>	<u>2,395,801</u>	<u>2,889,301</u>	<u>493,500</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	523,089	540,978	107,342	433,636
Special populations	617,538	650,324	291,002	359,322
Alternative programs	97,230	512,891	357,327	155,564
School leadership	-	-	-	-
Co-curricular	9,573	9,573	-	9,573
School-based support	<u>1,513,608</u>	<u>1,513,608</u>	<u>1,360,811</u>	<u>152,797</u>
Total instructional services	<u>2,761,038</u>	<u>3,227,374</u>	<u>2,116,482</u>	<u>1,110,892</u>
System-wide support services:				
Support and development	255,500	255,500	-	255,500
Special population support and development	-	-	-	-
Alternative programs and services support and development	30,000	59,838	49,360	10,478
Technology support	-	-	-	-
Operational support	218,000	218,000	-	218,000
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	1,245	1,245	-	1,245
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>504,745</u>	<u>534,583</u>	<u>49,360</u>	<u>485,223</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	<u>27,170</u>	<u>35,421</u>	<u>21,772</u>	<u>13,649</u>
Total ancillary services	<u>27,170</u>	<u>35,421</u>	<u>21,772</u>	<u>13,649</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>3,292,953</u>	<u>3,797,378</u>	<u>2,187,614</u>	<u>1,609,764</u>
Revenues over (under) expenditures	(1,401,577)	(1,401,577)	701,687	2,103,264
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>1,401,577</u>	<u>1,401,577</u>	-	<u>(1,401,577)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	701,687	<u>\$ 701,687</u>
Fund balances:				
Beginning of year			<u>3,499,909</u>	
End of year			<u>\$ 4,201,596</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, 2021**

Exhibit 7

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,076,823	\$ 279,419	\$ 1,356,242
Due from other governments	145,145	10,317	155,462
Due from other funds	30,236	-	30,236
Net OPEB asset	2,542	1,035	3,577
Inventories	57,127	-	57,127
Total current assets	<u>1,311,873</u>	<u>290,771</u>	<u>1,602,644</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	245,020	-	245,020
Total assets	<u>1,556,893</u>	<u>290,771</u>	<u>1,847,664</u>
Deferred Outflows of Resources	<u>452,620</u>	<u>184,433</u>	<u>637,053</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	-	766	766
Accrued salaries and wages payable	9,425	-	9,425
Compensated absences	29,178	3,046	32,224
Unearned revenue	77,012	13,245	90,257
Total current liabilities	<u>115,615</u>	<u>17,057</u>	<u>132,672</u>
Noncurrent liabilities:			
Net pension liability	711,898	290,084	1,001,982
Net OPEB liability	1,444,744	588,705	2,033,449
Compensated absences	26,090	358	26,448
Total noncurrent liabilities	<u>2,182,732</u>	<u>879,147</u>	<u>3,061,879</u>
Total liabilities	<u>2,298,347</u>	<u>896,204</u>	<u>3,194,551</u>
Deferred Inflows of Resources	<u>811,232</u>	<u>330,562</u>	<u>1,141,794</u>
Net position			
Investment in capital assets	245,020	-	245,020
Restricted for DIPNC OPEB plan	5,029	2,049	7,078
Unrestricted (deficit)	<u>(1,350,115)</u>	<u>(753,611)</u>	<u>(2,103,726)</u>
Total net position (deficit)	<u>\$ (1,100,066)</u>	<u>\$ (751,562)</u>	<u>\$ (1,851,628)</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, 2021

Exhibit 8

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 5,816	\$ -	\$ 5,816
Child care fees	-	67,347	67,347
Total operating revenues	<u>5,816</u>	<u>67,347</u>	<u>73,163</u>
Operating expenses:			
Food cost:			
Purchase of food	1,586,151	2,194	1,588,345
Donated commodities	176,743	-	176,743
Salaries and benefits	1,423,714	206,926	1,630,640
Materials and supplies	55,803	1,089	56,892
Depreciation	35,223	-	35,223
Non-capitalized equipment	1,802	-	1,802
Contracted services	450	-	450
Other	6,276	4,176	10,452
Total operating expenses	<u>3,286,162</u>	<u>214,385</u>	<u>3,500,547</u>
Operating loss	<u>(3,280,346)</u>	<u>(147,038)</u>	<u>(3,427,384)</u>
Nonoperating revenues:			
Federal reimbursements and grants	3,594,002	-	3,594,002
Federal commodities	176,743	-	176,743
Total nonoperating revenues	<u>3,770,745</u>	<u>-</u>	<u>3,770,745</u>
Income (loss) before transfers	490,399	(147,038)	343,361
Transfers from other funds	<u>43,920</u>	<u>-</u>	<u>43,920</u>
Change in net position	534,319	(147,038)	387,281
Net position (deficit), beginning of year	<u>(1,634,385)</u>	<u>(604,524)</u>	<u>(2,238,909)</u>
Net position (deficit), end of year	<u>\$ (1,100,066)</u>	<u>\$ (751,562)</u>	<u>\$ (1,851,628)</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, 2021

Exhibit 9

	Enterprise		Totals
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 9,195	\$ 70,275	\$ 79,470
Cash paid for goods and services	(1,628,201)	(9,235)	(1,637,436)
Cash paid to employees for services	(1,460,878)	(321,759)	(1,782,637)
Net cash used by operating activities	<u>(3,079,884)</u>	<u>(260,719)</u>	<u>(3,340,603)</u>
Cash flows from noncapital financing activities:			
Federal and State reimbursements and grants	<u>3,682,666</u>	<u>-</u>	<u>3,682,666</u>
Net increase (decrease) in cash and cash equivalents	602,782	(260,719)	342,063
Cash and cash equivalents, beginning of year	<u>474,041</u>	<u>540,138</u>	<u>1,014,179</u>
Cash and cash equivalents, end of year	<u>\$ 1,076,823</u>	<u>\$ 279,419</u>	<u>\$ 1,356,242</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (3,280,346)	\$ (147,038)	\$ (3,427,384)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	35,223	-	35,223
Donated commodities	176,743	-	176,743
Expenses paid by other funds	43,920	-	43,920
Changes in assets and liabilities:			
Increase in due from other governments	-	(10,317)	(10,317)
Increase in net OPEB asset	(248)	(46)	(294)
Decrease in inventories	22,487	-	22,487
Decrease in accounts payable and accrued liabilities	(206)	(1,776)	(1,982)
Increase in accrued salaries and wages payable	3,694	-	3,694
Increase in unearned revenue	3,379	13,245	16,624
Increase in net pension liability	86,092	20,250	106,342
Decrease in net OPEB liability	(264,638)	(148,345)	(412,983)
Decrease in deferred outflows	13,364	16,490	29,854
Increase in deferred inflows	78,844	14,772	93,616
Increase (decrease) in compensated absences payable	<u>1,808</u>	<u>(17,954)</u>	<u>(16,146)</u>
Total adjustments	<u>200,462</u>	<u>(113,681)</u>	<u>86,781</u>
Net cash used by operating activities	<u>\$ (3,079,884)</u>	<u>\$ (260,719)</u>	<u>\$ (3,340,603)</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, 2021

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$176,743 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 paid School Food Service Fund salaries and benefits of \$43,920 during the fiscal year. These payments are reflected as a transfer from other funds and an operating expense 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, 2021**

Exhibit 10

	<u>Administrative Fund</u>
Assets	
Cash and cash equivalents	\$ <u>116,661</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net Position	
Assets held in trust for private purpose	\$ <u>116,661</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, 2021**

Exhibit 11

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 133
Deductions:	
Instructional costs and other expenditures	<u>50</u>
Change in net position	83
Beginning net position	<u>116,578</u>
Ending net position	<u>\$ 116,661</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, 2021

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, 2021

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, 2021

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, 2021**

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, 2021

accumulated earned vacation and the salary-related payments as of June 30, 2021 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/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, 2021

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 \$(62,255,826) 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)	\$ 163,870,709
Less accumulated depreciation	<u>(80,436,806)</u>
Net capital assets	83,433,903
Net OPEB asset	139,563
Deferred outflows of resources related to pensions	15,199,461
Deferred outflows of resources related to OPEB	9,658,858
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	(3,111,016)
Compensated absences	(4,577,955)
Net pension liability	(39,098,166)
Net OPEB liability	(79,346,821)
Deferred inflows of resources related to pensions	(1,023,613)
Deferred inflows of resources related to OPEB	<u>(43,530,040)</u>
Total adjustment	<u>\$ (62,255,826)</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 \$4,485,212 as follows:

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 6,021,592
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	(2,528,019)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(3,000,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	217,147
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	7,382,292
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	3,381,468
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
OPEB nonemployer contributions	1,359,210
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	(11,047,182)
OPEB (expense) benefit	2,756,980
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(58,276)
Total adjustment	<u>\$ 4,485,212</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.

ORANGE COUNTY BOARD OF EDUCATION
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NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2021, the Board had deposits with banks and savings and loans with a carrying amount of \$14,017,696 and a bank overdraft with the State Treasurer of \$11,708. The bank balances with the financial institutions and the State Treasurer were \$14,445,048 and \$1,118,550, respectively. Of these balances, \$1,279,278 was covered by federal depository insurance and \$14,284,320 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 \$117.

2. Investments

At June 30, 2021, the Board had \$2,656,035 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2021. The Board has no investment balances in the NCCMT as of June 30, 2021. 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, 2021 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)	\$ 23,908	\$ 25,130	\$ 18,802
Other governmental activities	-	3,037,778	-	3,037,778
Total governmental activities	<u>\$ (30,236)</u>	<u>\$ 3,061,686</u>	<u>\$ 25,130</u>	<u>\$ 3,056,580</u>
Business-type activities:				
School Food Service Fund	\$ 30,236	\$ 145,145	\$ -	\$ 175,381
Child Care Fund	-	10,317	-	10,317
Total business-type activities	<u>\$ 30,236</u>	<u>\$ 155,462</u>	<u>\$ -</u>	<u>\$ 185,698</u>

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Due from other governments consists of the following:

Governmental activities:			
General Fund	\$	23,908	Amounts due from County
State Public School Fund		1,979,998	State grant funds
Capital Outlay Fund		856,422	Amounts due from County
Non-major funds		201,358	Federal grant funds
Total	\$	<u>3,061,686</u>	

Business-type activities:			
School Food Service Fund	\$	145,145	Federal funds
Child Care Fund		10,317	State funds
Total	\$	<u>155,462</u>	

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 773,988	\$ -	\$ -	\$ 773,988
Construction in progress	17,763,178	5,985,129	13,515,937	10,232,370
Total capital assets not being depreciated	<u>18,537,166</u>	<u>5,985,129</u>	<u>13,515,937</u>	<u>11,006,358</u>
Capital assets being depreciated:				
Buildings and improvements	122,873,739	13,515,937	-	136,389,676
Equipment and furniture	5,359,578	17,639	53,311	5,323,906
Vehicles	11,131,945	18,824	-	11,150,769
Total capital assets being depreciated	<u>139,365,262</u>	<u>13,552,400</u>	<u>53,311</u>	<u>152,864,351</u>
Less accumulated depreciation for:				
Buildings and improvements	64,102,071	2,124,758	-	66,226,829
Equipment and furniture	5,236,820	62,944	53,311	5,246,453
Vehicles	8,623,207	340,317	-	8,963,524
Total accumulated depreciation	<u>77,962,098</u>	<u>2,528,019</u>	<u>53,311</u>	<u>80,436,806</u>
Total capital assets being depreciated, net	<u>61,403,164</u>			<u>72,427,545</u>
Governmental activity capital assets, net	<u>\$ 79,940,330</u>			<u>\$ 83,433,903</u>

ORANGE COUNTY BOARD OF EDUCATION
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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,354,144	\$ -	\$ 1,148	\$ 1,352,996
Less accumulated depreciation for:				
Equipment and furniture	1,073,901	35,223	1,148	1,107,976
School Food Service capital assets, net	<u>280,243</u>			<u>245,020</u>
Child Care Fund:				
Capital assets being depreciated:				
Building improvements	48,448	-	-	48,448
Equipment and furniture	85,479	-	-	85,479
Total capital assets being depreciated	<u>133,927</u>	<u>-</u>	<u>-</u>	<u>133,927</u>
Less accumulated depreciation for:				
Building improvements	48,448	-	-	48,448
Equipment and furniture	85,479	-	-	85,479
Total accumulated depreciation	<u>133,927</u>	<u>-</u>	<u>-</u>	<u>133,927</u>
Child Care Fund capital assets, net	<u>-</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 280,243</u>			<u>\$ 245,020</u>

Depreciation was charged to governmental functions as follows:

Operational support services	\$ 340,317
Unallocated depreciation	<u>2,187,702</u>
Total	<u>\$ 2,528,019</u>

5. Construction and Other Significant Commitments

As of June 30, 2021, the Board had an HVAC project in progress at Orange High School. At year-end, the Board's commitments with contractors for the remaining portion of the contracts related to this project totaled approximately \$725,000.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$7,571,480 for the year ended June 30, 2021.

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

At June 30, 2021, the Board reported a liability of \$40,100,148 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2020 and 2019, the Board's proportion was 0.3319% and 0.3338%, respectively.

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For the year ended June 30, 2021, the Board recognized pension expense of \$11,317,516. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,209,734	\$ -
Changes of assumptions	1,358,882	-
Net difference between projected and actual earnings on pension plan investments	4,434,665	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	14,221	1,049,846
Board contributions subsequent to the measurement date	7,571,480	-
Total	\$ 15,588,982	\$ 1,049,846

\$7,571,480 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, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 2,333,557
2023	1,709,782
2024	1,603,192
2025	1,321,125
Total	\$ 6,967,656

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

Inflation	3.0 percent
Salary increases	3.5 to 8.1 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, 2019 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.

**ORANGE COUNTY BOARD OF EDUCATION
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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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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>	

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, 2021 and 2020 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)	\$ 72,170,848	\$ 40,100,148	\$ 13,199,467

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

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

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

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll which amounted to \$3,422,022. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$475.2 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board’s proportionate share of this allocation totaled \$1,394,042.

At June 30, 2021, the Board reported a liability of \$81,380,270 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2020 and 2019, the Board’s proportion was 0.2934% and 0.3025%, respectively.

\$3,422,022 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ (12,254,898)
2023	(12,245,962)
2024	(6,823,604)
2025	(3,659,218)
2026	<u>(3,317,639)</u>
Total	\$ <u>(38,301,321)</u>

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

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Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%

Healthcare cost trend rates:

Medical	5.00-6.50%
Prescription drug	5.00-9.50%
Administrative costs	3.00%
Post-retirement mortality rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78 and projected for mortality improvement using Scale MP-2015

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2021 and 2020 were 2.21% and 3.50%, 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the 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 (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 96,511,851	\$ 81,380,270	\$ 69,189,260

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:

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 65,607,212	\$ 81,380,270	\$ 102,463,085

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

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2. Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$46,105 for the year ended June 30, 2021.

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

At June 30, 2021, the Board reported an asset of \$143,140 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2020 and 2019, the Board's proportion was 0.2910% and 0.2977%, respectively.

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 For the Fiscal Year Ended June 30, 2021**

\$46,105 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 30,704
2023	20,968
2024	11,069
2025	17,374
2026	3,867
Thereafter	<u>10,001</u>
Total	<u>\$ 93,983</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:

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 123,622	\$ 143,140	\$ 162,091

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

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

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

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2021:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (benefit)	\$ (3,009,791)	\$ 109,691	\$ (2,900,100)
OPEB liability (asset)	81,380,270	(143,140)	81,237,130
Proportionate share of the net OPEB liability (asset)	0.2934%	0.2910%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 73,725	\$ 103,693	\$ 177,418
Changes of assumptions	3,568,989	11,130	3,580,119
Net difference between projected and actual earnings on plan investments	171,436	-	171,436
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,491,260	18,030	2,509,290
Board contributions subsequent to the measurement date	<u>3,422,022</u>	<u>46,105</u>	<u>3,468,127</u>
Total deferred outflows of resources	<u>\$ 9,727,432</u>	<u>\$ 178,958</u>	<u>\$ 9,906,390</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 3,183,696	\$ -	\$ 3,183,696
Changes of assumptions	33,025,398	11,272	33,036,670
Net difference between projected and actual earnings on plan investments	-	24,249	24,249
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>8,397,637</u>	<u>3,349</u>	<u>8,400,986</u>
Total deferred inflows of resources	<u>\$ 44,606,731</u>	<u>\$ 38,870</u>	<u>\$ 44,645,601</u>

2. Accounts Payable

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

	<u>Vendors and Other</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 2,073,336	\$ 304,615	\$ 2,377,951
Other governmental activities	<u>244,191</u>	<u>2,206,826</u>	<u>2,451,017</u>
Total governmental activities	<u>\$ 2,317,527</u>	<u>\$ 2,511,441</u>	<u>\$ 4,828,968</u>
Business-type activities:			
School Food Service Fund	\$ -	\$ 9,425	\$ 9,425
Child Care Fund	<u>766</u>	<u>-</u>	<u>766</u>
Total business-type activities	<u>\$ 766</u>	<u>\$ 9,425</u>	<u>\$ 10,191</u>

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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)	\$ 56,771
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Business-type activities:

Prepayments of meals (School Food Service Fund)	\$ 77,012
Prepayments of tuition (Child Care Fund)	13,245
Total business-type activities	<u>\$ 90,257</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	\$ 2,387,152	\$ 3,183,696
Changes of assumptions	4,939,001	33,036,670
Net difference between projected and actual earnings on pension and OPEB plan investments	4,606,101	24,249
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,523,511	9,450,832
Board contributions subsequent to the measurement date	<u>11,039,607</u>	-
Total	<u>\$ 25,495,372</u>	<u>\$ 45,695,447</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1,000,000 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 State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. 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

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2021**

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. 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 2019 fiscal year, the Board entered into such a contract 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 \$444,075. 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 technology equipment during the fiscal year ended June 30, 2021. The equipment is pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contract totaled \$3,000,000. The contract requires five equal payments of principal and interest at 1.12% due annually through 2025.

The future minimum payments of the installment purchases as of June 30, 2021 including interest, are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 848,533	\$ 33,600
2023	745,777	25,340
2024	754,130	16,987
2025	<u>762,576</u>	<u>8,541</u>
Totals	<u>\$ 3,111,016</u>	<u>\$ 84,468</u>

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

b. Long-Term Obligation Activity

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

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement	\$ 328,163	\$ 3,000,000	\$ 217,147	\$ 3,111,016	\$ 848,533
installment purchases					
Net pension liability	34,147,785	4,950,381	-	39,098,166	-
Net OPEB liability	93,274,356	-	13,927,535	79,346,821	-
Compensated absences	4,519,679	3,027,213	2,968,937	4,577,955	1,800,961
Total	<u>\$ 132,269,983</u>	<u>\$ 10,977,594</u>	<u>\$ 17,113,619</u>	<u>\$ 126,133,958</u>	<u>\$ 2,649,494</u>
Business-type activities:					
Net pension liability	\$ 895,640	\$ 106,342	\$ -	\$ 1,001,982	\$ -
Net OPEB liability	2,446,432	-	412,983	2,033,449	-
Compensated absences	74,818	74,638	90,784	58,672	32,224
Total	<u>\$ 3,416,890</u>	<u>\$ 180,980</u>	<u>\$ 503,767</u>	<u>\$ 3,094,103</u>	<u>\$ 32,224</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.

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2021 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, 2021. This amount is expected to be paid prior to June 30, 2022.

2. Transfers to/from other Funds

Transfers to/from other funds for the year ended June 30, 2021 consist of the following:

From the State Public School Fund to the School Food Service Fund for salaries and benefits	<u>\$ 43,920</u>
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**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2021**

D. Net Position/Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

Net investment in capital assets presented in Exhibit 1 is calculated as follows:

Total governmental activities capital assets	\$ 83,433,903
Less:	
Installment purchase obligations for school buses and mobile unit	(111,016)
Net investment in capital assets, governmental activities	<u>\$ 83,322,887</u>

The district also has \$3,000,000 of installment purchase obligations outstanding at June 30, 2021 for technology equipment. This amount has been excluded from the calculation of net investment in capital assets due to these obligations being for noncapitalized items.

2. 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	\$ 6,614,104
Less:	
Stabilization by State statute	(49,038)
Appropriated fund balance in the 2021-2022 budget	<u>(2,710,995)</u>
Remaining fund balance	<u>\$ 3,854,071</u>

3. 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, 2021 are as follows:

Capital Outlay Fund	<u>\$ 2,526,707</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.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System

Schedule of Board Contributions
Teachers' and State Employees' Retirement System

Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

**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 EIGHT FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net pension liability (asset)	0.332%	0.338%	0.354%	0.350%	0.344%
Board's proportionate share of the net pension liability (asset)	\$ 40,100,148	\$ 35,043,425	\$ 35,231,612	\$ 27,788,793	\$ 31,588,661
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	78.22%	68.75%	69.01%	55.67%	66.76%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%
	<u>2016</u>	<u>2015</u>	<u>2014</u>		
Board's proportion of the net pension liability (asset)	0.333%	0.328%	0.332%		
Board's proportionate share of the net pension liability (asset)	\$ 12,258,443	\$ 3,845,424	\$ 20,125,428		
Board's covered payroll	\$ 46,481,354	\$ 44,329,287	\$ 45,150,148		
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.37%	8.67%	44.57%		
Plan fiduciary net position as a percentage of the total	94.64%	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 eight 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 7,571,480	\$ 6,649,593	\$ 6,264,927	\$ 5,503,276	\$ 4,981,861
Contributions in relation to the contractually required contribution	<u>7,571,480</u>	<u>6,649,593</u>	<u>6,264,927</u>	<u>5,503,276</u>	<u>4,981,861</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,227,876	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 4,329,337	\$ 4,253,044	\$ 3,852,215	\$ 3,772,589	\$ 3,227,771
Contributions in relation to the contractually required contribution	<u>4,329,337</u>	<u>4,253,044</u>	<u>3,852,215</u>	<u>3,772,589</u>	<u>3,227,771</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 47,315,158	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020
Contributions as a percentage of covered payroll	9.15%	9.15%	8.69%	8.33%	7.44%

**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 FIVE FISCAL YEARS***

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.293%	0.303%	0.319%	0.320%	0.303%
Board's proportionate share of the net OPEB liability (asset)	\$ 81,380,270	\$ 95,720,788	\$ 90,850,434	\$ 105,035,373	\$ 131,770,855
Board's covered payroll	\$ 51,269,029	\$ 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	158.73%	187.78%	177.96%	210.41%	278.50%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	3.52%	2.41%

49 * 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 five 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,422,022	\$ 3,317,106	\$ 3,196,183	\$ 3,088,573	\$ 2,918,963
Contributions in relation to the contractually required contribution	<u>3,422,022</u>	<u>3,317,106</u>	<u>3,196,183</u>	<u>3,088,573</u>	<u>2,918,963</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,227,876	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,638,501	\$ 2,535,204	\$ 2,389,510	\$ 2,400,327	\$ 2,169,201
Contributions in relation to the contractually required contribution	<u>2,638,501</u>	<u>2,535,204</u>	<u>2,389,510</u>	<u>2,400,327</u>	<u>2,169,201</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 47,315,158	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020
Contributions as a percentage of covered payroll	5.60%	5.49%	5.40%	5.30%	5.00%

**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 FIVE FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.291%	0.298%	0.314%	0.309%	0.307%
Board's proportionate share of the net OPEB asset	\$ 143,140	\$ 128,449	\$ 95,259	\$ 189,118	\$ 190,510
Board's covered payroll	\$ 51,269,029	\$ 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	0.28%	0.25%	0.19%	0.38%	0.40%
Plan fiduciary net position as a percentage of the total OPEB asset	115.57%	113.00%	108.47%	116.23%	116.06%

51 * 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 five 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 46,105	\$ 51,269	\$ 71,366	\$ 71,471	\$ 190,913
Contributions in relation to the contractually required contribution	<u>46,105</u>	<u>51,269</u>	<u>71,366</u>	<u>71,471</u>	<u>190,913</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 51,227,876	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 193,176	\$ 189,332	\$ 194,701	\$ 199,272	\$ 225,597
Contributions in relation to the contractually required contribution	<u>193,176</u>	<u>189,332</u>	<u>194,701</u>	<u>199,272</u>	<u>225,597</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 47,315,158	\$ 46,481,354	\$ 44,329,287	\$ 45,289,189	\$ 43,384,020
Contributions as a percentage of covered payroll	0.41%	0.41%	0.44%	0.44%	0.52%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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, 2021

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Orange County:			
Local current expense	\$ 35,617,252	\$ 35,617,252	\$ -
Hotspot funding	120,000	120,000	-
Total Orange County	<u>35,737,252</u>	<u>35,737,252</u>	<u>-</u>
U.S. Government:			
Child Care and Development Block Grant	-	4,644	4,644
Other:			
Fines and forfeitures	185,000	168,462	(16,538)
Interest earned on investment	-	11,908	11,908
Miscellaneous	-	5,593	5,593
Total other	<u>185,000</u>	<u>185,963</u>	<u>963</u>
Total revenues	<u>35,922,252</u>	<u>35,927,859</u>	<u>5,607</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	11,377,134	10,849,908	527,226
Special populations	1,802,000	1,390,462	411,538
Alternative programs	901,460	902,892	(1,432)
School leadership	2,486,948	2,265,496	221,452
Co-curricular	935,138	712,713	222,425
School-based support	<u>2,794,348</u>	<u>2,543,539</u>	<u>250,809</u>
Total instructional services	<u>20,297,028</u>	<u>18,665,010</u>	<u>1,632,018</u>
System-wide support services:			
Support and development	1,651,951	1,406,464	245,487
Special population support and development	209,261	177,628	31,633
Alternative programs and services support and development	14,144	14,144	-
Technology support	1,034,463	880,384	154,079
Operational support	6,976,430	6,262,096	714,334
Financial and human resource services	1,330,465	1,266,157	64,308
Accountability	188,267	141,520	46,747
System-wide pupil support	603,800	569,186	34,614
Policy, leadership and public relations	<u>1,955,239</u>	<u>1,805,322</u>	<u>149,917</u>
Total system-wide support services	<u>13,964,020</u>	<u>12,522,901</u>	<u>1,441,119</u>
Ancillary services:			
Community	245,763	235,879	9,884
Nutrition	<u>89,709</u>	<u>35,054</u>	<u>54,655</u>
Total ancillary services	<u>335,472</u>	<u>270,933</u>	<u>64,539</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	<u>3,978,759</u>	<u>3,978,759</u>	<u>-</u>
Total expenditures	<u>38,575,279</u>	<u>35,437,603</u>	<u>3,137,676</u>
Revenues over (under) expenditures	(2,653,027)	490,256	3,143,283
Fund balance appropriated	<u>2,653,027</u>	<u>-</u>	<u>(2,653,027)</u>
Net change in fund balance	<u>\$ -</u>	490,256	<u>\$ 490,256</u>
Fund balance:			
Beginning of year		<u>6,123,848</u>	
End of year		<u>\$ 6,614,104</u>	

**ORANGE COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2021**

	<u>Special Revenue Funds</u>		
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ -	\$ 796,872	\$ 796,872
Due from other governments	<u>201,358</u>	<u>-</u>	<u>201,358</u>
Total assets	<u>\$ 201,358</u>	<u>\$ 796,872</u>	<u>\$ 998,230</u>
Liabilities			
Accrued salaries and wages payable	<u>\$ 201,358</u>	<u>\$ -</u>	<u>\$ 201,358</u>
Fund balances			
Restricted:			
Individual schools	<u>-</u>	<u>796,872</u>	<u>796,872</u>
Total liabilities and fund balances	<u>\$ 201,358</u>	<u>\$ 796,872</u>	<u>\$ 998,230</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, 2021**

	Special Revenue Funds		Totals
	Federal Grants	Individual Schools	
Revenues:			
U.S. Government	\$ 4,276,421	\$ -	\$ 4,276,421
Other	-	348,481	348,481
Total revenues	<u>4,276,421</u>	<u>348,481</u>	<u>4,624,902</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	488,042	-	488,042
Special populations	1,609,354	-	1,609,354
Alternative programs	1,523,224	-	1,523,224
Co-curricular	-	393,320	393,320
School-based support	358,091	-	358,091
Total instructional services	<u>3,978,711</u>	<u>393,320</u>	<u>4,372,031</u>
System-wide support services:			
Support and development	85,772	-	85,772
Special population support and development	31,547	-	31,547
Alternative programs and services support and development	30,885	-	30,885
Total system-wide support services	<u>169,507</u>	<u>-</u>	<u>169,507</u>
Ancillary services:			
Community	11,171	-	11,171
Nutrition	12,828	-	12,828
Total community services	<u>23,999</u>	<u>-</u>	<u>23,999</u>
Non-programmed charges	104,204	-	104,204
Total expenditures	<u>4,276,421</u>	<u>393,320</u>	<u>4,669,741</u>
Net change in fund balance	-	(44,839)	(44,839)
Fund balances:			
Beginning of year	-	841,711	841,711
End of year	<u>\$ -</u>	<u>\$ 796,872</u>	<u>\$ 796,872</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, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
U.S. Government	\$ 17,929,416	\$ 4,276,421	\$ (13,652,995)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	4,006,866	488,042	3,518,824
Special populations	2,069,216	1,609,354	459,862
Alternative programs	8,051,084	1,523,224	6,527,860
School-based support	<u>2,565,046</u>	<u>358,091</u>	<u>2,206,955</u>
Total instructional services	<u>16,692,212</u>	<u>3,978,711</u>	<u>12,713,501</u>
System-wide support services:			
Support and development	113,510	85,772	27,738
Special population support and development	31,547	31,547	-
Alternative programs and services support and development	76,670	30,885	45,785
Operational support	<u>301,316</u>	<u>21,303</u>	<u>280,013</u>
Total system-wide support services	<u>523,043</u>	<u>169,507</u>	<u>353,536</u>
Ancillary services:			
Community	11,171	11,171	-
Nutrition	<u>13,000</u>	<u>12,828</u>	<u>172</u>
Total ancillary services	<u>24,171</u>	<u>23,999</u>	<u>172</u>
Non-programmed charges:			
Payments to other governments	428,001	104,204	323,797
Unbudgeted Federal grant funds	<u>261,989</u>	<u>-</u>	<u>261,989</u>
Total non-programmed charges	<u>689,990</u>	<u>104,204</u>	<u>585,786</u>
Total expenditures	<u>17,929,416</u>	<u>4,276,421</u>	<u>13,652,995</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, 2021**

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2020	Fund balances 6/30/2021
Orange High	\$ 116,125	\$ 136,912	\$ (20,787)	\$ 294,392	\$ 273,605
Cedar Ridge High	78,580	113,259	(34,679)	182,063	147,384
C.W. Stanford Middle	23,737	12,140	11,597	36,192	47,789
Gravelly Hill Middle	20,123	13,546	6,577	27,396	33,973
A.L. Stanback Middle	27,988	35,674	(7,686)	86,362	78,676
Efland-Cheeks Elementary	12,047	11,783	264	22,638	22,902
Grady A. Brown Elementary	6,364	9,466	(3,102)	15,339	12,237
Central Elementary	4,813	3,929	884	19,912	20,796
Cameron Park Elementary	18,546	18,772	(226)	33,694	33,468
New Hope Elementary	9,034	9,281	(247)	59,284	59,037
Hillsborough Elementary	6,662	14,524	(7,862)	29,716	21,854
Pathways Elementary	21,764	12,357	9,407	33,119	42,526
Partnership Academy Alternative	<u>2,698</u>	<u>1,677</u>	<u>1,021</u>	<u>1,604</u>	<u>2,625</u>
Totals	<u>\$ 348,481</u>	<u>\$ 393,320</u>	<u>\$ (44,839)</u>	<u>\$ 841,711</u>	<u>\$ 796,872</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, 2021**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 217,147	\$ 217,147	\$ -
Orange County:			
Bond revenues	25,686,058	10,773,265	(14,912,793)
Local sales tax	-	-	-
General county appropriations	1,195,800	1,200,300	4,500
Reimbursements	16,334,943	3,219,336	(13,115,607)
Total Orange County	<u>43,216,801</u>	<u>15,192,901</u>	<u>(28,023,900)</u>
Total revenues	<u>43,433,948</u>	<u>15,410,048</u>	<u>(28,023,900)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	167,390	128,346	39,044
Co-curricular	82,024	54,422	27,602
School-based support	5,416,025	4,503,304	912,721
Total instructional services	<u>5,665,439</u>	<u>4,686,072</u>	<u>979,367</u>
System-wide support services:			
Operational support	40,065,227	12,806,002	27,259,225
Financial and human resource services	143,910	143,742	168
Total system-wide support services	<u>40,209,137</u>	<u>12,949,744</u>	<u>27,259,393</u>
Ancillary services:			
Nutrition	891,054	153,786	737,268
Debt service:			
Principal retirement	217,147	217,147	-
Capital outlay	284,249	198,906	85,343
Total expenditures	<u>47,267,026</u>	<u>18,205,655</u>	<u>29,061,371</u>
Revenues under expenditures	(3,833,078)	(2,795,607)	1,037,471
Other financing sources:			
Installment purchase obligations issued	3,000,000	3,000,000	-
Fund balance appropriated	833,078	-	(833,078)
Net change in fund balance	<u>\$ -</u>	<u>204,393</u>	<u>\$ 204,393</u>
Fund balance:			
Beginning of year		<u>1,543,113</u>	
End of year		<u>\$ 1,747,506</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, 2021**

	Final Budget	Actual	Variance with Final Budget
Operating revenues - food sales	\$ 298,150	\$ 5,816	\$ (292,334)
Operating expenditures:			
Business support services:			
Purchase of food		1,563,664	
Donated commodities		176,743	
Salaries and benefits		1,508,492	
Materials and supplies		55,803	
Non-capitalized equipment		1,802	
Contracted services		450	
Other		6,276	
Total operating expenditures	<u>3,616,501</u>	<u>3,313,230</u>	<u>303,271</u>
Operating loss	<u>(3,318,351)</u>	<u>(3,307,414)</u>	<u>10,937</u>
Nonoperating revenues:			
Federal reimbursements and grants	3,085,351	3,594,002	508,651
Federal commodities	185,000	176,743	(8,257)
State reimbursements	3,000	-	(3,000)
Total nonoperating revenues	<u>3,273,351</u>	<u>3,770,745</u>	<u>497,394</u>
Excess (deficiency) of revenues over expenditures before other financing sources	(45,000)	463,331	508,331
Other financing sources:			
Transfers from other funds	45,000	43,920	(1,080)
Net change in fund balance	<u>\$ -</u>	507,251	<u>\$ 507,251</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(35,223)	
Net OPEB asset		248	
Net pension liability		(86,092)	
Net OPEB liability		264,638	
Deferred outflows - pension and OPEB		(13,364)	
Deferred inflows - pension and OPEB		(78,844)	
Increase in compensated absences payable		(1,808)	
Decrease in inventories		(22,487)	
Change in net position (full accrual)		<u>\$ 534,319</u>	

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, 2021

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	\$ 76,041	\$ 67,347	\$ (8,694)
Operating expenditures:			
Regular community services:			
Purchase of food		2,194	
Salaries and benefits		321,759	
Materials and supplies		1,089	
Other		4,176	
Total operating expenditures	329,601	329,218	383
Revenues under expenditures	(253,560)	(261,871)	(8,311)
Fund balance appropriated	253,560	-	(253,560)
Net change in fund balance	\$ -	(261,871)	\$ (261,871)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		46	
Net pension liability		(20,250)	
Net OPEB liability		148,345	
Deferred outflows - pension and OPEB		(16,490)	
Deferred inflows - pension and OPEB		(14,772)	
Increase in compensated absences payable		17,954	
Change in net position (full accrual)		\$ (147,038)	

COMPLIANCE SECTION



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, 2021, 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 21, 2021.

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 21, 2021
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, 2021. 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, 2021.

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 21, 2021
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, 2021. 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, 2021.

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 21, 2021
Rockingham, North Carolina*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

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
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.559	Summer Food Service Program for Children
21.019	COVID-19 – Coronavirus Relief Fund
84.425	COVID-19 – Education Stabilization Fund

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

Auditee qualified as low-risk auditee? *Yes*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

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

Career and Technical Education – State Months of Employment

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, 2021**

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, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>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	\$ 176,743
Cash Assistance:			
Summer Food Service Program for Children	10.559	PRC 035	<u>3,594,002</u>
Total Child Nutrition Cluster			<u>3,770,745</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:			
COVID-19 - Coronavirus Relief Fund:			
Summer Learning Program		PRC 121	201,412
Contracting Mental Health Professional		PRC 122	13,590
Nondigital Resources		PRC 123	13,375
School Nutrition		PRC 125	181,258
Personnel Computers and Devices		PRC 126	190,273
Home and Community WiFi		PRC 128	117,029
Grants for Exceptional Children Services		PRC 132	169,060
Personal Protective Equipment		PRC 137	<u>234,698</u>
Total COVID-19 - Coronavirus Relief Fund	21.019		<u>1,120,695</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	938,860
Supporting Effective Instruction State Grant	84.367	PRC 103	130,948
Student Support and Academic Enrichment Program	84.424	PRC 108	71,352
Language Acquisition Grant	84.365	PRC 104	50,293
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,589,938
Special Needs Targeted Assistance	84.027	PRC 118	10,896
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	46,067
Preschool Targeted Assistance	84.173	PRC 119	<u>361</u>
Total Special Education Cluster			<u>1,647,262</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2021**

<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	6,467
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>96,338</u>
COVID-19 - Education Stabilization Fund:			
CARES Act:			
COVID-19 - ESSER I - K-12 Emergency Relief Fund	84.425D	PRC 163	574,407
COVID-19 - ESSER I - Public School Unit Supplemental Funding	84.425D	PRC 164	6,988
COVID-19 - ESSER I - Exceptional Children Grants	84.425D	PRC 167	11,268
COVID-19 - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	80,385
CRRSA:			
COVID-19 - ESSER II - K-12 Emergency Relief Fund	84.425D	PRC 171	<u>661,853</u>
Total COVID-19 - Education Stabilization Fund	84.425		<u>1,334,901</u>
Total U.S. Department of Education			<u>4,276,421</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the N.C. Department of Health and Human Services Child Care and Development Block Grant	93.575		<u>4,644</u>
Total Federal Assistance			<u>9,172,505</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund		Various	45,409,462
Career and Technical Education:			
State Months of Employment		PRC 013	2,684,438
Program Support Funds		PRC 014	118,364
Driver Training		PRC 012	160,146
School Technology Fund		PRC 015	<u>60,852</u>
Cash assistance subtotal			<u>48,433,262</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	<u>217,147</u>
Total N.C. Department of Public Instruction			<u>48,650,409</u>
Total State Assistance			<u>48,650,409</u>
Total Federal and State Assistance			<u>\$ 57,822,914</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, 2021. 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.