

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2014*

**ORANGE COUNTY BOARD OF EDUCATION
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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, 2014 and the related notes to the 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, 2014, 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 Federal Grants funds for the year then ended in conformity 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 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* 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 November 7, 2014 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

November 7, 2014
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, 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Student enrollment increased by 150 students over the average daily membership of the prior fiscal year.
- The Orange County Board of County Commissioners funded Orange County Schools at \$3,269 per student which was an increase of \$102 per pupil over the prior year.
- The total funding increase over the prior year from the Orange County Board of County Commissioners was \$1,038,459.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary 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 and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

ORANGE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. 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 and liabilities. This is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Orange County Board of Education has three types of funds:

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

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

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Orange County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund.

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Orange County Board of Education has two fiduciary funds – an administrative fund and an agency 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 agency fund is used to account for moneys held for the Central Carolina Regional Educational Service Alliance (RESA). The Board is the fiscal agent for this entity.

The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$70.7 million as of June 30, 2014 as compared to \$73.7 million as of June 30, 2013, a decrease of \$3.0 million. The largest component of net position is net investment in capital assets of \$68.3 million, which comprises 96.7% of the total net position.

Following is a summary of the Statement of Net Position as of June 30, 2014 and 2013:

**Table 1
Condensed Statement of Net Position
As of June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current assets	\$ 10,729,421	\$ 11,135,185	\$ 890,020	\$ 803,672	\$ 11,619,441	\$ 11,938,857
Capital assets	68,398,117	71,631,176	105,690	123,906	68,503,807	71,755,082
Total assets	<u>79,127,538</u>	<u>82,766,361</u>	<u>995,710</u>	<u>927,578</u>	<u>80,123,248</u>	<u>83,693,939</u>
Current liabilities	5,616,591	5,482,351	93,328	87,679	5,709,919	5,570,030
Long-term liabilities	3,702,791	4,357,749	40,250	57,296	3,743,041	4,415,045
Total liabilities	<u>9,319,382</u>	<u>9,840,100</u>	<u>133,578</u>	<u>144,975</u>	<u>9,452,960</u>	<u>9,985,075</u>
Net investment in capital assets	68,196,020	71,226,985	105,690	123,906	68,301,710	71,350,891
Restricted net position	2,083,835	1,931,694	-	-	2,083,835	1,931,694
Unrestricted net position (deficit)	<u>(471,699)</u>	<u>(232,418)</u>	<u>756,442</u>	<u>658,697</u>	<u>284,743</u>	<u>426,279</u>
Total net position	<u>\$ 69,808,156</u>	<u>\$ 72,926,261</u>	<u>\$ 862,132</u>	<u>\$ 782,603</u>	<u>\$ 70,670,288</u>	<u>\$ 73,708,864</u>

The net position of the Board's governmental activities decreased \$3.1 million during the year from \$72.9 million at June 30, 2013 to \$69.8 million at June 30, 2014, indicating a decline in the financial condition of the Board. For the year, net investment in capital assets decreased by \$3.0 million which comprised the majority of the overall decrease in governmental activities net position.

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

The net position of the Board's business-type activities increased \$80,000 during the year to \$862,000 at June 30, 2014. This increase of \$80,000 is the amount of combined net profit (including transfers) generated by the Board's School Food Service and Child Care programs during the year.

The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues:						
Charges for services	\$ 2,011,737	\$ 2,026,427	\$ 1,506,452	\$ 1,608,554	\$ 3,518,189	\$ 3,634,981
Operating grants and contributions	45,875,691	45,316,751	1,735,931	1,679,439	47,611,622	46,996,190
Capital grants and contributions	202,094	482,675	-	-	202,094	482,675
General revenues:						
Other revenues	30,047,012	27,715,714	7,012	2,770	30,054,024	27,718,484
Total revenues	<u>78,136,534</u>	<u>75,541,567</u>	<u>3,249,395</u>	<u>3,290,763</u>	<u>81,385,929</u>	<u>78,832,330</u>
Expenses:						
Governmental activities:						
Instructional services	56,783,772	59,126,905	-	-	56,783,772	59,126,905
System-wide support services	20,450,329	17,970,875	-	-	20,450,329	17,970,875
Ancillary services	16,761	27,890	-	-	16,761	27,890
Non-programmed charges	1,007,582	1,034,008	-	-	1,007,582	1,034,008
Interest on long-term debt	25,316	33,540	-	-	25,316	33,540
Unallocated depreciation	2,912,884	3,334,908	-	-	2,912,884	3,334,908
Business-type activities:						
School food service	-	-	2,605,716	2,712,567	2,605,716	2,712,567
Child care	-	-	622,145	775,658	622,145	775,658
Total expenses	<u>81,196,644</u>	<u>81,528,126</u>	<u>3,227,861</u>	<u>3,488,225</u>	<u>84,424,505</u>	<u>85,016,351</u>
Transfers in (out)	<u>(57,995)</u>	<u>(115,486)</u>	<u>57,995</u>	<u>115,486</u>	<u>-</u>	<u>-</u>
Increase(decrease) in net position	(3,118,105)	(6,102,045)	79,529	(81,976)	(3,038,576)	(6,184,021)
Beginning net position	<u>72,926,261</u>	<u>79,028,306</u>	<u>782,603</u>	<u>864,579</u>	<u>73,708,864</u>	<u>79,892,885</u>
Ending net position	<u>\$ 69,808,156</u>	<u>\$ 72,926,261</u>	<u>\$ 862,132</u>	<u>\$ 782,603</u>	<u>\$ 70,670,288</u>	<u>\$ 73,708,864</u>

Total governmental activities generated revenues of \$78.1 million while expenses in this category totaled \$81.2 million for the year ended June 30, 2014, resulting in the aforementioned decrease in net position of \$3.1 million (including transfers to business-type activities of \$58,000). Comparatively, revenues were \$75.5 million, expenses totaled \$81.5 million and transfers out were \$115,000 for the year ended June 30, 2013, resulting in a decrease in net position of \$6.1 million. In comparing the two years, there was an increase in revenues of \$2.6 million, while expenses remained relatively unchanged, decreasing by

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

0.4%. The increase in revenues was primarily attributable to a combined \$1.8 million increase in funding from Orange County for General Fund appropriations and capital projects.

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 53.0%, 35.9% and 4.8% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 69.9% of our total expenditures during the most recent fiscal year. Of the remaining 30.1% of our total expenditures, 25.2% was attributable to system-wide support services.

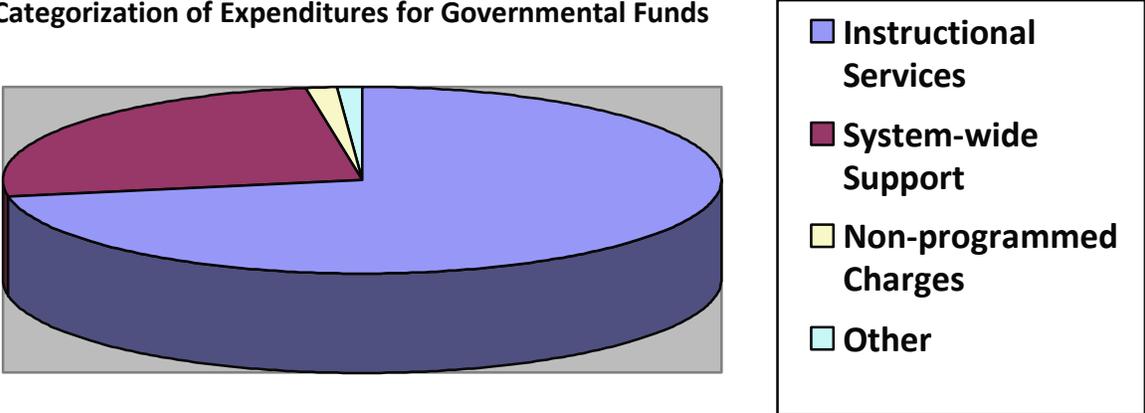
Our business-type activities generated revenues of \$3.2 million, expenses of \$3.2 million and reported transfers in from governmental activities of \$58,000 for the year ended June 30, 2014. For the year, net position increased by \$80,000. Comparatively, revenues were \$3.3 million, expenses were \$3.5 million and transfers in from governmental activities totaled \$115,000 for the year ended June 30, 2013, resulting in a decrease in net position of \$82,000. In comparing the two periods, the year-over-year improvement is primarily due to a \$196,000 decrease in salaries and benefits expenses.

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 \$7.5 million at June 30, 2014, a decrease of \$430,000 from the \$7.9 million reported at June 30, 2013. The Board's General and Capital Outlay funds each reported decreases in fund balance for the year, while the Other Special Revenue and Individual Schools funds both reported increases in fund balance. Total governmental funds revenues increased by \$2.6 million, or 3.4%, over the prior year while expenditures increased by \$1.5 million, or 1.9%. As previously mentioned, the increase in revenues was primarily attributable to a combined \$1.8 million increase in funding from Orange County for General Fund appropriations and capital projects.

Categorization of Expenditures for Governmental Funds



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 \$80,000 for the current year compared to an \$82,000 decrease for the year ended June 30, 2013. As previously discussed, the year-over-year improvement in operating results is primarily due to a decrease in salaries and benefits expenses.

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

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, 2014, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

Capital Assets

Total primary government capital assets were \$68.5 million at June 30, 2014 compared to \$71.8 million at June 30, 2013, a decrease of 4.5%. This decrease was due to an excess of depreciation expense over capital additions for the year. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2014 and 2013:

**Table 3
Summary of Capital Assets
As of June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>
Land	\$ 2,844,650	\$ 2,844,650	\$ -	\$ -	\$ 2,844,650	\$ 2,844,650
Construction in progress	-	-	-	-	-	-
Buildings and improvements	63,955,395	66,669,536	7,113	10,471	63,962,508	66,680,007
Equipment and furniture	368,348	545,290	98,577	113,435	466,925	658,725
Vehicles	1,229,724	1,571,700	-	-	1,229,724	1,571,700
Total	<u>\$ 68,398,117</u>	<u>\$ 71,631,176</u>	<u>\$ 105,690</u>	<u>\$ 123,906</u>	<u>\$ 68,503,807</u>	<u>\$ 71,755,082</u>

Debt Outstanding

During the year, the Board's long-term debt decreased by \$848,000 from \$2.4 million at June 30, 2013 to \$1.5 million at June 30, 2014. 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 rate estimated by the North Carolina Employment Security Commission for June 2013 was 6.4% and 4.8% for June 2014, one of the lowest in the state. The state average for June 2013 was 9.3% and 6.5% for June 2014.
- The County's economy is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture make up a smaller portion of the County's economy.

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

- 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:

Donna Brinkley, Finance Officer
Orange County Board of Education
200 East King Street
Hillsborough, NC 27278

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 8,846,812	\$ 771,550	\$ 9,618,362
Due from other governments	1,714,479	71,981	1,786,460
Receivables	168,130	15,623	183,753
Inventories	-	30,866	30,866
Capital assets:			
Land	2,844,650	-	2,844,650
Other capital assets, net of depreciation	65,553,467	105,690	65,659,157
Total capital assets	68,398,117	105,690	68,503,807
Total assets	79,127,538	995,710	80,123,248
Liabilities			
Accounts payable and accrued expenses	1,351,394	720	1,352,114
Accrued salaries and wages payable	1,853,695	-	1,853,695
Due to other governments	6,124	-	6,124
Unearned revenue	-	50,237	50,237
Long-term liabilities:			
Due within one year	2,405,378	42,371	2,447,749
Due in more than one year	3,702,791	40,250	3,743,041
Total liabilities	9,319,382	133,578	9,452,960
Net position			
Net investment in capital assets	68,196,020	105,690	68,301,710
Restricted for:			
Stabilization by State statute	231,483	-	231,483
School capital outlay	696,355	-	696,355
Instructional services	564,421	-	564,421
Individual schools activities	591,576	-	591,576
Unrestricted (deficit)	(471,699)	756,442	284,743
Total net position	\$ 69,808,156	\$ 862,132	\$ 70,670,288

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, 2014**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 32,802,845	\$ -	\$ 24,567,093	\$ -	\$ (8,235,752)	\$ -	\$ (8,235,752)
Special populations	9,425,105	-	7,363,095	-	(2,062,010)	-	(2,062,010)
Alternative programs	3,556,183	-	3,528,108	-	(28,075)	-	(28,075)
School leadership	3,573,908	-	1,913,882	-	(1,660,026)	-	(1,660,026)
Co-curricular	2,677,065	1,788,005	-	-	(889,060)	-	(889,060)
School-based support	4,748,666	-	2,402,433	-	(2,346,233)	-	(2,346,233)
System-wide support services:							
Support and development	2,260,427	-	216,133	-	(2,044,294)	-	(2,044,294)
Special population support and development	190,127	-	83,666	-	(106,461)	-	(106,461)
Alternative programs and services support and development	198,032	-	161,226	-	(36,806)	-	(36,806)
Technology support	919,080	-	170,011	-	(749,069)	-	(749,069)
Operational support	13,957,363	64,604	4,561,958	202,094	(9,128,707)	-	(9,128,707)
Financial and human resource services	1,384,287	159,128	470,481	-	(754,678)	-	(754,678)
Accountability	196,102	-	21,441	-	(174,661)	-	(174,661)
System-wide pupil support	11,770	-	-	-	(11,770)	-	(11,770)
Policy, leadership and public relations	1,333,141	-	315,619	-	(1,017,522)	-	(1,017,522)
Ancillary services	16,761	-	7,193	-	(9,568)	-	(9,568)
Payments to other governments	1,007,582	-	93,352	-	(914,230)	-	(914,230)
Interest on long-term debt	25,316	-	-	-	(25,316)	-	(25,316)
Unallocated depreciation expense**	2,912,884	-	-	-	(2,912,884)	-	(2,912,884)
Total governmental activities	81,196,644	2,011,737	45,875,691	202,094	(33,107,122)	-	(33,107,122)
Business-type activities:							
School food service	2,605,716	798,189	1,735,931	-	-	(71,596)	(71,596)
Child care	622,145	708,263	-	-	-	86,118	86,118
Total business-type activities	3,227,861	1,506,452	1,735,931	-	-	14,522	14,522
Total primary government	\$ 84,424,505	\$ 3,518,189	\$ 47,611,622	\$ 202,094	(33,107,122)	14,522	(33,092,600)
General revenues:							
Unrestricted county appropriations - operating					25,554,154	-	25,554,154
Unrestricted county appropriations - capital					4,152,471	-	4,152,471
Investment earnings, unrestricted					57,678	2,581	60,259
Miscellaneous, unrestricted					282,709	4,431	287,140
Transfers					(57,995)	57,995	-
Total general revenues and transfers					29,989,017	65,007	30,054,024
Change in net position					(3,118,105)	79,529	(3,038,576)
Net position - beginning					72,926,261	782,603	73,708,864
Net position - ending					\$ 69,808,156	\$ 862,132	\$ 70,670,288

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

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

**ORANGE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Exhibit 3

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
Assets						
Cash and cash equivalents	\$ 6,705,432	\$ 6,082	\$ 42	\$ 693,782	\$ 1,441,474	\$ 8,846,812
Due from other governments	15,847	1,438,956	106,420	105,750	47,506	1,714,479
Accounts receivable	31,327	-	-	-	136,803	168,130
Total assets	\$ 6,752,606	\$ 1,445,038	\$ 106,462	\$ 799,532	\$ 1,625,783	\$ 10,729,421
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,248,199	\$ -	\$ -	\$ 103,177	\$ 18	\$ 1,351,394
Accrued salaries and wages payable	292,141	1,438,956	106,420	-	16,178	1,853,695
Due to other governments	-	6,082	42	-	-	6,124
Total liabilities	1,540,340	1,445,038	106,462	103,177	16,196	3,211,213
Fund balances:						
Restricted:						
Stabilization by State statute	47,174	-	-	-	184,309	231,483
School capital outlay	-	-	-	696,355	-	696,355
Instructional services	-	-	-	-	564,421	564,421
Individual schools	-	-	-	-	591,576	591,576
Assigned:						
Subsequent year's expenditures	2,666,206	-	-	-	-	2,666,206
Special revenues	-	-	-	-	269,281	269,281
Unassigned	2,498,886	-	-	-	-	2,498,886
Total fund balances	5,212,266	-	-	696,355	1,609,587	7,518,208
Total liabilities and fund balances	\$ 6,752,606	\$ 1,445,038	\$ 106,462	\$ 799,532	\$ 1,625,783	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

68,398,117

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.

(6,108,169)

Net position of governmental activities

\$ 69,808,156

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, 2014

Exhibit 4

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
Revenues:						
State of North Carolina	\$ -	\$ 41,234,775	\$ -	\$ 202,094	\$ 7,300	\$ 41,444,169
Orange County	25,554,154	-	-	2,537,576	-	28,091,730
U.S. Government	-	-	3,714,962	-	-	3,714,962
Other	265,280	-	-	1,616,365	3,097,380	4,979,025
Total revenues	25,819,434	41,234,775	3,714,962	4,356,035	3,104,680	78,229,886
Expenditures:						
Current:						
Instructional services:						
Regular instructional	7,957,861	24,361,713	193,180	104,589	160,367	32,777,710
Special populations	2,315,533	5,209,913	1,862,505	-	-	9,387,951
Alternative programs	610,773	1,627,272	1,277,759	-	26,360	3,542,164
School leadership	1,645,937	1,913,882	-	-	-	3,559,819
Co-curricular	893,440	-	-	53,813	1,719,259	2,666,512
School-based support	1,392,283	2,322,386	80,047	708,853	226,377	4,729,946
System-wide support services:						
Support and development	2,035,383	183,511	32,622	-	-	2,251,516
Special population support and development	105,712	54,820	28,846	-	-	189,378
Alternative programs and services support and development	17	19,226	142,000	-	36,008	197,251
Technology support	745,446	170,011	-	-	-	915,457
Operational support	5,532,030	4,513,336	256	2,936,420	497,211	13,479,253
Financial and human resource services	854,770	470,481	-	36,856	16,723	1,378,830
Accountability	173,888	21,441	-	-	-	195,329
System-wide pupil support	11,724	-	-	-	-	11,724
Policy, leadership and public relations	1,012,267	315,619	-	-	-	1,327,886
Ancillary services	4,575	2,798	4,395	3,550	1,443	16,761
Non-programmed charges	1,007,582	-	93,352	-	-	1,100,934
Debt service:						
Principal retirement	151,966	-	-	695,909	-	847,875
Interest and fees	6,076	-	-	19,240	-	25,316
Total expenditures	26,457,263	41,186,409	3,714,962	4,559,230	2,683,748	78,601,612
Revenues over (under) expenditures	(637,829)	48,366	-	(203,195)	420,932	(371,726)
Other financing uses:						
Transfers to other funds	(9,629)	(48,366)	-	-	-	(57,995)
Net change in fund balance	(647,458)	-	-	(203,195)	420,932	(429,721)
Fund balances:						
Beginning of year	5,859,724	-	-	899,550	1,188,655	7,947,929
End of year	\$ 5,212,266	\$ -	\$ -	\$ 696,355	\$ 1,609,587	\$ 7,518,208

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, 2014

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (429,721)

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 depreciation exceeded capital outlays in the current period. (3,233,059)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 847,875

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
 Compensated absences (303,200)

Total changes in net position of governmental activities \$ (3,118,105)

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, 2014

Exhibit 6

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	25,554,154	25,554,154	25,554,154	-
U.S. Government	-	-	-	-
Other	270,000	270,000	265,280	(4,720)
Total revenues	<u>25,824,154</u>	<u>25,824,154</u>	<u>25,819,434</u>	<u>(4,720)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	8,412,932	8,292,810	7,957,861	334,949
Special populations	2,206,757	2,318,894	2,315,533	3,361
Alternative programs	652,991	652,156	610,773	41,383
School leadership	1,942,343	1,942,343	1,645,937	296,406
Co-curricular	934,829	943,664	893,440	50,224
School-based support	1,531,458	1,531,459	1,392,283	139,176
Total instructional services	<u>15,681,310</u>	<u>15,681,326</u>	<u>14,815,827</u>	<u>865,499</u>
System-wide support services:				
Support and development	2,587,807	2,429,997	2,035,383	394,614
Special population support and development	112,119	112,019	105,712	6,307
Alternative programs and services support and development	17	18	17	1
Technology support	676,034	749,280	745,446	3,834
Operational support	6,045,191	5,971,945	5,532,030	439,915
Financial and human resource services	1,247,095	1,246,947	854,770	392,177
Accountability	211,370	211,370	173,888	37,482
System-wide pupil support	12,000	12,000	11,724	276
Policy, leadership and public relations	1,411,744	1,508,892	1,012,267	496,625
Total system-wide support services	<u>12,303,377</u>	<u>12,242,468</u>	<u>10,471,237</u>	<u>1,771,231</u>
Ancillary services:				
Community	82	2,933	2,926	7
Nutrition	1,908	1,908	1,649	259
Total ancillary services	<u>1,990</u>	<u>4,841</u>	<u>4,575</u>	<u>266</u>
Nonprogrammed charges	1,091,847	1,091,847	1,007,582	84,265
Debt service:				
Principal retirement	-	151,966	151,966	-
Interest and fees	-	6,076	6,076	-
Total debt service	<u>-</u>	<u>158,042</u>	<u>158,042</u>	<u>-</u>
Total expenditures	<u>29,078,524</u>	<u>29,178,524</u>	<u>26,457,263</u>	<u>2,721,261</u>
Revenues over (under) expenditures	<u>(3,254,370)</u>	<u>(3,354,370)</u>	<u>(637,829)</u>	<u>2,716,541</u>
Other financing sources (uses):				
Transfers to other funds	(9,629)	(9,629)	(9,629)	-
Fund balance appropriated	<u>3,263,999</u>	<u>3,363,999</u>	<u>-</u>	<u>(3,363,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(647,458)</u>	<u>\$ (647,458)</u>
Fund balances:				
Beginning of year			5,859,724	
End of year			<u>\$ 5,212,266</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, 2014

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 41,503,068	\$ 42,337,346	\$ 41,234,775	\$ (1,102,571)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>41,503,068</u>	<u>42,337,346</u>	<u>41,234,775</u>	<u>(1,102,571)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	24,779,377	24,808,133	24,361,713	446,420
Special populations	5,195,350	5,249,963	5,209,913	40,050
Alternative programs	1,852,949	1,962,592	1,627,272	335,320
School leadership	1,914,495	1,913,933	1,913,882	51
Co-curricular	-	-	-	-
School-based support	2,083,202	2,337,548	2,322,386	15,162
Total instructional services	<u>35,825,373</u>	<u>36,272,169</u>	<u>35,435,166</u>	<u>837,003</u>
System-wide support services:				
Support and development	105,115	183,621	183,511	110
Special population support and development	22,524	64,245	54,820	9,425
Alternative programs and services support and development	71,677	29,925	19,226	10,699
Technology support	158,850	229,526	170,011	59,515
Operational support	4,374,890	4,584,021	4,513,336	70,685
Financial and human resource services	509,918	509,918	470,481	39,437
Accountability	-	29,200	21,441	7,759
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	382,515	382,515	315,619	66,896
Total system-wide support services	<u>5,625,489</u>	<u>6,012,971</u>	<u>5,748,445</u>	<u>264,526</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	3,393	3,393	2,798	595
Total ancillary services	<u>3,393</u>	<u>3,393</u>	<u>2,798</u>	<u>595</u>
Nonprogrammed charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	<u>41,454,255</u>	<u>42,288,533</u>	<u>41,186,409</u>	<u>1,102,124</u>
Revenues over (under) expenditures	<u>48,813</u>	<u>48,813</u>	<u>48,366</u>	<u>(447)</u>
Other financing sources (uses):				
Transfers to other funds	(48,813)	(48,813)	(48,366)	447
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, 2014

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	4,025,649	4,174,495	3,714,962	(459,533)
Other	-	-	-	-
Total revenues	<u>4,025,649</u>	<u>4,174,495</u>	<u>3,714,962</u>	<u>(459,533)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	183,320	193,187	193,180	7
Special populations	1,581,987	1,862,574	1,862,505	69
Alternative programs	1,640,794	1,566,898	1,277,759	289,139
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	133,264	114,473	80,047	34,426
Total instructional services	<u>3,539,365</u>	<u>3,737,132</u>	<u>3,413,491</u>	<u>323,641</u>
System-wide support services:				
Support and development	62,146	66,664	32,622	34,042
Special population support and development	28,206	28,935	28,846	89
Alternative programs and services support and development	114,856	157,884	142,000	15,884
Technology support	-	-	-	-
Operational support	11,317	1,667	256	1,411
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>216,525</u>	<u>255,150</u>	<u>203,724</u>	<u>51,426</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	11,300	10,100	4,395	5,705
Total ancillary services	<u>11,300</u>	<u>10,100</u>	<u>4,395</u>	<u>5,705</u>
Nonprogrammed charges	<u>258,459</u>	<u>172,113</u>	<u>93,352</u>	<u>78,761</u>
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,025,649</u>	<u>4,174,495</u>	<u>3,714,962</u>	<u>459,533</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
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
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2014**

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 467,194	\$ 304,356	\$ 771,550
Due from other governments	71,981	-	71,981
Receivables	15,459	164	15,623
Inventories	30,866	-	30,866
Total current assets	<u>585,500</u>	<u>304,520</u>	<u>890,020</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>90,276</u>	<u>15,414</u>	<u>105,690</u>
Total assets	<u>675,776</u>	<u>319,934</u>	<u>995,710</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	132	588	720
Compensated absences	37,605	4,766	42,371
Unearned revenue	37,022	13,215	50,237
Total current liabilities	<u>74,759</u>	<u>18,569</u>	<u>93,328</u>
Noncurrent liabilities:			
Compensated absences	<u>35,395</u>	<u>4,855</u>	<u>40,250</u>
Total liabilities	<u>110,154</u>	<u>23,424</u>	<u>133,578</u>
Net position			
Investment in capital assets	90,276	15,414	105,690
Unrestricted	<u>475,346</u>	<u>281,096</u>	<u>756,442</u>
Total net position	<u>\$ 565,622</u>	<u>\$ 296,510</u>	<u>\$ 862,132</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, 2014

Exhibit 8

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 798,189	\$ -	\$ 798,189
Child care fees	-	708,263	708,263
Total operating revenues	798,189	708,263	1,506,452
Operating expenses:			
Food cost:			
Purchase of food	801,426	21,269	822,695
Donated commodities	162,643	-	162,643
Salaries and benefits	1,509,593	555,343	2,064,936
Indirect costs	186,394	-	186,394
Materials and supplies	97,092	13,295	110,387
Depreciation	14,230	6,233	20,463
Contracted services	6,346	7,450	13,796
Other	14,386	18,555	32,941
Total operating expenses	2,792,110	622,145	3,414,255
Operating income (loss)	(1,993,921)	86,118	(1,907,803)
Nonoperating revenues:			
Federal reimbursements and grants	1,568,935	-	1,568,935
Federal commodities	162,643	-	162,643
State reimbursements	4,353	-	4,353
Indirect costs not paid	186,394	-	186,394
Interest earned	-	2,581	2,581
Gain on disposal of capital assets	3,966	-	3,966
Other	465	-	465
Total nonoperating revenues	1,926,756	2,581	1,929,337
Income (loss) before transfers	(67,165)	88,699	21,534
Transfers from other funds	57,995	-	57,995
Change in net position	(9,170)	88,699	79,529
Net position, beginning of year	574,792	207,811	782,603
Net position, end of year	\$ 565,622	\$ 296,510	\$ 862,132

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, 2014

Exhibit 9

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 792,124	\$ 708,209	\$ 1,500,333
Cash paid for goods and services	(908,038)	(61,673)	(969,711)
Cash paid to employees for services	(1,463,539)	(554,526)	(2,018,065)
Net cash provided (used) by operating activities	<u>(1,579,453)</u>	<u>92,010</u>	<u>(1,487,443)</u>
Cash flows from noncapital financing activities:			
Federal and State reimbursements and grants	1,532,075	-	1,532,075
Proceeds from disposal of capital assets	3,966	-	3,966
Other	465	-	465
Net cash provided by noncapital financing activities	<u>1,536,506</u>	<u>-</u>	<u>1,536,506</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(2,247)	-	(2,247)
Cash flows from investing activities:			
Interest earned on investments	-	2,581	2,581
Net increase (decrease) in cash and cash equivalents	(45,194)	94,591	49,397
Cash and cash equivalents, beginning of year	512,388	209,765	722,153
Cash and cash equivalents, end of year	<u>\$ 467,194</u>	<u>\$ 304,356</u>	<u>\$ 771,550</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,993,921)	\$ 86,118	\$ (1,907,803)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	14,230	6,233	20,463
Donated commodities	162,643	-	162,643
Salaries paid by other funds	57,995	-	57,995
Indirect costs not paid	186,394	-	186,394
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8,740)	1,913	(6,827)
Decrease in inventories	11,089	-	11,089
Increase (decrease) in accounts payable and accrued liabilities	123	(1,104)	(981)
Increase (decrease) in unearned revenue	2,675	(1,967)	708
Increase (decrease) in compensated absences payable	(11,941)	817	(11,124)
Total adjustments	<u>414,468</u>	<u>5,892</u>	<u>420,360</u>
Net cash provided (used) by operating activities	<u>\$ (1,579,453)</u>	<u>\$ 92,010</u>	<u>\$ (1,487,443)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2014

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$162,643 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund and the General Fund paid salaries and benefits of \$48,366 and \$9,629, respectively, to personnel of the School Food Service Fund during the fiscal year. These payments are reflected as an operating transfer in and an operating expense on Exhibit 8.

Indirect costs of \$186,394 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue 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 FUNDS
June 30, 2014**

Exhibit 10

	<u>Administrative Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 115,566	\$ 516,324
Liabilities		
Due to RESA	\$ -	\$ 516,324
Net Position		
Assets held in trust for private purpose	\$ 115,566	\$ -

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, 2014**

Exhibit 11

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 235
Deductions:	
Instructional costs and other expenditures	<u>-</u>
Change in net position	235
Beginning net position	<u>115,331</u>
Ending net position	<u>\$ 115,566</u>

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

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from 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 FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). 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:

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.

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

The Board reports the following major enterprise fund:

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

The Board reports the following nonmajor enterprise fund:

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 funds:

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.

Central Carolina Regional Educational Service Alliance (RESA) Agency Fund. This fund is used to account for moneys held for the Central Carolina Regional Educational Service Alliance for which the Board is the fiscal agent.

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.

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

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, Liabilities, 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.

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. 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.

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

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. 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

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

5. Long-term Obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2014 is recorded in the

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

7. Net Position/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)].

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 fund raising activities for which they were collected.

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

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 the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

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

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

8. 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 \$62,289,948 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on the government-wide statement in the governmental activities column)	\$130,255,737
Less accumulated depreciation	<u>(61,857,620)</u>
Net capital assets	68,398,117
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	(1,518,759)
Compensated absences	<u>(4,589,410)</u>
Total adjustment	<u>\$ 62,289,948</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 (\$2,688,384) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 124,098
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	(3,357,157)

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	847,875
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:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>(303,200)</u>
Total adjustment	<u>\$ (2,688,384)</u>

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, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$7,785,781 and with the State Treasurer of \$6,124. The bank balances with the financial institutions and the State Treasurer were \$8,215,606 and \$1,344,511, respectively. Of these balances, \$1,104,968 was covered by federal depository insurance and \$8,455,149 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board also had cash on hand at year end totaling \$117.

2. Investments

At June 30, 2014, the Board had \$2,458,230 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, 2014. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks.

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2014 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 15,847	\$ 31,327	\$ 47,174
Other governmental activities	<u>1,698,632</u>	<u>136,803</u>	<u>1,835,435</u>
Total governmental activities	<u>\$ 1,714,479</u>	<u>\$ 168,130</u>	<u>\$ 1,882,609</u>
Business-type activities:			
School Food Service Fund	\$ 71,981	\$ 15,459	\$ 87,440
Child Care Fund	<u>-</u>	<u>164</u>	<u>164</u>
Total business-type activities	<u>\$ 71,981</u>	<u>\$ 15,623</u>	<u>\$ 87,604</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 15,847	Amounts due from the County
State Public School Fund	1,438,956	Operating funds from DPI
Federal Grants Fund	106,420	Federal grant funds
Capital Outlay Fund	105,750	Amounts due from County and DPI
Other Special Revenue Fund	<u>47,506</u>	Amounts due from the County
Total	<u>\$ 1,714,479</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 71,981</u>	Federal funds

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,844,650	\$ -	\$ -	\$ 2,844,650
Capital assets being depreciated:				
Buildings and improvements	113,635,480	-	-	113,635,480
Equipment and furniture	5,219,517	21,801	24,358	5,216,960
Vehicles	8,667,447	102,297	211,097	8,558,647
Total capital assets being depreciated	<u>127,522,444</u>	<u>124,098</u>	<u>235,455</u>	<u>127,411,087</u>
Less accumulated depreciation for:				
Buildings and improvements	46,965,944	2,714,141	-	49,680,085
Equipment and furniture	4,674,227	198,743	24,358	4,848,612
Vehicles	7,095,747	444,273	211,097	7,328,923
Total accumulated depreciation	<u>58,735,918</u>	<u>3,357,157</u>	<u>235,455</u>	<u>61,857,620</u>
Total capital assets being depreciated, net	<u>68,786,526</u>			<u>65,553,467</u>
Governmental activity capital assets, net	<u>\$ 71,631,176</u>			<u>\$ 68,398,117</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,249,719	\$ 2,247	\$ 13,808	\$ 1,238,158
Less accumulated depreciation for:				
Equipment and furniture	<u>1,147,460</u>	<u>14,230</u>	<u>13,808</u>	<u>1,147,882</u>
School Food Service capital assets, net	<u>102,259</u>			<u>90,276</u>
Child Care Fund:				
Capital assets being depreciated:				
Building improvements	48,448	-	-	48,448
Equipment and furniture	113,155	-	17,176	95,979
Total capital assets being depreciated	<u>161,603</u>	<u>-</u>	<u>17,176</u>	<u>144,427</u>
Less accumulated depreciation for:				
Building improvements	37,977	3,358	-	41,335
Equipment and furniture	101,979	2,875	17,176	87,678
Total accumulated depreciation	<u>139,956</u>	<u>6,233</u>	<u>17,176</u>	<u>129,013</u>
Child Care Fund capital assets, net	<u>21,647</u>			<u>15,414</u>
Business-type activities capital assets, net	<u>\$ 123,906</u>			<u>\$ 105,690</u>

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

Depreciation was charged to governmental functions as follows:

Operational support services	\$ 444,273
Unallocated depreciation	<u>2,912,884</u>
Total	<u>\$ 3,357,157</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Orange County Board of Education contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of annual covered payroll. The contribution requirements of plan members and Orange County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013 and 2012 were \$3,845,341, \$3,772,589 and \$3,227,772, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees 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 and after October 1, 2006 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 total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013 and 2012, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,389,510, \$2,400,327 and \$2,169,201, respectively. These contributions represented 5.40%, 5.30% and 5.00% of covered payroll, respectively.

Long-term 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. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit 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. 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 accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, 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 the Retirement System;

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. 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 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. For the fiscal years ended June 30, 2014, 2013 and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$194,701, \$199,272 and \$225,597, respectively. These contributions represented 0.44%, 0.44% and 0.52% of covered payroll, respectively.

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

2. Accounts Payable

Accounts payable as of June 30, 2014 are as follows:

	<u>Vendors and Other</u>	<u>Salaries and benefits</u>	<u>Due to Other Governments</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 1,248,199	\$ 292,141	\$ -	\$ 1,540,340
Other governmental activities	<u>103,195</u>	<u>1,561,554</u>	<u>6,124</u>	<u>1,670,873</u>
Total governmental activities	<u>\$ 1,351,394</u>	<u>\$ 1,853,695</u>	<u>\$ 6,124</u>	<u>\$ 3,211,213</u>
Business-type activities:				
School Food Service Fund	\$ 132	\$ -	\$ -	\$ 132
Child Care Fund	<u>588</u>	<u>-</u>	<u>-</u>	<u>588</u>
Total business-type activities	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720</u>

3. Unearned Revenues

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

Business-type activities:

Prepayments of meals (School Food Service Fund)	\$ 37,022
Prepayments of tuition (Child Care Fund)	<u>13,215</u>
Total business-type activities	<u>\$ 50,237</u>

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

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 up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time 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.

5. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot 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 financing arrangements. During the fiscal year ended June 30, 2013, the Board entered into such a contract for the purchase of school buses. The contract requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

The Board entered into an installment purchase contract for the purchase of computers during the fiscal year ended June 30, 2013. The contract requires four equal payments of principal and interest at 1.29% due annually through 2016.

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2015	\$ 873,194
2016	<u>671,096</u>
	1,544,290
Less portion representing interest	<u>(25,531)</u>
Total principal obligation	<u>\$ 1,518,759</u>

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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, 2014:

	July 1, 2013	Increases	Decreases	June 30, 2014	Current Portion
Governmental activities:					
Installment purchases	\$ 2,366,634	\$ -	\$ 847,875	\$ 1,518,759	\$ 856,209
Compensated absences	<u>4,286,210</u>	<u>2,641,755</u>	<u>2,338,555</u>	<u>4,589,410</u>	<u>1,549,169</u>
Total governmental activities	<u>\$ 6,652,844</u>	<u>\$ 2,641,755</u>	<u>\$ 3,186,430</u>	<u>\$ 6,108,169</u>	<u>\$ 2,405,378</u>
Business-type activities:					
Compensated absences	<u>\$ 93,745</u>	<u>\$ 75,879</u>	<u>\$ 87,003</u>	<u>\$ 82,621</u>	<u>\$ 42,371</u>

Compensated absences related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds for the year ended June 30, 2014 consist of the following:

From the State Public School Fund to the School Food Service Fund for salaries and benefits	<u>\$ 48,366</u>
From the General Fund to the School Food Service Fund for salaries and benefits	<u>\$ 9,629</u>

D. Net Position/Fund Balance

1. Net Investment in Capital Assets

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

Total capital assets	\$ 68,398,117
Less:	
Installment purchase obligations for school buses	<u>(202,097)</u>
Net investment in capital assets	<u>\$ 68,196,020</u>

The district also has \$1,316,662 of installment purchase obligations outstanding at June 30, 2014 for computers. This amount has been excluded from the calculation of net investment in capital assets due to these computers being noncapitalized items.

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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	\$ 5,212,266
Less:	
Stabilization by State statute	(47,174)
Appropriated fund balance in the 2014-2015 budget	<u>(2,666,206)</u>
Remaining fund balance	<u>\$ 2,498,886</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, 2014 were as follows:

Capital Outlay Fund	\$ 570,771
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NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
County appropriation	\$ 25,554,154	\$ 25,554,154	\$ -
Other:			
Fines and forfeitures	200,000	209,072	9,072
Interest earned on investment	70,000	56,208	(13,792)
Total other	<u>270,000</u>	<u>265,280</u>	<u>(4,720)</u>
Total revenues	<u>25,824,154</u>	<u>25,819,434</u>	<u>(4,720)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	8,292,810	7,957,861	334,949
Special populations	2,318,894	2,315,533	3,361
Alternative programs	652,156	610,773	41,383
School leadership	1,942,343	1,645,937	296,406
Co-curricular	943,664	893,440	50,224
School-based support	1,531,459	1,392,283	139,176
Total instructional services	<u>15,681,326</u>	<u>14,815,827</u>	<u>865,499</u>
System-wide support services:			
Support and development	2,429,997	2,035,383	394,614
Special population support and development	112,019	105,712	6,307
Alternative programs and services support and development	18	17	1
Technology support	749,280	745,446	3,834
Operational support	5,971,945	5,532,030	439,915
Financial and human resource services	1,246,947	854,770	392,177
Accountability	211,370	173,888	37,482
System-wide pupil support	12,000	11,724	276
Policy, leadership and public relations	1,508,892	1,012,267	496,625
Total system-wide support services	<u>12,242,468</u>	<u>10,471,237</u>	<u>1,771,231</u>
Ancillary services:			
Community	2,933	2,926	7
Nutrition	1,908	1,649	259
Total ancillary services	<u>4,841</u>	<u>4,575</u>	<u>266</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	1,091,847	1,007,582	84,265
Debt service:			
Principal retirement	151,966	151,966	-
Interest and fees	6,076	6,076	-
Total debt service	158,042	158,042	-
Total expenditures	29,178,524	26,457,263	2,721,261
Revenues under expenditures	(3,354,370)	(637,829)	2,716,541
Other financing uses:			
Transfers to other funds	(9,629)	(9,629)	-
Fund balance appropriated	3,363,999	-	(3,363,999)
Net change in fund balance	\$ -	(647,458)	\$ (647,458)
Fund balance:			
Beginning of year		5,859,724	
End of year		\$ 5,212,266	

**ORANGE COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Assets			
Cash and cash equivalents	\$ 849,898	\$ 591,576	\$ 1,441,474
Due from other governments	47,506	-	47,506
Accounts receivable	<u>136,803</u>	<u>-</u>	<u>136,803</u>
Total assets	<u>\$ 1,034,207</u>	<u>\$ 591,576</u>	<u>\$ 1,625,783</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 18	\$ -	\$ 18
Accrued salaries and wages payable	<u>16,178</u>	<u>-</u>	<u>16,178</u>
Total liabilities	<u>16,196</u>	<u>-</u>	<u>16,196</u>
Fund balances			
Restricted:			
Stabilization by State statute	184,309	-	184,309
Instructional services	564,421	-	564,421
Individual schools	-	591,576	591,576
Assigned:			
Special revenues	<u>269,281</u>	<u>-</u>	<u>269,281</u>
Total fund balances	<u>1,018,011</u>	<u>591,576</u>	<u>1,609,587</u>
Total liabilities and fund balances	<u>\$ 1,034,207</u>	<u>\$ 591,576</u>	<u>\$ 1,625,783</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, 2014**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 7,300	\$ -	\$ 7,300
Other	<u>1,309,375</u>	<u>1,788,005</u>	<u>3,097,380</u>
Total revenues	<u>1,316,675</u>	<u>1,788,005</u>	<u>3,104,680</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	160,367	-	160,367
Alternative programs	26,360	-	26,360
Co-curricular	-	1,719,259	1,719,259
School-based support	<u>226,377</u>	<u>-</u>	<u>226,377</u>
Total instructional services	<u>413,104</u>	<u>1,719,259</u>	<u>2,132,363</u>
System-wide support services:			
Alternative programs and services support and development	36,008	-	36,008
Operational support	497,211	-	497,211
Financial and human resource services	<u>16,723</u>	<u>-</u>	<u>16,723</u>
Total system-wide support services	<u>549,942</u>	<u>-</u>	<u>549,942</u>
Ancillary services:			
Nutrition	<u>1,443</u>	<u>-</u>	<u>1,443</u>
Total expenditures	<u>964,489</u>	<u>1,719,259</u>	<u>2,683,748</u>
Net change in fund balance	352,186	68,746	420,932
Fund balances:			
Beginning of year	<u>665,825</u>	<u>522,830</u>	<u>1,188,655</u>
End of year	<u>\$ 1,018,011</u>	<u>\$ 591,576</u>	<u>\$ 1,609,587</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Teacher on Loan Program	\$ 7,300	\$ 7,300	\$ -
Other:			
Indirect costs allocated	95,000	93,352	(1,648)
Private grants and programs	11,500	4,900	(6,600)
Rental of school property	65,000	64,604	(396)
Medicaid reimbursement program	267,999	290,677	22,678
Other refunds and reimbursements	259,055	283,581	24,526
Tuition and fees	159,000	159,128	128
ABC revenues	38,500	38,500	-
Contracted services	368,422	339,496	(28,926)
Miscellaneous	12,000	35,137	23,137
Total other	<u>1,276,476</u>	<u>1,309,375</u>	<u>32,899</u>
Total revenues	<u>1,283,776</u>	<u>1,316,675</u>	<u>32,899</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	438,827	160,367	278,460
Special populations	137,562	-	137,562
Alternative programs	266,926	26,360	240,566
Co-curricular	526	-	526
School-based support	239,024	226,377	12,647
Total instructional services	<u>1,082,865</u>	<u>413,104</u>	<u>669,761</u>
System-wide support services:			
Alternative programs and services support and development	45,500	36,008	9,492
Operational support	497,246	497,211	35
Financial and human resource services	17,000	16,723	277
System-wide pupil support	888	-	888
Total system-wide support services	<u>560,634</u>	<u>549,942</u>	<u>10,692</u>
Ancillary services:			
Nutrition	2,000	1,443	557
Total expenditures	<u>1,645,499</u>	<u>964,489</u>	<u>681,010</u>
Revenues over (under) expenditures	(361,723)	352,186	713,909
Fund balance appropriated	361,723	-	(361,723)
Net change in fund balance	<u>\$ -</u>	352,186	<u>\$ 352,186</u>
Fund balance:			
Beginning of year		665,825	
End of year		<u>\$ 1,018,011</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, 2014

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2013	Fund balances 6/30/2014
Orange High	\$ 571,985	\$ 548,536	\$ 23,449	\$ 136,056	\$ 159,505
Cedar Ridge High	417,726	400,495	17,231	184,815	202,046
C.W. Stanford Middle	112,567	100,648	11,919	47,575	59,494
Gravelly Hill Middle	106,750	109,060	(2,310)	21,460	19,150
A.L. Stanback Middle	85,992	81,577	4,415	23,824	28,239
Efland-Cheeks Elementary	37,942	39,182	(1,240)	5,741	4,501
Grady A. Brown Elementary	52,779	49,991	2,788	20,128	22,916
Central Elementary	44,825	43,864	961	5,674	6,635
Cameron Park Elementary	134,959	143,000	(8,041)	23,258	15,217
New Hope Elementary	78,755	73,620	5,135	28,623	33,758
Hillsborough Elementary	84,901	83,639	1,262	4,937	6,199
Pathways Elementary	55,593	42,737	12,856	19,237	32,093
Partnership Academy Alternative	3,231	2,910	321	1,502	1,823
Totals	<u>\$ 1,788,005</u>	<u>\$ 1,719,259</u>	<u>\$ 68,746</u>	<u>\$ 522,830</u>	<u>\$ 591,576</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ -	\$ 202,094	\$ 202,094
Orange County:			
Qualified School Construction Bonds	878,126	878,126	-
General county appropriations	2,708,103	1,659,450	(1,048,653)
Total Orange County	<u>3,586,229</u>	<u>2,537,576</u>	<u>(1,048,653)</u>
Other:			
Local sales tax	3,516,795	1,614,895	(1,901,900)
Interest earned on investments	-	1,470	1,470
Total other	<u>3,516,795</u>	<u>1,616,365</u>	<u>(1,900,430)</u>
Total revenues	<u>7,103,024</u>	<u>4,356,035</u>	<u>(2,746,989)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	155,000	104,589	50,411
Co-curricular	60,000	53,813	6,187
School-based support	895,323	708,853	186,470
Total instructional services	<u>1,110,323</u>	<u>867,255</u>	<u>243,068</u>
System-wide support services:			
Operational support	6,108,292	2,936,420	3,171,872
Financial and human resource	37,500	36,856	644
Total system-wide support services	<u>6,145,792</u>	<u>2,973,276</u>	<u>3,172,516</u>
Ancillary services:			
Nutrition	10,000	3,550	6,450
Debt service:			
Principal retirement	695,909	695,909	-
Interest and fees	19,240	19,240	-
Total debt service	<u>715,149</u>	<u>715,149</u>	<u>-</u>
Total expenditures	<u>7,981,264</u>	<u>4,559,230</u>	<u>3,422,034</u>
Revenues under expenditures	(878,240)	(203,195)	675,045
Fund balance appropriated	<u>878,240</u>	-	<u>(878,240)</u>
Net change in fund balance	<u>\$ -</u>	<u>(203,195)</u>	<u>\$ (203,195)</u>
Fund balance:			
Beginning of year		<u>899,550</u>	
End of year		<u>\$ 696,355</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 962,150	\$ 798,189	\$ (163,961)
Operating expenditures:			
Business support services:			
Purchase of food	-	790,337	-
Donated commodities	-	162,643	-
Salaries and benefits	-	1,521,534	-
Materials and supplies	-	97,092	-
Contracted services	-	6,346	-
Other	-	14,386	-
Capital outlay	-	2,247	-
Total operating expenditures	<u>2,689,850</u>	<u>2,594,585</u>	<u>95,265</u>
Operating loss	<u>(1,727,700)</u>	<u>(1,796,396)</u>	<u>(68,696)</u>
Nonoperating revenues:			
Federal reimbursements and grants	1,577,500	1,568,935	(8,565)
Federal commodities	145,000	162,643	17,643
State reimbursements	3,900	4,353	453
Interest earned	1,000	-	(1,000)
Other	300	465	165
Total nonoperating revenues	<u>1,727,700</u>	<u>1,736,396</u>	<u>8,696</u>
Excess (deficiency) of revenues over expenditures before other financing sources	-	(60,000)	(60,000)
Other financing sources:			
Transfers from other funds	-	57,995	57,995
Net change in fund balance	<u>\$ -</u>	<u>(2,005)</u>	<u>\$ (2,005)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(14,230)	
Equipment purchases		2,247	
Gain on disposal of capital assets		3,966	
Indirect costs		(186,394)	
Indirect costs not paid		186,394	
Decrease in compensated absences payable		11,941	
Decrease in inventories		<u>(11,089)</u>	
Change in net position (full accrual)		<u>\$ (9,170)</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 844,537	\$ 708,263	\$ (136,274)
Operating expenditures:			
Regular community services:			
Purchase of food	-	21,269	-
Salaries and benefits	-	554,526	-
Materials and supplies	-	13,295	-
Contracted services	-	7,450	-
Other	-	18,555	-
Total operating expenditures	864,037	615,095	248,942
Operating income (loss)	(19,500)	93,168	112,668
Nonoperating revenues:			
Interest earned	-	2,581	2,581
Revenues over (under) expenditures	(19,500)	95,749	115,249
Fund balance appropriated	19,500	-	(19,500)
Net change in fund balance	\$ -	95,749	\$ 95,749
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(6,233)	
Increase in compensated absences payable		(817)	
Change in net position (full accrual)		\$ 88,699	

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CENTRAL CAROLINA REGIONAL EDUCATIONAL SERVICE ALLIANCE (RESA)
For the Fiscal Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and cash equivalents	<u>\$ 491,385</u>	<u>\$ 456,454</u>	<u>\$ 431,515</u>	<u>\$ 516,324</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 34,938	\$ -	\$ 34,938	\$ -
Due to RESA	<u>456,447</u>	<u>456,454</u>	<u>396,577</u>	<u>516,324</u>
Total liabilities	<u>\$ 491,385</u>	<u>\$ 456,454</u>	<u>\$ 431,515</u>	<u>\$ 516,324</u>



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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, 2014, and the related notes to the financial statements, which collectively comprises the Orange County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 7, 2014.

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

*November 7, 2014
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 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 *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2014. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2014.

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 OMB Circular A-133, 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 deficiencies, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*November 7, 2014
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major State
Program and Internal Control Over Compliance in Accordance with Applicable Sections of
OMB Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2014.

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 OMB Circular A-133, 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 deficiencies, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*November 7, 2014
Rockingham, North Carolina*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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 Section 510(a) of Circular A-133 *No*

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 300,000*

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, 2014**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None reported*

Type of auditors' report issued on compliance for major State programs *Unmodified*

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

Identification of major State programs:

Program Name
State Public School Fund

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$10,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$10,000 or more were noted.

**ORANGE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014**

There were no findings reported for the fiscal year ended June 30, 2013.

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 162,643
Cash Assistance:			
School Breakfast Program	10.553		313,844
National School Lunch Program	10.555		1,249,010
Seamless Summer Program	10.555		6,081
Cash Assistance Subtotal			<u>1,568,935</u>
Total Child Nutrition Cluster			<u>1,731,578</u>
Total U.S. Department of Agriculture			<u>1,731,578</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	1,453,165
Improving Teacher Quality	84.367	PRC 103	196,249
Language Acquisition Grant	84.365	PRC 104	47,564
Race to the Top - ARRA	84.395	PRC 156	699
Twenty-first Century Community Learning Centers	84.287	PRC 110	73,995
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,734,572
Special Needs Targeted Assistance	84.027	PRC 118	27,624
Risk Pool	84.027	PRC 114	54,671
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	49,145
Preschool Targeted Assistance	84.173	PRC 119	1,539
Total Special Education Cluster			<u>1,867,551</u>
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	75,140
Capacity Building Grant	84.048	PRC 058	599
Total U.S. Department of Education			<u>3,714,962</u>
Total Federal Assistance			<u>5,446,540</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			38,641,576
Vocational Education:			
State Months of Employment		PRC 013	2,117,143
Program Support Funds		PRC 014	190,010
Driver Training		PRC 012	129,943
School Technology Fund		PRC 015	156,103
Teacher on Loan Program			<u>7,300</u>
Cash assistance subtotal			<u>41,242,075</u>
Non-Cash Assistance:			
State Buses Appropriation			<u>202,094</u>
Total NC Department of Public Instruction			<u>41,444,169</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>4,353</u>
Total State Assistance			<u>41,448,522</u>
Total Federal and State Assistance			<u>\$ 46,895,062</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Orange County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.