

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

*Financial Statements  
For the Fiscal Year Ended  
June 30, 2015*

**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, 2015 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, 2015, 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 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by 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 12, 2015 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 12, 2015  
Rockingham, North Carolina  
(910) 997-1418

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

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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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- As discussed in Note 4 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position as previously reported at June 30, 2014 for the governmental and business-type activities decreased by \$15.9 million and \$358,000, respectively. For the fiscal year ended June 30, 2015, the Board's total government-wide net position (not including the decrease in net position due to the GASB 68 restatement) increased by \$2.6 million, or 3.6%. Governmental activities net position increased by \$2.5 million while business-type activities net position increased by \$68,000.
- Student enrollment decreased by 116 students from the average daily membership of the prior fiscal year.
- The Orange County Board of County Commissioners funded Orange County Schools at \$3,571 per student which was an increase of \$302 per pupil over the prior year.
- The total funding increase over the prior year from the Orange County Board of County Commissioners was \$3,020,821.

### ***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, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

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

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different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### **Government-wide Statements**

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets 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

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and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue Fund and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Orange County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Orange County Board of Education has 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 ceased to be the fiscal agent for RESA during the year ended June 30, 2015. 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 \$57.0 million as of June 30, 2015 as compared to \$70.7 million as of June 30, 2014, a decrease of \$13.7 million. As previously discussed, this decrease is primarily due to the implementation of GASB 68 during the year which had the effect of reducing beginning of year net position by \$16.3 million. The largest component of net position is net investment in capital assets of \$66.2 million. Following is a summary of the Statement of Net Position at June 30, 2015 and 2014:

**Table 1  
Condensed Statement of Net Position  
As of June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 12,422,484	\$ 10,729,421	\$ 902,834	\$ 890,020	\$ 13,325,318	\$ 11,619,441
Capital assets	66,161,693	68,398,117	103,748	105,690	66,265,441	68,503,807
Total assets	<u>78,584,177</u>	<u>79,127,538</u>	<u>1,006,582</u>	<u>995,710</u>	<u>79,590,759</u>	<u>80,123,248</u>
Deferred outflows of resources	4,159,464	-	93,580	-	4,253,044	-
Current liabilities	5,617,969	5,616,591	80,292	93,328	5,698,261	5,709,919
Long-term liabilities	7,016,568	3,702,791	139,137	40,250	7,155,705	3,743,041
Total liabilities	<u>12,634,537</u>	<u>9,319,382</u>	<u>219,429</u>	<u>133,578</u>	<u>12,853,966</u>	<u>9,452,960</u>
Deferred inflows of resources	13,726,348	-	308,816	-	14,035,164	-
Net investment in capital assets	66,079,471	68,196,020	103,748	105,690	66,183,219	68,301,710
Restricted net position	2,699,052	2,083,835	-	-	2,699,052	2,083,835
Unrestricted net position (deficit)	(12,395,767)	(471,699)	468,169	756,442	(11,927,598)	284,743
Total net position	<u>\$ 56,382,756</u>	<u>\$ 69,808,156</u>	<u>\$ 571,917</u>	<u>\$ 862,132</u>	<u>\$ 56,954,673</u>	<u>\$ 70,670,288</u>

The net position of the Board's governmental activities decreased \$13.4 million during the year, from \$69.8 million at June 30, 2014 to \$56.4 million at June 30, 2015, indicating a decline in the financial

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condition of the Board. The GASB 68 restatement accounted for all of this decrease, reducing beginning of year governmental activities net position by \$15.9 million. Restricted net position increased by \$615,000, primarily due to an increase in fund balance in the Capital Outlay Fund. Unrestricted net position decreased \$11.9 million compared to the prior year, due primarily to implementation of GASB 68. Net investment in capital assets decreased \$2.1 million due to an excess of depreciation expense over capital additions for the year.

Net of a reduction of \$358,000 to beginning of year net position for implementation of GASB 68, the net position of the Board's business-type activities increased \$68,000 during the year. This increase of \$68,000 is the combined net profit generated by our school food service and child care operations during the 2015 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**Table 2  
Condensed Statement of Activities  
For the Fiscal Years Ended June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 1,895,521	\$ 2,011,737	\$ 1,408,236	\$ 1,506,452	\$ 3,303,757	\$ 3,518,189
Operating grants and contributions	47,955,715	45,875,691	1,777,258	1,735,931	49,732,973	47,611,622
Capital grants and contributions	284,316	202,094	-	-	284,316	202,094
General revenues:						
Other revenues	31,425,752	30,047,012	587	7,012	31,426,339	30,054,024
Total revenues	<u>81,561,304</u>	<u>78,136,534</u>	<u>3,186,081</u>	<u>3,249,395</u>	<u>84,747,385</u>	<u>81,385,929</u>
Expenses:						
Governmental activities:						
Instructional services	56,607,544	56,783,772	-	-	56,607,544	56,783,772
System-wide support services	17,854,851	20,450,329	-	-	17,854,851	20,450,329
Ancillary services	3,011	16,761	-	-	3,011	16,761
Non-programmed charges	1,821,498	1,007,582	-	-	1,821,498	1,007,582
Interest on long-term debt	16,985	25,316	-	-	16,985	25,316
Unallocated depreciation	2,708,505	2,912,884	-	-	2,708,505	2,912,884
Business-type activities:						
School food service	-	-	2,525,131	2,605,716	2,525,131	2,605,716
Child care	-	-	652,262	622,145	652,262	622,145
Total expenses	<u>79,012,394</u>	<u>81,196,644</u>	<u>3,177,393</u>	<u>3,227,861</u>	<u>82,189,787</u>	<u>84,424,505</u>
Transfers in (out)	<u>(59,157)</u>	<u>(57,995)</u>	<u>59,157</u>	<u>57,995</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>2,489,753</u>	<u>(3,118,105)</u>	<u>67,845</u>	<u>79,529</u>	<u>2,557,598</u>	<u>(3,038,576)</u>
Beginning net position, as previously reported	69,808,156	72,926,261	862,132	782,603	70,670,288	73,708,864
Restatement	<u>(15,915,153)</u>	<u>-</u>	<u>(358,060)</u>	<u>-</u>	<u>(16,273,213)</u>	<u>-</u>
Beginning net position, as restated	<u>53,893,003</u>	<u>72,926,261</u>	<u>504,072</u>	<u>782,603</u>	<u>54,397,075</u>	<u>73,708,864</u>
Ending net position	<u>\$ 56,382,756</u>	<u>\$ 69,808,156</u>	<u>\$ 571,917</u>	<u>\$ 862,132</u>	<u>\$ 56,954,673</u>	<u>\$ 70,670,288</u>

Total governmental activities generated revenues of \$81.6 million while expenses in this category totaled \$79.0 million for the year ended June 30, 2015, resulting in an increase in net position of \$2.5 million (including transfers to business-type activities of \$59,000). Comparatively, revenues were \$78.1 million, expenses totaled \$81.2 million and transfers out were \$58,000 for the year ended June 30, 2014,

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resulting in a decrease in net position of \$3.1 million. In comparing the two years, there was an increase in revenues of \$3.4 million, or 4.4%, while expenses decreased \$2.2 million, or 2.7%. The increase in revenues was primarily attributable to a \$1.9 million increase in funding from the State Public School Fund and a \$1.7 million increase in funding from Orange County for General Fund appropriations and capital projects.

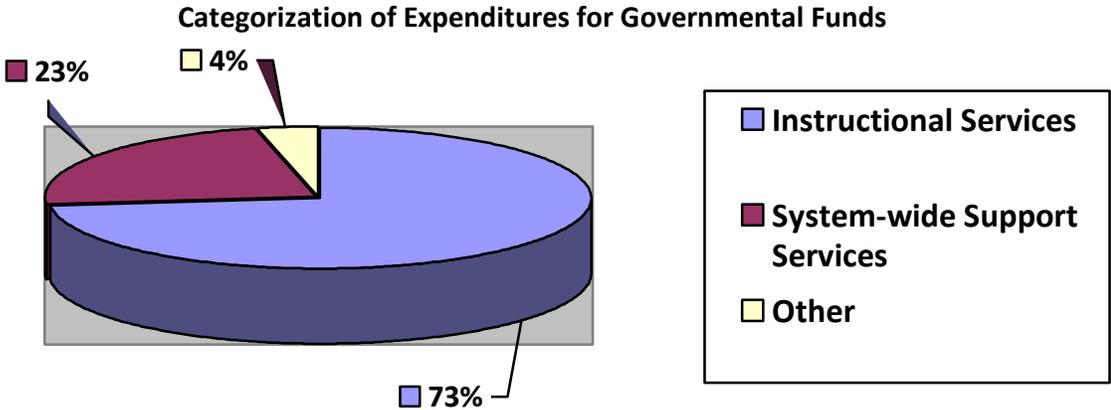
The Board's primary sources of revenues were funding from the State of North Carolina, Orange County, and the United States Government, which respectively comprised 53.2%, 36.4% and 4.3% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 71.6% of our total expenditures during the most recent fiscal year. Of the remaining 28.4% of our total expenditures, 22.6% 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 \$59,000 for the year ended June 30, 2015. For the year, net position increased by \$68,000. Comparatively, revenues were \$3.2 million, expenses were \$3.2 million and transfers in from governmental activities totaled \$58,000 for the year ended June 30, 2014, resulting in an increase in net position of \$80,000. In comparing the two periods, revenues and expenses were basically unchanged and overall operating results were very consistent.

**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 \$8.8 million at June 30, 2015, an increase of \$1.3 million over the \$7.5 million reported at June 30, 2014. The Board's General, Capital Outlay and nonmajor governmental funds each reported increases in fund balance for the year. Total governmental funds revenues increased by \$3.5 million, or 4.4%, over the prior year while expenditures increased by \$1.9 million, or 2.4%. As previously mentioned, the increase in revenues was primarily attributable to a \$1.9 million increase in funding from the State Public School Fund and a \$1.7 million increase in funding from Orange County for General Fund appropriations and capital projects.



Expenditures presented on modified accrual basis of accounting.

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

*Proprietary Funds:* The Board's business-type funds, the School Food Service and Child Care funds, reported a combined increase in net position of \$68,000 for the current year compared to an \$80,000 increase for the year ended June 30, 2014. As previously discussed under the section *Financial Analysis of the Board as a Whole*, overall operating results were very consistent compared to the prior year with no significant revenue or expense changes in the School Food Service or Child Care funds.

**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, 2015, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

For the year, the Board's General Fund reported an increase in fund balance of \$229,000 compared to a decrease of \$647,000 in the prior year. Revenues increased \$3.0 million over the prior year due to increased funding from the County. This funding was primarily used for increased salary and benefit costs and payments to charter schools.

Due to some State and federal revenue sources being uncertain at the start of the year, management budgeted \$2.7 million of fund balance in case it was needed to cover instructional or system-wide support service costs that could not be paid from State or federal funds. The district did not have to use this appropriated fund balance as State and federal sources were used to pay these budgeted expenditures. This resulted in the General Fund reporting a \$2.9 million positive budget variance for expenditures for the year.

**Capital Assets**

Total primary government capital assets were \$66.3 million at June 30, 2015 compared to \$68.5 million at June 30, 2014, a decrease of 3.3%. 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, 2015 and 2014:

**Table 3  
Summary of Capital Assets  
As of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Land	\$ 2,844,650	\$ 2,844,650	\$ -	\$ -	\$ 2,844,650	\$ 2,844,650
Construction in progress	678,529	-	-	-	678,529	-
Buildings and improvements	61,411,989	63,955,395	3,755	7,113	61,415,744	63,962,508
Equipment and furniture	216,961	368,348	99,993	98,577	316,954	466,925
Vehicles	1,009,564	1,229,724	-	-	1,009,564	1,229,724
Total	<u>\$ 66,161,693</u>	<u>\$ 68,398,117</u>	<u>\$ 103,748</u>	<u>\$ 105,690</u>	<u>\$ 66,265,441</u>	<u>\$ 68,503,807</u>

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***Debt Outstanding***

During the year, the Board's long-term debt decreased by \$774,000 from \$1.5 million at June 30, 2014 to \$745,000 at June 30, 2015. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

***Economic Factors***

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

- The County enjoys a consistently low unemployment rate. The unemployment rates estimated by the North Carolina Employment Security Commission for June 2015 and 2014 were 5.0% and 4.8%, respectively, among the lowest in the state. The State averages for June 2015 and 2014 were 9.3% and 6.5%, respectively.
- The County's economy is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture make up a smaller portion of the County's economy.
- The economy of the area is stabilized by the presence of State and Local government employment markets. The University of North Carolina at Chapel Hill and University Hospitals in the Town of Chapel Hill and their associated service, teaching and research programs have a reputation of excellence in the educational and medical fields. The County is also the place of residence for many technical and professional workers and executives who work in the Research Triangle Park and neighboring cities of Durham, Raleigh and Burlington.

***Requests for Information***

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

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

**ORANGE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 10,588,555	\$ 747,668	\$ 11,336,223
Due from other governments	1,760,423	72,215	1,832,638
Receivables	73,506	40,591	114,097
Inventories	-	42,360	42,360
Capital assets:			
Land and construction in progress	3,523,179	-	3,523,179
Other capital assets, net of depreciation	<u>62,638,514</u>	<u>103,748</u>	<u>62,742,262</u>
Total capital assets	<u>66,161,693</u>	<u>103,748</u>	<u>66,265,441</u>
Total assets	<u>78,584,177</u>	<u>1,006,582</u>	<u>79,590,759</u>
<b>Deferred Outflows of Resources</b>	<u>4,159,464</u>	<u>93,580</u>	<u>4,253,044</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,572,708	232	1,572,940
Accrued salaries and wages payable	2,037,530	-	2,037,530
Due to other governments	6,372	-	6,372
Unearned revenue	-	55,268	55,268
Long-term liabilities:			
Net pension liability	3,760,813	84,611	3,845,424
Due within one year	2,001,359	24,792	2,026,151
Due in more than one year	<u>3,255,755</u>	<u>54,526</u>	<u>3,310,281</u>
Total liabilities	<u>12,634,537</u>	<u>219,429</u>	<u>12,853,966</u>
<b>Deferred Inflows of Resources</b>	<u>13,726,348</u>	<u>308,816</u>	<u>14,035,164</u>
<b>Net position</b>			
Net investment in capital assets	66,079,471	103,748	66,183,219
Restricted for:			
Stabilization by State statute	146,125	-	146,125
School capital outlay	1,380,912	-	1,380,912
Instructional services	555,691	-	555,691
Individual schools activities	616,324	-	616,324
Unrestricted (deficit)	<u>(12,395,767)</u>	<u>468,169</u>	<u>(11,927,598)</u>
Total net position	<u>\$ 56,382,756</u>	<u>\$ 571,917</u>	<u>\$ 56,954,673</u>

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

**ORANGE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2015**

**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	\$ 33,727,577	\$ -	\$ 25,932,880	\$ -	\$ (7,794,697)	\$ -	\$ (7,794,697)
Special populations	8,889,333	-	8,005,498	-	(883,835)	-	(883,835)
Alternative programs	3,577,460	-	3,594,173	-	16,713	-	16,713
School leadership	3,694,045	-	2,000,053	-	(1,693,992)	-	(1,693,992)
Co-curricular	2,555,950	1,686,146	7,000	-	(862,804)	-	(862,804)
School-based support	4,163,179	-	2,215,495	-	(1,947,684)	-	(1,947,684)
System-wide support services:							
Support and development	1,706,920	-	240,953	-	(1,465,967)	-	(1,465,967)
Special population support and development	169,984	-	25,004	-	(144,980)	-	(144,980)
Alternative programs and services support and development	171,469	-	113,226	-	(58,243)	-	(58,243)
Technology support	915,883	-	176,518	-	(739,365)	-	(739,365)
Operational support	11,539,341	26,864	4,686,936	284,316	(6,541,225)	-	(6,541,225)
Financial and human resource services	1,557,332	182,511	573,101	-	(801,720)	-	(801,720)
Accountability	230,565	-	25,588	-	(204,977)	-	(204,977)
System-wide pupil support	8,420	-	-	-	(8,420)	-	(8,420)
Policy, leadership and public relations	1,554,937	-	225,159	-	(1,329,778)	-	(1,329,778)
Ancillary services	3,011	-	14,276	-	11,265	-	11,265
Payments to other governments	1,821,498	-	119,855	-	(1,701,643)	-	(1,701,643)
Interest on long-term debt	16,985	-	-	-	(16,985)	-	(16,985)
Unallocated depreciation expense**	2,708,505	-	-	-	(2,708,505)	-	(2,708,505)
Total governmental activities	<u>79,012,394</u>	<u>1,895,521</u>	<u>47,955,715</u>	<u>284,316</u>	<u>(28,876,842)</u>	<u>-</u>	<u>(28,876,842)</u>
Business-type activities:							
School food service	2,525,131	677,285	1,777,258	-	-	(70,588)	(70,588)
Child care	652,262	730,951	-	-	-	78,689	78,689
Total business-type activities	<u>3,177,393</u>	<u>1,408,236</u>	<u>1,777,258</u>	<u>-</u>	<u>-</u>	<u>8,101</u>	<u>8,101</u>
Total primary government	<u>\$ 82,189,787</u>	<u>\$ 3,303,757</u>	<u>\$ 49,732,973</u>	<u>\$ 284,316</u>	<u>(28,876,842)</u>	<u>8,101</u>	<u>(28,868,741)</u>
General revenues:							
Unrestricted county appropriations - operating					28,575,028	-	28,575,028
Unrestricted county appropriations - capital					2,510,342	-	2,510,342
Investment earnings, unrestricted					21,657	587	22,244
Miscellaneous, unrestricted					318,725	-	318,725
Transfers					(59,157)	59,157	-
Total general revenues and transfers					<u>31,366,595</u>	<u>59,744</u>	<u>31,426,339</u>
Change in net position					<u>2,489,753</u>	<u>67,845</u>	<u>2,557,598</u>
Net position - beginning, as previously reported					69,808,156	862,132	70,670,288
Restatement					(15,915,153)	(358,060)	(16,273,213)
Net position - beginning, as restated					<u>53,893,003</u>	<u>504,072</u>	<u>54,397,075</u>
Net position - ending					<u>\$ 56,382,756</u>	<u>\$ 571,917</u>	<u>\$ 56,954,673</u>

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

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

**ORANGE COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

**Exhibit 3**

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
<b>Assets</b>						
Cash and cash equivalents	\$ 7,131,491	\$ 6,372	\$ -	\$ 1,388,927	\$ 2,061,765	\$ 10,588,555
Due from other governments	20,025	1,624,002	113,155	3,241	-	1,760,423
Accounts receivable	46,939	-	-	-	26,567	73,506
<b>Total assets</b>	<b>\$ 7,198,455</b>	<b>\$ 1,630,374</b>	<b>\$ 113,155</b>	<b>\$ 1,392,168</b>	<b>\$ 2,088,332</b>	<b>\$ 12,422,484</b>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,464,364	\$ -	\$ 13,904	\$ 11,256	\$ 83,184	\$ 1,572,708
Accrued salaries and wages payable	292,700	1,624,002	99,251	-	21,577	2,037,530
Due to other governments	-	6,372	-	-	-	6,372
<b>Total liabilities</b>	<b>1,757,064</b>	<b>1,630,374</b>	<b>113,155</b>	<b>11,256</b>	<b>104,761</b>	<b>3,616,610</b>
Fund balances:						
Restricted:						
Stabilization by State statute	119,558	-	-	-	26,567	146,125
School capital outlay	-	-	-	1,380,912	-	1,380,912
Instructional services	-	-	-	-	555,691	555,691
Individual schools	-	-	-	-	616,324	616,324
Assigned:						
Special revenues	-	-	-	-	784,989	784,989
Unassigned	5,321,833	-	-	-	-	5,321,833
<b>Total fund balances</b>	<b>5,441,391</b>	<b>-</b>	<b>-</b>	<b>1,380,912</b>	<b>1,983,571</b>	<b>8,805,874</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,198,455</b>	<b>\$ 1,630,374</b>	<b>\$ 113,155</b>	<b>\$ 1,392,168</b>	<b>\$ 2,088,332</b>	

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.	66,161,693
Deferred outflows of resources related to pensions	4,159,464
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.	(5,257,114)
Net pension liability	(3,760,813)
Deferred inflows of resources related to pensions	(13,726,348)
<b>Net position of governmental activities</b>	<b>\$ 56,382,756</b>

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, 2015**

**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	\$ -	\$ 43,152,157	\$ -	\$ 284,316	\$ 15,000	\$ 43,451,473
Orange County:						
Local current expense	28,081,028	-	-	-	-	28,081,028
Other	494,000	-	-	1,167,600	-	1,661,600
U.S. Government	-	-	3,512,640	-	-	3,512,640
Other	269,093	-	-	1,358,092	3,347,233	4,974,418
Total revenues	<u>28,844,121</u>	<u>43,152,157</u>	<u>3,512,640</u>	<u>2,810,008</u>	<u>3,362,233</u>	<u>81,681,159</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	9,072,913	25,585,783	274,995	101,245	254,590	35,289,526
Special populations	1,809,095	5,727,069	1,724,740	-	-	9,260,904
Alternative programs	524,798	1,780,517	1,155,529	-	232,935	3,693,779
School leadership	1,853,513	2,000,053	-	-	-	3,853,566
Co-curricular	860,336	-	-	60,183	1,661,531	2,582,050
School-based support	1,639,364	2,138,504	76,991	226,296	238,247	4,319,402
System-wide support services:						
Support and development	1,520,619	206,542	34,411	-	-	1,761,572
Special population support and development	153,024	448	24,556	-	-	178,028
Alternative programs and services support and development	34	23,434	89,792	-	63,278	176,538
Technology support	773,301	176,518	-	-	-	949,819
Operational support	5,824,921	4,645,362	134	1,095,710	529,821	12,095,948
Financial and human resource services	986,350	573,101	-	32,045	7,847	1,599,343
Accountability	213,867	25,588	-	-	-	239,455
System-wide pupil support	8,428	-	-	-	-	8,428
Policy, leadership and public relations	1,355,288	225,159	-	-	-	1,580,447
Ancillary services	6,909	2,639	11,637	-	-	21,185
Non-programmed charges	1,821,498	-	119,855	-	-	1,941,353
Debt service:						
Principal retirement	176,419	-	-	762,012	-	938,431
Interest and fees	4,581	-	-	12,404	-	16,985
Total expenditures	<u>28,605,258</u>	<u>43,110,717</u>	<u>3,512,640</u>	<u>2,289,895</u>	<u>2,988,249</u>	<u>80,506,759</u>
Revenues over expenditures	<u>238,863</u>	<u>41,440</u>	<u>-</u>	<u>520,113</u>	<u>373,984</u>	<u>1,174,400</u>
Other financing uses:						
Transfers to other funds	(9,738)	(41,440)	-	-	-	(51,178)
Installment purchase obligations issued	-	-	-	164,444	-	164,444
Total other financing sources (uses)	<u>(9,738)</u>	<u>(41,440)</u>	<u>-</u>	<u>164,444</u>	<u>-</u>	<u>113,266</u>
Net change in fund balance	229,125	-	-	684,557	373,984	1,287,666
Fund balances:						
Beginning of year	<u>5,212,266</u>	<u>-</u>	<u>-</u>	<u>696,355</u>	<u>1,609,587</u>	<u>7,518,208</u>
End of year	<u>\$ 5,441,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,380,912</u>	<u>\$ 1,983,571</u>	<u>\$ 8,805,874</u>

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

**ORANGE COUNTY BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 1,287,666
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.	(2,236,424)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,159,464
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.	773,987
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	
Pension expense	(1,572,008)
Compensated absences	<u>77,068</u>
Total changes in net position of governmental activities	<u>\$ 2,489,753</u>

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

**ORANGE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 6**

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	28,574,975	28,574,975	28,575,028	53
U.S. Government	-	-	-	-
Other	268,000	268,000	269,093	1,093
Total revenues	<u>28,842,975</u>	<u>28,842,975</u>	<u>28,844,121</u>	<u>1,146</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	9,226,883	9,334,367	9,072,913	261,454
Special populations	2,296,274	2,251,273	1,809,095	442,178
Alternative programs	970,240	969,040	524,798	444,242
School leadership	1,904,324	1,903,724	1,853,513	50,211
Co-curricular	940,794	934,794	860,336	74,458
School-based support	1,704,726	1,695,709	1,639,364	56,345
Total instructional services	<u>17,043,241</u>	<u>17,088,907</u>	<u>15,760,019</u>	<u>1,328,888</u>
System-wide support services:				
Support and development	1,878,823	1,774,161	1,520,619	253,542
Special population support and development	111,451	156,451	153,024	3,427
Alternative programs and services support and development	17	34	34	-
Technology support	828,606	828,606	773,301	55,305
Operational support	6,498,472	6,431,788	5,824,921	606,867
Financial and human resource services	1,186,814	1,190,814	986,350	204,464
Accountability	205,271	214,271	213,867	404
System-wide pupil support	12,000	12,000	8,428	3,572
Policy, leadership and public relations	1,638,026	1,638,026	1,355,288	282,738
Total system-wide support services	<u>12,359,480</u>	<u>12,246,151</u>	<u>10,835,832</u>	<u>1,410,319</u>
Ancillary services:				
Community	82	5,082	4,418	664
Nutrition	2,081	2,564	2,491	73
Total ancillary services	<u>2,163</u>	<u>7,646</u>	<u>6,909</u>	<u>737</u>
Nonprogrammed charges	1,755,510	1,823,510	1,821,498	2,012
Debt service:				
Principal retirement	334,460	334,460	176,419	158,041
Interest and fees	4,581	4,581	4,581	-
Total debt service	<u>339,041</u>	<u>339,041</u>	<u>181,000</u>	<u>158,041</u>
Total expenditures	<u>31,499,435</u>	<u>31,505,255</u>	<u>28,605,258</u>	<u>2,899,997</u>
Revenues over (under) expenditures	<u>(2,656,460)</u>	<u>(2,662,280)</u>	<u>238,863</u>	<u>2,901,143</u>
Other financing sources (uses):				
Transfers to other funds	(9,746)	(9,746)	(9,738)	8
Fund balance appropriated	<u>2,666,206</u>	<u>2,672,026</u>	-	<u>(2,672,026)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>229,125</u>	<u>\$ 229,125</u>
Fund balances:				
Beginning of year			<u>5,212,266</u>	
End of year			<u>\$ 5,441,391</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, 2015**

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 44,198,480	\$ 44,520,772	\$ 43,152,157	\$ (1,368,615)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>44,198,480</u>	<u>44,520,772</u>	<u>43,152,157</u>	<u>(1,368,615)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	26,121,711	26,133,206	25,585,783	547,423
Special populations	5,730,576	5,727,376	5,727,069	307
Alternative programs	1,842,013	1,975,763	1,780,517	195,246
School leadership	2,035,903	2,042,359	2,000,053	42,306
Co-curricular	-	-	-	-
School-based support	2,436,283	2,443,067	2,138,504	304,563
Total instructional services	<u>38,166,486</u>	<u>38,321,771</u>	<u>37,231,926</u>	<u>1,089,845</u>
System-wide support services:				
Support and development	266,686	270,110	206,542	63,568
Special population support and development	54,215	54,215	448	53,767
Alternative programs and services support and development	88,166	23,518	23,434	84
Technology support	119,308	212,088	176,518	35,570
Operational support	4,718,172	4,664,052	4,645,362	18,690
Financial and human resource services	417,581	577,152	573,101	4,051
Accountability	29,200	59,200	25,588	33,612
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	267,985	267,985	225,159	42,826
Total system-wide support services	<u>5,961,313</u>	<u>6,128,320</u>	<u>5,876,152</u>	<u>252,168</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	3,392	3,392	2,639	753
Total ancillary services	<u>3,392</u>	<u>3,392</u>	<u>2,639</u>	<u>753</u>
Nonprogrammed charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>44,131,191</u>	<u>44,453,483</u>	<u>43,110,717</u>	<u>1,342,766</u>
Revenues over (under) expenditures	<u>67,289</u>	<u>67,289</u>	<u>41,440</u>	<u>(25,849)</u>
Other financing sources (uses):				
Transfers to other funds	(67,289)	(67,289)	(41,440)	25,849
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, 2015**

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	3,642,513	3,826,827	3,512,640	(314,187)
Other	-	-	-	-
Total revenues	<u>3,642,513</u>	<u>3,826,827</u>	<u>3,512,640</u>	<u>(314,187)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	209,176	296,339	274,995	21,344
Special populations	1,402,196	1,725,899	1,724,740	1,159
Alternative programs	1,336,559	1,334,419	1,155,529	178,890
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	140,407	142,089	76,991	65,098
Total instructional services	<u>3,088,338</u>	<u>3,498,746</u>	<u>3,232,255</u>	<u>266,491</u>
System-wide support services:				
Support and development	31,335	34,583	34,411	172
Special population support and development	24,713	24,712	24,556	156
Alternative programs and services support and development	101,522	101,970	89,792	12,178
Technology support	-	-	-	-
Operational support	396	765	134	631
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>157,966</u>	<u>162,030</u>	<u>148,893</u>	<u>13,137</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	10,100	18,125	11,637	6,488
Total ancillary services	<u>10,100</u>	<u>18,125</u>	<u>11,637</u>	<u>6,488</u>
Nonprogrammed charges	<u>386,109</u>	<u>147,926</u>	<u>119,855</u>	<u>28,071</u>
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,642,513</u>	<u>3,826,827</u>	<u>3,512,640</u>	<u>314,187</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			<u>-</u>	
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, 2015**

**Exhibit 7**

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 362,851	\$ 384,817	\$ 747,668
Due from other governments	72,215	-	72,215
Receivables	37,888	2,703	40,591
Inventories	42,360	-	42,360
Total current assets	<u>515,314</u>	<u>387,520</u>	<u>902,834</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>94,397</u>	<u>9,351</u>	<u>103,748</u>
Total assets	<u>609,711</u>	<u>396,871</u>	<u>1,006,582</u>
<b>Deferred Outflows of Resources</b>	<u>80,183</u>	<u>13,397</u>	<u>93,580</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	53	179	232
Compensated absences	23,683	1,109	24,792
Unearned revenue	<u>39,282</u>	<u>15,986</u>	<u>55,268</u>
Total current liabilities	<u>63,018</u>	<u>17,274</u>	<u>80,292</u>
Noncurrent liabilities:			
Net pension liability	72,498	12,113	84,611
Compensated absences	<u>42,381</u>	<u>12,145</u>	<u>54,526</u>
Total noncurrent liabilities	<u>114,879</u>	<u>24,258</u>	<u>139,137</u>
Total liabilities	<u>177,897</u>	<u>41,532</u>	<u>219,429</u>
<b>Deferred Inflows of Resources</b>	<u>264,605</u>	<u>44,211</u>	<u>308,816</u>
<b>Net position</b>			
Investment in capital assets	94,397	9,351	103,748
Unrestricted (deficit)	<u>152,995</u>	<u>315,174</u>	<u>468,169</u>
Total net position	<u>\$ 247,392</u>	<u>\$ 324,525</u>	<u>\$ 571,917</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, 2015**

**Exhibit 8**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 677,285	\$ -	\$ 677,285
Child care fees	-	730,951	730,951
Total operating revenues	<u>677,285</u>	<u>730,951</u>	<u>1,408,236</u>
Operating expenses:			
Food cost:			
Purchase of food	794,223	24,892	819,115
Donated commodities	154,629	-	154,629
Salaries and benefits	1,447,086	565,888	2,012,974
Indirect costs	210,334	-	210,334
Materials and supplies	93,609	16,636	110,245
Depreciation	10,499	6,063	16,562
Non-capitalized equipment	-	2,921	2,921
Contracted services	11,913	4,310	16,223
Other	13,172	31,552	44,724
Total operating expenses	<u>2,735,465</u>	<u>652,262</u>	<u>3,387,727</u>
Operating income (loss)	<u>(2,058,180)</u>	<u>78,689</u>	<u>(1,979,491)</u>
Nonoperating revenues:			
Federal reimbursements and grants	1,618,341	-	1,618,341
Federal commodities	154,629	-	154,629
State reimbursements	4,288	-	4,288
Indirect costs not paid	210,334	-	210,334
Interest earned	-	587	587
Total nonoperating revenues	<u>1,987,592</u>	<u>587</u>	<u>1,988,179</u>
Income (loss) before transfers and contributions	(70,588)	79,276	8,688
Transfers from other funds	51,178	-	51,178
Capital contributions	7,979	-	7,979
Change in net position	<u>(11,431)</u>	<u>79,276</u>	<u>67,845</u>
Net position, beginning of year, as previously reported	565,622	296,510	862,132
Restatement	<u>(306,799)</u>	<u>(51,261)</u>	<u>(358,060)</u>
Net position, beginning of year, as restated	<u>258,823</u>	<u>245,249</u>	<u>504,072</u>
Net position, end of year	<u>\$ 247,392</u>	<u>\$ 324,525</u>	<u>\$ 571,917</u>

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

**ORANGE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 9**

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 657,116	\$ 731,183	\$ 1,388,299
Cash paid for goods and services	(924,490)	(80,720)	(1,005,210)
Cash paid to employees for services	(1,452,723)	(570,589)	(2,023,312)
Net cash provided (used) by operating activities	<u>(1,720,097)</u>	<u>79,874</u>	<u>(1,640,223)</u>
Cash flows from noncapital financing activities:			
Federal and State reimbursements and grants	<u>1,622,395</u>	<u>-</u>	<u>1,622,395</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(6,641)</u>	<u>-</u>	<u>(6,641)</u>
Cash flows from investing activities:			
Interest earned on investments	<u>-</u>	<u>587</u>	<u>587</u>
Net increase (decrease) in cash and cash equivalents	(104,343)	80,461	(23,882)
Cash and cash equivalents, beginning of year	<u>467,194</u>	<u>304,356</u>	<u>771,550</u>
Cash and cash equivalents, end of year	<u>\$ 362,851</u>	<u>\$ 384,817</u>	<u>\$ 747,668</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (2,058,180)</u>	<u>\$ 78,689</u>	<u>\$ (1,979,491)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	10,499	6,063	16,562
Pension expense	30,304	5,063	35,367
Donated commodities	154,629	-	154,629
Salaries paid by other funds	51,178	-	51,178
Indirect costs not paid	210,334	-	210,334
Changes in assets and liabilities:			
Increase in accounts receivable	(22,429)	(2,539)	(24,968)
Increase in inventories	(11,494)	-	(11,494)
Decrease in accounts payable and accrued liabilities	(79)	(409)	(488)
Increase in unearned revenue	2,260	2,771	5,031
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(80,183)	(13,397)	(93,580)
Increase (decrease) in compensated absences payable	(6,936)	3,633	(3,303)
Total adjustments	<u>338,083</u>	<u>1,185</u>	<u>339,268</u>
Net cash provided (used) by operating activities	<u>\$ (1,720,097)</u>	<u>\$ 79,874</u>	<u>\$ (1,640,223)</u>

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

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$154,629 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 \$41,440 and \$9,738, 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 \$210,334 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.

School Food Service capital assets with a value of \$7,979 were purchased by the Federal Grants Fund during the year. The value of these assets is reflected as a capital contribution 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, 2015**

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**Exhibit 10**

	<u>Administrative Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 115,723	\$ -
<b>Liabilities</b>		
Due to RESA	\$ -	\$ -
<b>Net Position</b>		
Assets held in trust for private purpose	\$ 115,723	\$ -

*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, 2015**

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**Exhibit 11**

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 157
Deductions:	
Instructional costs and other expenditures	<u>-</u>
Change in net position	157
Beginning net position	<u>115,566</u>
Ending net position	<u>\$ 115,723</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, 2015**

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**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, 2015**

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*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 was the fiscal agent. The Board ceased to be the fiscal agent for RESA during the year ended June 30, 2015.

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, 2015**

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*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, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

**ORANGE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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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. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion - contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meet this criterion – pension related deferrals.

**ORANGE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

*Restricted fund balance* – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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. The Board of Education approves the appropriations.

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

**ORANGE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

*Unassigned fund balance* – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$47,576,882 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$130,716,160
Less accumulated depreciation	<u>(64,554,467)</u>
Net capital assets	66,161,693
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	4,159,464
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	(744,772)
Compensated absences	(4,512,342)
Net pension liability	(3,760,813)
Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	(876,625)
Difference between projected and actual earnings on plan investments	(12,706,412)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(143,311)</u>
Total adjustment	<u>\$ 47,576,882</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 \$1,202,087 as follows:

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<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 856,685
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	(3,093,109)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it only affects the government-wide statement of net position	(164,444)
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	938,431
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,159,464
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(1,572,008)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>77,068</u>
Total adjustment	<u>\$ 1,202,087</u>

10. Defined Benefit Pension Plans

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

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling

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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, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$8,975,382 and with the State Treasurer of \$6,372. The bank balances with the financial institutions and the State Treasurer were \$9,742,587 and \$612,567, respectively. Of these balances, \$1,104,204 was covered by federal depository insurance and \$9,250,950 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, 2015, the Board had \$2,470,075 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks.

**3. Accounts Receivable**

Receivables at the government-wide level at June 30, 2015 are as follows:

	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 20,025	\$ 46,939	\$ 66,964
Other governmental activities	<u>1,740,398</u>	<u>26,567</u>	<u>1,766,965</u>
Total governmental activities	<u>\$ 1,760,423</u>	<u>\$ 73,506</u>	<u>\$ 1,833,929</u>
Business-type activities:			
School Food Service Fund	\$ 72,215	\$ 37,888	\$ 110,103
Child Care Fund	<u>-</u>	<u>2,703</u>	<u>2,703</u>
Total business-type activities	<u>\$ 72,215</u>	<u>\$ 40,591</u>	<u>\$ 112,806</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 20,025	Amounts due from the County
State Public School Fund	1,624,002	Operating funds from DPI
Federal Grants Fund	113,155	Federal grant funds
Capital Outlay Fund	<u>3,241</u>	Amounts due from County
Total	<u>\$ 1,760,423</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 72,215</u>	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,844,650	\$ -	\$ -	\$ 2,844,650
Construction in progress	-	678,529	-	678,529
Total capital assets not being depreciated	<u>2,844,650</u>	<u>678,529</u>	<u>-</u>	<u>3,523,179</u>
Capital assets being depreciated:				
Buildings and improvements	113,635,480	-	-	113,635,480
Equipment and furniture	5,216,960	13,712	17,166	5,213,506
Vehicles	8,558,647	164,444	379,096	8,343,995
Total capital assets being depreciated	<u>127,411,087</u>	<u>178,156</u>	<u>396,262</u>	<u>127,192,981</u>
Less accumulated depreciation for:				
Buildings and improvements	49,680,085	2,543,406	-	52,223,491
Equipment and furniture	4,848,612	165,099	17,166	4,996,545
Vehicles	7,328,923	384,604	379,096	7,334,431
Total accumulated depreciation	<u>61,857,620</u>	<u>3,093,109</u>	<u>396,262</u>	<u>64,554,467</u>
Total capital assets being depreciated, net	<u>65,553,467</u>			<u>62,638,514</u>
Governmental activity capital assets, net	<u>\$ 68,398,117</u>			<u>\$ 66,161,693</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,238,158	\$ 14,620	\$ 8,567	\$ 1,244,211
Less accumulated depreciation for:				
Equipment and furniture	1,147,882	10,499	8,567	1,149,814
School Food Service capital assets, net	<u>90,276</u>			<u>94,397</u>
Child Care Fund:				
Capital assets being depreciated:				
Building improvements	48,448	-	-	48,448
Equipment and furniture	95,979	-	-	95,979
Total capital assets being depreciated	<u>144,427</u>	<u>-</u>	<u>-</u>	<u>144,427</u>
Less accumulated depreciation for:				
Building improvements	41,335	3,358	-	44,693
Equipment and furniture	87,678	2,705	-	90,383
Total accumulated depreciation	<u>129,013</u>	<u>6,063</u>	<u>-</u>	<u>135,076</u>
Child Care Fund capital assets, net	<u>15,414</u>			<u>9,351</u>
Business-type activities capital assets, net	<u>\$ 105,690</u>			<u>\$ 103,748</u>

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Depreciation was charged to governmental functions as follows:

Operational support services	\$ 384,604
Unallocated depreciation	<u>2,708,505</u>
Total	<u>\$ 3,093,109</u>

5. Construction and Other Significant Commitments

As of June 30, 2015, the Board had a project in progress at Orange High School for construction of a connector between buildings. At year-end, the Board's commitments with a contractor for the remaining portion of the contract related to this project totaled approximately \$446,000.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are

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eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$4,253,044 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$3,845,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .33% and .33%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$1,607,375. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 896,347
Net difference between projected and actual earnings on pension plan investments	-	12,992,281
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	146,536
Board contributions subsequent to the measurement date	<u>4,253,044</u>	<u>-</u>
Total	<u>\$ 4,253,044</u>	<u>\$ 14,035,164</u>

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\$4,253,044 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 3,523,237
2017	3,523,237
2018	3,523,237
2019	3,465,453
2020	-
Thereafter	-
Total	<u>\$ 14,035,164</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 27,605,118	\$ 3,845,424	\$ (16,216,177)

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

**b. Other Postemployment Benefits**

**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

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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.

*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, 2015, 2014 and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,535,204, \$2,389,510 and \$2,400,327, respectively. These contributions represented 5.49%, 5.40% and 5.30% 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/>

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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; 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, 2015, 2014 and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$189,332, \$194,701 and \$199,272, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.

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2. Accounts Payable

Accounts payable as of June 30, 2015 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	\$ 1,464,364	\$ 292,700	\$ -	\$ 1,757,064
Other governmental activities	<u>108,344</u>	<u>1,744,830</u>	<u>6,372</u>	<u>1,859,546</u>
Total governmental activities	<u>\$ 1,572,708</u>	<u>\$ 2,037,530</u>	<u>\$ 6,372</u>	<u>\$ 3,616,610</u>
Business-type activities:				
School Food Service Fund	\$ 53	\$ -	\$ -	\$ 53
Child Care Fund	<u>179</u>	<u>-</u>	<u>-</u>	<u>179</u>
Total business-type activities	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232</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)	\$ 39,282
Prepayments of tuition (Child Care Fund)	<u>15,986</u>
Total business-type activities	<u>\$ 55,268</u>

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 896,347
Net difference between projected and actual earnings on pension plan investments	-	12,992,281
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	146,536
Board contributions subsequent to the measurement date	<u>4,253,044</u>	<u>-</u>
Total	<u>\$ 4,253,044</u>	<u>\$ 14,035,164</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains

**ORANGE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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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.

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.

6. 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, 2015, 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 15<sup>th</sup> 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.

**ORANGE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2016	\$ 712,208
2017	41,111
	<u>753,319</u>
Less portion representing interest	<u>(8,547)</u>
Total principal obligation	<u>\$ 744,772</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 1,518,759	\$ 164,444	\$ 938,431	\$ 744,772	\$ 703,661
Net pension liability	19,682,608	-	15,921,795	3,760,813	-
Compensated absences	<u>4,589,410</u>	<u>1,744,489</u>	<u>1,821,557</u>	<u>4,512,342</u>	<u>1,297,698</u>
Total	<u>\$ 25,790,777</u>	<u>\$ 1,908,933</u>	<u>\$ 18,681,783</u>	<u>\$ 9,017,927</u>	<u>\$ 2,001,359</u>
Business-type activities:					
Net pension liability	\$ 442,820	\$ -	\$ 358,209	\$ 84,611	\$ -
Compensated absences	<u>82,621</u>	<u>34,825</u>	<u>38,128</u>	<u>79,318</u>	<u>24,792</u>
Total	<u>\$ 525,441</u>	<u>\$ 34,825</u>	<u>\$ 396,337</u>	<u>\$ 163,929</u>	<u>\$ 24,792</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, 2015 consist of the following:

From the State Public School Fund to the School Food Service Fund for salaries and benefits	<u>\$ 41,440</u>
From the General Fund to the School Food Service Fund for salaries and benefits	<u>\$ 9,738</u>

In addition to the fund transfers reported above, the Federal Grants Fund purchased \$7,979 of equipment for the School Food Service Fund during the year. This amount is presented as a capital contribution for the School Food Service Fund in Exhibit 8. This amount is presented as a transfer from Governmental Activities to Business-type Activities in Exhibit 2.

**ORANGE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2015**

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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	\$ 66,161,693
Less:	
Installment purchase obligations for school buses	<u>(82,222)</u>
Net investment in capital assets	<u>\$ 66,079,471</u>

The district also has \$662,550 of installment purchase obligations outstanding at June 30, 2015 for computers. This amount has been excluded from the calculation of net investment in capital assets due to these computers being noncapitalized items.

2. Fund Balance

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

Total fund balance - General Fund	\$ 5,441,391
Less:	
Stabilization by State statute	<u>(119,558)</u>
Remaining fund balance	<u>\$ 5,321,833</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, 2015 were as follows:

General Fund	\$ 52,594
Capital Outlay Fund	28,377

**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.

**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT**

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$15,915,153 and \$358,060, respectively.

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

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	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.328%	0.332%
Board's proportionate share of the net pension liability (asset)	\$ 3,845,424	\$ 20,125,428
Board's covered-employee payroll	\$ 44,329,287	\$ 45,150,148
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.67%	44.57%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**ORANGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS**

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	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,253,044	\$ 3,852,215
Contributions in relation to the contractually required contribution	<u>4,253,044</u>	<u>3,852,215</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 46,481,354	\$ 44,329,287
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

**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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
Local current expense	\$ 28,080,975	\$ 28,081,028	\$ 53
Other	494,000	494,000	-
Total Orange County	<u>28,574,975</u>	<u>28,575,028</u>	<u>53</u>
Other:			
Fines and forfeitures	200,000	211,681	11,681
Interest earned on investment	68,000	21,657	(46,343)
Miscellaneous	-	35,755	35,755
Total other	<u>268,000</u>	<u>269,093</u>	<u>1,093</u>
Total revenues	<u>28,842,975</u>	<u>28,844,121</u>	<u>1,146</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	9,334,367	9,072,913	261,454
Special populations	2,251,273	1,809,095	442,178
Alternative programs	969,040	524,798	444,242
School leadership	1,903,724	1,853,513	50,211
Co-curricular	934,794	860,336	74,458
School-based support	1,695,709	1,639,364	56,345
Total instructional services	<u>17,088,907</u>	<u>15,760,019</u>	<u>1,328,888</u>
System-wide support services:			
Support and development	1,774,161	1,520,619	253,542
Special population support and development	156,451	153,024	3,427
Alternative programs and services support and development	34	34	-
Technology support	828,606	773,301	55,305
Operational support	6,431,788	5,824,921	606,867
Financial and human resource services	1,190,814	986,350	204,464
Accountability	214,271	213,867	404
System-wide pupil support	12,000	8,428	3,572
Policy, leadership and public relations	1,638,026	1,355,288	282,738
Total system-wide support services	<u>12,246,151</u>	<u>10,835,832</u>	<u>1,410,319</u>
Ancillary services:			
Community	5,082	4,418	664
Nutrition	2,564	2,491	73
Total ancillary services	<u>7,646</u>	<u>6,909</u>	<u>737</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, 2015**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	<u>1,823,510</u>	<u>1,821,498</u>	<u>2,012</u>
Debt service:			
Principal retirement	334,460	176,419	158,041
Interest and fees	<u>4,581</u>	<u>4,581</u>	<u>-</u>
Total debt service	<u>339,041</u>	<u>181,000</u>	<u>158,041</u>
Total expenditures	<u>31,505,255</u>	<u>28,605,258</u>	<u>2,899,997</u>
Revenues under expenditures	(2,662,280)	238,863	2,901,143
Other financing uses:			
Transfers to other funds	(9,746)	(9,738)	8
Fund balance appropriated	<u>2,672,026</u>	<u>-</u>	<u>(2,672,026)</u>
Net change in fund balance	<u>\$ -</u>	229,125	<u>\$ 229,125</u>
Fund balance:			
Beginning of year		<u>5,212,266</u>	
End of year		<u>\$ 5,441,391</u>	

**ORANGE COUNTY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,445,441	\$ 616,324	\$ 2,061,765
Accounts receivable	<u>26,567</u>	<u>-</u>	<u>26,567</u>
Total assets	<u>\$ 1,472,008</u>	<u>\$ 616,324</u>	<u>\$ 2,088,332</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 83,184	\$ -	\$ 83,184
Accrued salaries and wages payable	<u>21,577</u>	<u>-</u>	<u>21,577</u>
Total liabilities	<u>104,761</u>	<u>-</u>	<u>104,761</u>
<b>Fund balances</b>			
Restricted:			
Stabilization by State statute	26,567	-	26,567
Instructional services	555,691	-	555,691
Individual schools	-	616,324	616,324
Assigned:			
Special revenues	<u>784,989</u>	<u>-</u>	<u>784,989</u>
Total fund balances	<u>1,367,247</u>	<u>616,324</u>	<u>1,983,571</u>
Total liabilities and fund balances	<u>\$ 1,472,008</u>	<u>\$ 616,324</u>	<u>\$ 2,088,332</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, 2015**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 15,000	\$ -	\$ 15,000
Other	<u>1,661,087</u>	<u>1,686,146</u>	<u>3,347,233</u>
Total revenues	<u>1,676,087</u>	<u>1,686,146</u>	<u>3,362,233</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	254,590	-	254,590
Alternative programs	232,935	-	232,935
Co-curricular	133	1,661,398	1,661,531
School-based support	<u>238,247</u>	<u>-</u>	<u>238,247</u>
Total instructional services	<u>725,905</u>	<u>1,661,398</u>	<u>2,387,303</u>
System-wide support services:			
Alternative programs and services support and development	63,278	-	63,278
Operational support	529,821	-	529,821
Financial and human resource services	<u>7,847</u>	<u>-</u>	<u>7,847</u>
Total system-wide support services	<u>600,946</u>	<u>-</u>	<u>600,946</u>
Ancillary services:			
Nutrition	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,326,851</u>	<u>1,661,398</u>	<u>2,988,249</u>
Net change in fund balance	349,236	24,748	373,984
Fund balances:			
Beginning of year	<u>1,018,011</u>	<u>591,576</u>	<u>1,609,587</u>
End of year	<u>\$ 1,367,247</u>	<u>\$ 616,324</u>	<u>\$ 1,983,571</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Teacher on Loan Program	\$ 8,000	\$ 8,000	\$ -
Cartwheels Grant	7,000	7,000	-
Total State of North Carolina	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Other:			
Indirect costs allocated	95,000	119,855	24,855
Private grants and programs	36,120	64,102	27,982
Rental of school property	65,000	26,864	(38,136)
Medicaid reimbursement program	275,000	553,689	278,689
Other refunds and reimbursements	286,696	298,764	12,068
Tuition and fees	161,400	182,511	21,111
ABC revenues	38,500	38,500	-
Contracted services	267,425	359,363	91,938
Miscellaneous	12,000	17,439	5,439
Total other	<u>1,237,141</u>	<u>1,661,087</u>	<u>423,946</u>
Total revenues	<u>1,252,141</u>	<u>1,676,087</u>	<u>423,946</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	445,689	254,590	191,099
Alternative programs	573,533	232,935	340,598
Co-curricular	12,526	133	12,393
School-based support	243,665	238,247	5,418
Total instructional services	<u>1,275,413</u>	<u>725,905</u>	<u>549,508</u>
System-wide support services:			
Alternative programs and services support and development	68,133	63,278	4,855
Operational support	536,676	529,821	6,855
Financial and human resource services	7,847	7,847	-
System-wide pupil support	888	-	888
Total system-wide support services	<u>613,544</u>	<u>600,946</u>	<u>12,598</u>
Ancillary services:			
Nutrition	6,000	-	6,000
Total expenditures	<u>1,894,957</u>	<u>1,326,851</u>	<u>568,106</u>
Revenues over (under) expenditures	(642,816)	349,236	992,052
Fund balance appropriated	642,816	-	(642,816)
Net change in fund balance	<u>\$ -</u>	<u>349,236</u>	<u>\$ 349,236</u>
Fund balance:			
Beginning of year		<u>1,018,011</u>	
End of year		<u>\$ 1,367,247</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, 2015**

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2014	Fund balances 6/30/2015
Orange High	\$ 531,714	\$ 510,126	\$ 21,588	\$ 159,505	\$ 181,093
Cedar Ridge High	371,602	356,769	14,833	202,046	216,879
C.W. Stanford Middle	132,705	142,438	(9,733)	59,494	49,761
Gravelly Hill Middle	91,359	92,547	(1,188)	19,150	17,962
A.L. Stanback Middle	107,389	105,917	1,472	28,239	29,711
Efland-Cheeks Elementary	32,881	30,507	2,374	4,501	6,875
Grady A. Brown Elementary	44,748	44,122	626	22,916	23,542
Central Elementary	28,580	27,909	671	6,635	7,306
Cameron Park Elementary	117,233	115,859	1,374	15,217	16,591
New Hope Elementary	70,056	70,371	(315)	33,758	33,443
Hillsborough Elementary	70,818	70,926	(108)	6,199	6,091
Pathways Elementary	85,130	90,906	(5,776)	32,093	26,317
Partnership Academy Alternative	1,931	3,001	(1,070)	1,823	753
Totals	<u>\$ 1,686,146</u>	<u>\$ 1,661,398</u>	<u>\$ 24,748</u>	<u>\$ 591,576</u>	<u>\$ 616,324</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 1,564,693	\$ -	\$ (1,564,693)
State appropriations - buses	-	284,316	284,316
Total State of North Carolina	<u>1,564,693</u>	<u>284,316</u>	<u>(1,280,377)</u>
Orange County:			
General county appropriations	<u>1,167,600</u>	<u>1,167,600</u>	<u>-</u>
Other:			
Local sales tax	3,879,806	1,342,742	(2,537,064)
Miscellaneous	-	15,350	15,350
Total other	<u>3,879,806</u>	<u>1,358,092</u>	<u>(2,521,714)</u>
Total revenues	<u>6,612,099</u>	<u>2,810,008</u>	<u>(3,802,091)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	170,000	101,245	68,755
Co-curricular	132,000	60,183	71,817
School-based support	803,935	226,296	577,639
Total instructional services	<u>1,105,935</u>	<u>387,724</u>	<u>718,211</u>
System-wide support services:			
Operational support	4,926,127	1,095,710	3,830,417
Financial and human resource	37,500	32,045	5,455
Total system-wide support services	<u>4,963,627</u>	<u>1,127,755</u>	<u>3,835,872</u>
Ancillary services:			
Nutrition	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Debt service:			
Principal retirement	762,012	762,012	-
Interest and fees	12,404	12,404	-
Total debt service	<u>774,416</u>	<u>774,416</u>	<u>-</u>
Total expenditures	<u>6,853,978</u>	<u>2,289,895</u>	<u>4,564,083</u>
Revenues over (under) expenditures	(241,879)	520,113	761,992
Other financing sources:			
Installment purchase obligations issued	-	164,444	164,444
Fund balance appropriated	<u>241,879</u>	<u>-</u>	<u>(241,879)</u>
Net change in fund balance	<u>\$ -</u>	<u>684,557</u>	<u>\$ 684,557</u>
Fund balance:			
Beginning of year		<u>696,355</u>	
End of year		<u>\$ 1,380,912</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 844,400	\$ 677,285	\$ (167,115)
Operating expenditures:			
Business support services:			
Purchase of food	-	805,717	-
Donated commodities	-	154,629	-
Salaries and benefits	-	1,503,901	-
Materials and supplies	-	93,609	-
Contracted services	-	11,913	-
Other	-	13,172	-
Capital outlay	-	6,641	-
Total operating expenditures	<u>2,681,900</u>	<u>2,589,582</u>	<u>92,318</u>
Operating loss	<u>(1,837,500)</u>	<u>(1,912,297)</u>	<u>(74,797)</u>
Nonoperating revenues:			
Federal reimbursements and grants	1,622,500	1,618,341	(4,159)
Federal commodities	165,000	154,629	(10,371)
State reimbursements	4,000	4,288	288
Interest earned	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total nonoperating revenues	<u>1,792,500</u>	<u>1,777,258</u>	<u>(15,242)</u>
Excess (deficiency) of revenues over expenditures before other financing sources	(45,000)	(135,039)	(90,039)
Other financing sources:			
Transfers from other funds	<u>45,000</u>	<u>51,178</u>	<u>6,178</u>
Net change in fund balance	<u>\$ -</u>	<u>(83,861)</u>	<u>\$ (83,861)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(10,499)	
Capital contributions		7,979	
Contributions to the pension plan in current fiscal year		80,183	
Equipment purchases		6,641	
Indirect costs		(210,334)	
Indirect costs not paid		210,334	
Decrease in compensated absences payable		6,936	
Increase in inventories		11,494	
Pension expense		<u>(30,304)</u>	
Change in net position (full accrual)		<u>\$ (11,431)</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 835,060	\$ 730,951	\$ (104,109)
Operating expenditures:			
Regular community services:			
Purchase of food	-	24,892	-
Salaries and benefits	-	570,589	-
Materials and supplies	-	16,636	-
Non-capitalized equipment	-	2,921	-
Contracted services	-	4,310	-
Other	-	31,552	-
Total operating expenditures	854,560	650,900	203,660
Operating income (loss)	(19,500)	80,051	99,551
Nonoperating revenues:			
Interest earned	-	587	587
Revenues over (under) expenditures	(19,500)	80,638	100,138
Fund balance appropriated	19,500	-	(19,500)
Net change in fund balance	\$ -	80,638	\$ 80,638
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(6,063)	
Contributions to the pension plan in current fiscal year		13,397	
Increase in compensated absences payable		(3,633)	
Pension expense		(5,063)	
Change in net position (full accrual)		\$ 79,276	

**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, 2015**

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	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 516,324</u>	<u>\$ 285,331</u>	<u>\$ 801,655</u>	<u>\$ -</u>
<b>Liabilities</b>				
Due to RESA	<u>\$ 516,324</u>	<u>\$ 285,331</u>	<u>\$ 801,655</u>	<u>\$ -</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, 2015, 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 12, 2015.

### ***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 12, 2015  
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, 2015. 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, 2015.

## ***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 12, 2015  
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, 2015. 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, 2015.

### ***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 12, 2015  
Rockingham, North Carolina*

**ORANGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Identified for Reporting</i>
Noncompliance material to financial statements noted	<i>No</i>

**Federal Awards**

Internal control over major federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Identified for Reporting</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<i>No</i>

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Seamless Summer Program

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 300,000</i></u>
Auditee qualified as low-risk auditee?	<i>Yes</i>

**ORANGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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**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 Identified for Reporting

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

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

Identification of major State programs:

Program Name  
State Public School Fund  
Vocational Education – State Months of Employment

**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, 2015**

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There were no findings reported for the fiscal year ended June 30, 2014.

**ORANGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<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		\$ 154,629
Cash Assistance:			
School Breakfast Program	10.553		329,497
National School Lunch Program	10.555		1,279,422
Seamless Summer Program	10.555		9,422
Cash Assistance Subtotal			<u>1,618,341</u>
Total Child Nutrition Cluster			<u>1,772,970</u>
Child Nutrition Discretionary Funds	10.579	PRC 053	<u>7,980</u>
Total U.S. Department of Agriculture			<u>1,780,950</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	1,326,059
Title I - School Improvement	84.010	PRC 105	849
Improving Teacher Quality	84.367	PRC 103	180,169
Language Acquisition Grant	84.365	PRC 104	84,448
Race to the Top - ARRA	84.395	PRC 156	98,282
Twenty-first Century Community Learning Centers	84.287	PRC 110	891
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,641,963
Special Needs Targeted Assistance	84.027	PRC 118	10,916
Risk Pool	84.027	PRC 114	32,294
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	50,518
Preschool Targeted Assistance	84.173	PRC 119	541
Total Special Education Cluster			<u>1,736,232</u>
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	75,581
Capacity Building Grant	84.048	PRC 058	<u>2,149</u>
Total U.S. Department of Education			<u>3,504,660</u>
<b>Total Federal Assistance</b>			<b><u>5,285,610</u></b>

**ORANGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			40,475,244
Vocational Education:			
State Months of Employment		PRC 013	2,140,420
Program Support Funds		PRC 014	240,573
Driver Training		PRC 012	135,694
School Technology Fund		PRC 015	160,226
Teacher on Loan Program			<u>8,000</u>
Cash assistance subtotal			<u>43,160,157</u>
Non-Cash Assistance:			
State Buses Appropriation			<u>284,316</u>
Total NC Department of Public Instruction			<u>43,444,473</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>4,288</u>
<u>N.C. Department of Cultural Resources</u>			
N.C. Arts Council - Cartwheels Grant			<u>7,000</u>
<b>Total State Assistance</b>			<b><u>43,455,761</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$ 48,741,371</u></b>

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.