

DRAFT

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2025*

**ORANGE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
1 Statement of Net Position	11
2 Statement of Activities	12
Fund Financial Statements:	
3 Balance Sheet - Governmental Funds.....	13
3 Reconciliation of the Balance Sheet to the Statement of Net Position.....	13
4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
6 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds	16
7 Statement of Net Position - Proprietary Fund Types.....	19
8 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Types.....	20
9 Statement of Cash Flows - Proprietary Fund Types.....	21
10 Statement of Fiduciary Net Position – Fiduciary Fund	23
11 Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	48
Schedule of Board Contributions – Teachers' and State Employees' Retirement System	49
Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund.....	50
Schedule of Board Contributions – Retiree Health Benefit Fund.....	51
Schedule of the Board's Proportionate Share of the Net OPEB Liability (Asset) – Disability Income Plan of North Carolina	52
Schedule of Board Contributions – Disability Income Plan of North Carolina	53
Combining and Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54
Combining Balance Sheet - Non-Major Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds.....	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Federal Grants Fund.....	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund.....	60
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund.....	61
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Child Care Fund.....	62

DRAFT

**ORANGE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page No.</u>
Compliance Section:	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	63
Report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance and the State Single Audit Implementation Act	65
Report on compliance for each major State program and report on internal control over compliance required by the Uniform Guidance and the State Single Audit Implementation Act	67
Schedule of findings and questioned costs.....	69
Summary schedule of prior audit findings.....	71
Schedule of expenditures of federal and State awards	72



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

DRAFT

To the Orange County Board of Education
Hillsborough, North Carolina

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the Orange County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Board of Education, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School and Other Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange County Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Change in Accounting Principle

As described in Note 4 to the financial statements, the Board adopted the provisions of GASB Statement No. 101, Compensated Absences, as of July 1, 2024. Our opinion is not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Orange County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 48 through 53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Board of Education's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, budgetary schedules and schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*,

and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, budgetary schedules and schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Orange County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 28, 2025
Rockingham, North Carolina
(910) 997-1418

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

This section of the Orange County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2025. 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, effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Board to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Board's governmental and business-type activities net position, as previously reported at June 30, 2024, was reduced by \$15.4 million and \$189 thousand, respectively.
- For the fiscal year ended June 30, 2025, the Board's total government-wide net position (not including the decrease in net position due to the GASB 101 restatement) increased by \$7.0 million. Governmental activities net position increased by \$7.2 million and business-type activities net position decreased by \$210 thousand.
- Fund balances in governmental funds increased \$3.1 million for the June 30, 2025 fiscal year.

Overview of the Financial Statements

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

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

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

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

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

provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Orange County Board of Education has three types of funds:

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Orange County Board of Education has one fiduciary fund – an administrative fund. The Administrative Fund is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund. The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$22.7 million as of June 30, 2025 as compared to \$14.1 million as of June 30, 2024. As previously discussed, this change is primarily due to the implementation of GASB Statement 101 during the year, which had the effect of reducing beginning of year total primary government net position, as previously reported at June 30, 2024, by \$15.6 million.

The following is a summary of the Statement of Net Position at June 30, 2025 and 2024:

**Table 1
Condensed Statement of Net Position
As of June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Current and other assets	\$ 17,304,789	\$ 14,595,133	\$ 2,003,617	\$ 3,336,392	\$ 19,308,406	\$ 17,931,525
Capital assets	92,577,497	91,741,451	142,138	171,218	92,719,635	91,912,669
Total assets	109,882,286	106,336,584	2,145,755	3,507,610	112,028,041	109,844,194
Deferred outflows of resources	55,523,868	50,706,216	1,014,007	1,456,059	56,537,875	52,162,275
Current liabilities	10,932,447	7,312,768	158,186	110,400	11,090,633	7,423,168
Long-term liabilities	161,359,466	138,904,184	2,865,348	3,880,414	164,224,814	142,784,598
Total liabilities	172,291,913	146,216,952	3,023,534	3,990,814	175,315,447	150,207,766
Deferred inflows of resources	15,649,181	25,186,910	285,794	723,256	15,934,975	25,910,166
Net investment in capital assets	91,015,785	91,309,493	142,138	171,218	91,157,923	91,480,711
Restricted net position	4,765,989	4,704,731	2,492	-	4,768,481	4,704,731
Unrestricted net position (deficit)	(118,316,714)	(110,375,286)	(294,196)	78,381	(118,610,910)	(110,296,905)
Total net position (deficit)	\$ (22,534,940)	\$ (14,361,062)	\$ (149,566)	\$ 249,599	\$ (22,684,506)	\$ (14,111,463)

Net position is an indicator of the fiscal health of the Board. Net of the \$15.4 million reduction in beginning of year net position for implementation of GASB 101, the net position of the Board's governmental activities increased \$7.2 million during the year to \$(22.5) million at June 30, 2025, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$61 thousand while net investment in capital assets decreased by \$294 thousand during the year. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the

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

Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans. In addition to liabilities being significantly impacted by actuarial changes in pension and OPEB plans, liabilities were also significantly impacted due to the recording of sick leave as part of the implementation of GASB 101.

Net of a reduction of \$189 thousand to beginning of year net position for implementation of GASB 101, net position of the Board's business-type activities decreased \$210 thousand during the year. This decrease is the combined net loss incurred by our school food service and child care operations during the 2025 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, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Revenues:						
Program revenues:						
Charges for services	\$ 1,845,553	\$ 1,914,274	\$ 681,215	\$ 1,674,157	\$ 2,526,768	\$ 3,588,431
Operating grants and contributions	62,734,314	62,429,613	2,658,801	2,495,396	65,393,115	64,925,009
Capital grants and contributions	228,977	338,161	-	-	228,977	338,161
General revenues:						
County appropriations	66,914,668	64,834,217			66,914,668	64,834,217
Other revenues	556,438	464,857	3,861	48,101	560,299	512,958
Total revenues	132,279,950	129,981,122	3,343,877	4,217,654	135,623,827	134,198,776
Expenses:						
Governmental activities:						
Instructional services	79,761,689	78,124,232	-	-	79,761,689	78,124,232
System-wide support services	37,059,393	33,308,048	-	-	37,059,393	33,308,048
Ancillary services	156,617	191,855	-	-	156,617	191,855
Payments to other governments	6,278,149	5,688,500	-	-	6,278,149	5,688,500
Interest on long-term debt	129,050	16,987	-	-	129,050	16,987
Unallocated depreciation	2,919,517	2,882,572	-	-	2,919,517	2,882,572
Business-type activities:						
School food service	-	-	3,408,927	3,349,914	3,408,927	3,349,914
Child care	-	-	(1,078,343)	868,763	(1,078,343)	868,763
Total expenses	126,304,415	120,212,194	2,330,584	4,218,677	128,634,999	124,430,871
Excess (deficiency) of revenues over expenses before transfers	5,975,535	9,768,928	1,013,293	(1,023)	6,988,828	9,767,905
Transfers in (out)	1,223,576	(47,970)	(1,223,576)	47,970	-	-
Increase in net position	7,199,111	9,720,958	(210,283)	46,947	6,988,828	9,767,905
Beginning net position (deficit), as previously reported	(14,361,062)	(24,082,020)	249,599	202,652	(14,111,463)	(23,879,368)
Change in accounting principle (Note 4)	(15,372,989)	-	(188,882)	-	(15,561,871)	-
Beginning net position (deficit), as restated	(29,734,051)	(24,082,020)	60,717	202,652	(29,673,334)	(23,879,368)
Ending net position (deficit)	\$ (22,534,940)	\$ (14,361,062)	\$ (149,566)	\$ 249,599	\$ (22,684,506)	\$ (14,111,463)

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

Total governmental activities generated revenues of \$132.3 million while expenses in this category totaled \$126.3 million for the year ended June 30, 2025, resulting in an increase in net position of \$7.2 million (including net transfers from business-type activities of \$1.2 million). Comparatively, revenues were \$130.0 million, expenses totaled \$120.2 million and transfers out were \$48 thousand for the year ended June 30, 2024, resulting in an increase in net position of \$9.7 million. In comparing the two years, revenues were comparable, increasing \$2.3 million, or 1.8%, while expenses increased \$6.1 million, or 5.1%. Expenses were significantly impacted by a year-over-year increase of \$4.7 million in pension and OPEB expense due to changes in actuarial valuations and allocation percentages of those plans.

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 42.1%, 50.5% and 4.5% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 63.2% of our total expenses during the most recent fiscal year. Of the remaining 36.8% of our total expenses, 29.3% was attributable to system-wide support services.

Our business-type activities reported revenues of \$3.3 million, expenses of \$2.3 million and net transfers out to governmental activities of \$1.2 million for the year ended June 30, 2025. For the year, net position decreased by \$210 thousand. Comparatively, revenues were \$4.2 million, expenses were \$4.2 million and transfers in from governmental activities totaled \$48 thousand for the year ended June 30, 2024, resulting in an increase in net position of \$47 thousand. In comparing the two periods, revenues decreased \$874 thousand while expenses decreased \$1.9 million. The majority of the declines to both revenues and expenses are attributable to the district ending its child care program and closing it out during the 2025 year. As part of the closeout of this program, the remaining cash in the program of \$1.3 million was transferred to the district's General Fund.

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 \$14.0 million at June 30, 2025, an increase of \$3.1 million over the amount reported at June 30, 2024. Total governmental funds reported an increase in revenues of \$2.2 million, or 1.7%, over the prior year while expenditures decreased by \$3.4 million, or 2.5%.

For the year, the Board's General Fund reported an increase in fund balance of \$2.4 million compared to a decrease of \$370 thousand in the prior year. Revenues rose \$6.5 million, or 16.7%, over the prior year due primarily to an increase in County appropriations. Expenditures reported an increase of \$3.8 million, or 9.5%. Increases in instructional services costs, operational support services costs and payments to charter schools accounted for the majority of the overall increase in expenditures.

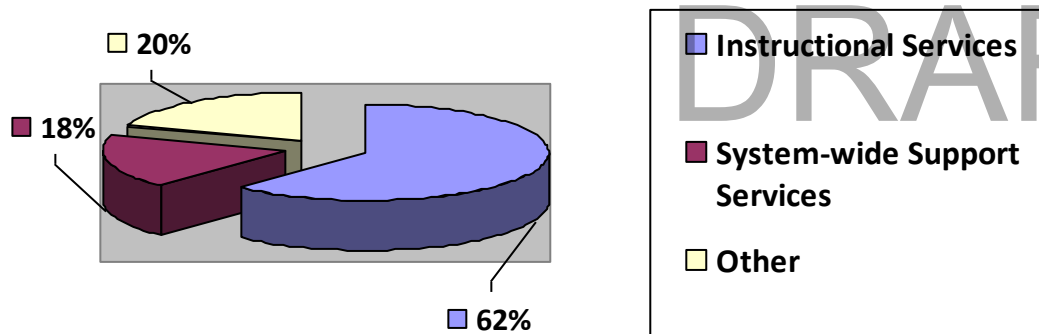
The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received. Combined revenues and expenditures in these two funds were comparable to the previous year, increasing slightly by \$502 thousand, or 0.8%.

The Other Special Revenue Fund reported fund balance of \$5.4 million at June 30, 2025, an increase for the year of \$405 thousand compared to an increase of \$326 thousand in the 2024 year. Both revenues and expenditures were comparable for the two years.

The Capital Outlay Fund reported an increase in fund balance for the year of \$111 thousand compared to a decrease of \$15 thousand in the 2024 year. Overall, both revenues and expenditures were comparable over the two year period. Virtually all of the district's capital outlay activity is funded by the County.

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

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service and Child Care funds, reported a combined decrease in net position of \$210 thousand for the current year compared to a \$47 thousand increase for the year ended June 30, 2024. See the section above *Financial Analysis of the Board as a Whole*, for more detailed discussion regarding School Food Service and Child Care program operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. Due to some State and federal revenue sources being uncertain at the start of the year, the Board budgeted \$424 thousand 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 any of this appropriated fund balance as State and federal sources were sufficient to pay these budgeted expenditures. The General Fund reported a positive expenditures budget variance of \$1.5 million for year.

Capital Assets

Total primary government capital assets were \$92.7 million at June 30, 2025 compared to \$91.9 million at June 30, 2024, for an increase of 0.9%. 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, 2025 and 2024:

**Table 3
Summary of Capital Assets
As of June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Land	\$ 773,988	\$ 773,988	\$ -	\$ -	\$ 773,988	\$ 773,988
Construction in progress	10,759,081	11,953,856	-	-	10,759,081	11,953,856
Buildings and improvements	78,019,021	76,279,896	-	-	78,019,021	76,279,896
Equipment and furniture	1,030,389	308,310	142,138	171,218	1,172,527	479,528
Vehicles	1,995,018	2,425,401	-	-	1,995,018	2,425,401
Total	\$ 92,577,497	\$ 91,741,451	\$ 142,138	\$ 171,218	\$ 92,719,635	\$ 91,912,669

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

Debt Outstanding

During the year, the Board's long-term debt decreased from \$3.5 million at June 30, 2024 to \$1.8 million at June 30, 2025. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

Economic Factors

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

- The County enjoys a consistently low unemployment rate. The unemployment rates estimated by the North Carolina Employment Security Commission were 3.5% at both June 2025 and 2024, respectively, among the lowest in the State. The State averages for June 2025 and 2024 were 4.0% and 4.1%, respectively.
- The County's economy is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture make up a smaller portion of the County's economy.
- The economy of the area is stabilized by the presence of State and Local government employment markets. The University of North Carolina at Chapel Hill and University Hospitals in the Town of Chapel Hill and their associated service, teaching and research programs have a reputation of excellence in the educational and medical fields. The County is also the place of residence for many technical and professional workers and executives who work in the Research Triangle Park and neighboring cities of Durham, Raleigh and Burlington.

Requests for Information

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

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

DRAFT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 13,617,519	\$ 1,804,676	\$ 15,422,195
Due from other governments	3,598,906	84,499	3,683,405
Receivables	-	5,371	5,371
Internal balances	(9,208)	9,208	-
Inventories	-	98,081	98,081
Net OPEB asset	97,572	1,782	99,354
Capital assets:			
Land and construction in progress	11,533,069	-	11,533,069
Other capital assets, net of depreciation	81,044,428	142,138	81,186,566
Total capital assets	92,577,497	142,138	92,719,635
Total assets	109,882,286	2,145,755	112,028,041
Deferred Outflows of Resources			
Pension and OPEB plans	55,523,868	1,014,007	56,537,875
Liabilities			
Bank overdraft	33,258	-	33,258
Accounts payable and accrued expenses	3,033,562	748	3,034,310
Due to other governments	1,176	-	1,176
Unearned revenue	101,988	63,306	165,294
Long-term liabilities:			
Due within one year	7,762,463	94,132	7,856,595
Due in more than one year	161,359,466	2,865,348	164,224,814
Total liabilities	172,291,913	3,023,534	175,315,447
Deferred Inflows of Resources			
Pension and OPEB plans	15,649,181	285,794	15,934,975
Net position			
Net investment in capital assets	91,015,785	142,138	91,157,923
Restricted for:			
Stabilization by State statute	297,057	-	297,057
School capital outlay	1,909,860	-	1,909,860
Instructional services	1,200,391	-	1,200,391
Individual schools activities	1,222,238	-	1,222,238
DIPNC OPEB plan	136,443	2,492	138,935
Unrestricted (deficit)	(118,316,714)	(294,196)	(118,610,910)
Total net position (deficit)	\$ (22,534,940)	\$ (149,566)	\$ (22,684,506)

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, 2025

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 43,720,576	\$ -	\$ 32,412,720	\$ -	\$ (11,307,856)	\$ -	\$ (11,307,856)
Special populations	14,451,994	-	11,461,976	-	(2,990,018)	-	(2,990,018)
Alternative programs	5,725,202	-	4,840,005	-	(885,197)	-	(885,197)
School leadership	5,606,024	-	3,007,437	-	(2,598,587)	-	(2,598,587)
Co-curricular	2,393,765	1,661,106	-	-	(732,659)	-	(732,659)
School-based support	7,864,128	-	3,122,297	-	(4,741,831)	-	(4,741,831)
System-wide support services:							
Support and development	2,317,994	-	441,240	-	(1,876,754)	-	(1,876,754)
Special population support and development	466,924	-	238,464	-	(228,460)	-	(228,460)
Alternative programs and services support and development	159,530	-	92,503	-	(67,027)	-	(67,027)
Technology support	1,274,296	-	243,139	-	(1,031,157)	-	(1,031,157)
Operational support	27,428,187	76,163	4,561,907	228,977	(22,561,140)	-	(22,561,140)
Financial and human resource services	2,532,918	108,284	1,148,768	-	(1,275,866)	-	(1,275,866)
Accountability	114,803	-	-	-	(114,803)	-	(114,803)
System-wide pupil support	335,667	-	187,367	-	(148,300)	-	(148,300)
Policy, leadership and public relations	2,429,074	-	738,505	-	(1,690,569)	-	(1,690,569)
Ancillary services	156,617	-	3,574	-	(153,043)	-	(153,043)
Non-programmed charges	6,278,149	-	234,412	-	(6,043,737)	-	(6,043,737)
Interest on long-term debt	129,050	-	-	-	(129,050)	-	(129,050)
Unallocated depreciation expense**	2,919,517	-	-	-	(2,919,517)	-	(2,919,517)
Total governmental activities	126,304,415	1,845,553	62,734,314	228,977	(61,495,571)	-	(61,495,571)
Business-type activities:							
School food service	3,408,927	680,102	2,658,801	-	-	(70,024)	(70,024)
Child care	(1,078,343)	1,113	-	-	-	1,079,456	1,079,456
Total business-type activities	2,330,584	681,215	2,658,801	-	-	1,009,432	1,009,432
Total primary government	\$ 128,634,999	\$ 2,526,768	\$ 65,393,115	\$ 228,977	(61,495,571)	1,009,432	(60,486,139)
General revenues:							
Unrestricted county appropriations - operating					46,622,710	-	46,622,710
Unrestricted county appropriations - capital					20,291,958	-	20,291,958
Investment earnings, unrestricted					133,890	-	133,890
Miscellaneous, unrestricted					422,548	3,861	426,409
Total general revenues					67,471,106	3,861	67,474,967
Transfers					1,223,576	(1,223,576)	-
Total general revenues and transfers					68,694,682	(1,219,715)	67,474,967
Change in net position					7,199,111	(210,283)	6,988,828
Net position (deficit) - beginning, as previously reported					(14,361,062)	249,599	(14,111,463)
Change in accounting principle (Note 4)					(15,372,989)	(188,882)	(15,561,871)
Net position (deficit) - beginning, as restated					(29,734,051)	60,717	(29,673,334)
Net position (deficit) - ending					\$ (22,534,940)	\$ (149,566)	\$ (22,684,506)

**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.

DRAFT

FUND FINANCIAL STATEMENTS

**ORANGE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025**

Exhibit 3

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Other Special Revenue	Capital Outlay	Special Revenue	
Assets						
Cash and cash equivalents	\$ 7,119,968	\$ -	\$ 5,274,137	\$ -	\$ 1,223,414	\$ 13,617,519
Due from other governments	14,550	33,258	267,219	3,283,879	-	3,598,906
Due from other funds	15,288	-	-	-	-	15,288
Total assets	<u>\$ 7,149,806</u>	<u>\$ 33,258</u>	<u>\$ 5,541,356</u>	<u>\$ 3,283,879</u>	<u>\$ 1,223,414</u>	<u>\$ 17,231,713</u>
Liabilities and fund balances						
Liabilities:						
Bank overdraft	\$ -	\$ 33,258	\$ -	\$ -	\$ -	\$ 33,258
Accounts payable and accrued liabilities	1,663,474	-	11,357	1,358,731	-	3,033,562
Due to other funds	-	-	9,208	15,288	-	24,496
Due to other governments	-	-	-	-	1,176	1,176
Unearned revenue	-	-	101,988	-	-	101,988
Total liabilities	<u>1,663,474</u>	<u>33,258</u>	<u>122,553</u>	<u>1,374,019</u>	<u>1,176</u>	<u>3,194,480</u>
Fund balances:						
Restricted:						
Stabilization by State statute	29,838	-	267,219	-	-	297,057
School capital outlay	-	-	-	1,909,860	-	1,909,860
Instructional services	-	-	1,200,391	-	-	1,200,391
Individual schools	-	-	-	-	1,222,238	1,222,238
Assigned:						
Subsequent year's expenditures	-	-	256,200	-	-	256,200
Special revenues	-	-	3,694,993	-	-	3,694,993
Unassigned	5,456,494	-	-	-	-	5,456,494
Total fund balances	<u>5,486,332</u>	<u>-</u>	<u>5,418,803</u>	<u>1,909,860</u>	<u>1,222,238</u>	<u>14,037,233</u>
Total liabilities and fund balances	<u>\$ 7,149,806</u>	<u>\$ 33,258</u>	<u>\$ 5,541,356</u>	<u>\$ 3,283,879</u>	<u>\$ 1,223,414</u>	

Reconciliation of the Balance Sheet to the Statement of Net Position

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

Net OPEB asset	97,572
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	92,577,497
Deferred outflows of resources related to pensions	23,150,230
Deferred outflows of resources related to OPEB	32,373,638
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.	(18,036,751)
Net pension liability	(50,180,375)
Net OPEB liability	(100,904,803)
Deferred inflows of resources related to pensions	(810,357)
Deferred inflows of resources related to OPEB	(14,838,824)
Net position (deficit) of governmental activities	<u>\$ (22,534,940)</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 4

	Major Funds				Non-major Funds	Total
	General	State Public School	Other Special Revenue	Capital Outlay	Special Revenue	Governmental Funds
Revenues:						
State of North Carolina	\$ -	\$ 55,613,447	\$ -	\$ 228,977	\$ -	\$ 55,842,424
Orange County:						
Local current expense	44,965,376	-	-	-	-	44,965,376
Other	-	-	1,657,334	20,291,958	-	21,949,292
U.S. Government	-	-	3,574	-	5,935,026	5,938,600
Other	306,895	-	1,850,669	-	1,661,106	3,818,670
Total revenues	45,272,271	55,613,447	3,511,577	20,520,935	7,596,132	132,514,362
Expenditures:						
Current:						
Instructional services:						
Regular instructional	11,718,462	31,226,712	120,627	64,987	1,186,008	44,316,796
Special populations	3,148,854	8,621,794	836,902	-	1,995,810	14,603,360
Alternative programs	963,396	2,772,680	325,655	-	1,729,430	5,791,161
School leadership	2,649,951	3,007,437	-	-	-	5,657,388
Co-curricular	826,840	-	-	146,147	1,498,981	2,471,968
School-based support	3,164,923	2,868,605	1,664,325	31,892	253,692	7,983,437
System-wide support services:						
Support and development	1,905,319	122,154	(498)	-	319,086	2,346,061
Special population support and development	234,579	230,807	-	-	7,657	473,043
Alternative programs and services support and development	-	-	69,021	-	92,503	161,524
Technology support	1,053,834	243,139	(4,719)	-	-	1,292,254
Operational support	8,827,125	4,386,784	39,540	709,168	116,428	14,079,045
Financial and human resource services	1,239,907	1,148,768	-	202,407	-	2,591,082
Accountability	115,536	-	-	-	-	115,536
System-wide pupil support	153,233	187,367	-	-	-	340,600
Policy, leadership and public relations	1,744,236	738,505	-	-	-	2,482,741
Ancillary services	93,691	-	55,426	7,500	-	156,617
Non-programmed charges	6,278,149	-	-	-	234,412	6,512,561
Debt service:						
Principal retirement	-	-	-	1,713,829	-	1,713,829
Interest and fees	-	-	-	129,050	-	129,050
Capital outlay	-	-	-	17,404,883	-	17,404,883
Total expenditures	44,118,035	55,554,752	3,106,279	20,409,863	7,434,007	130,622,936
Excess of revenues over expenditures	1,154,236	58,695	405,298	111,072	162,125	1,891,426
Other financing sources (uses):						
Transfers from other funds	1,282,271	-	-	-	-	1,282,271
Transfers to other funds	-	(58,695)	-	-	-	(58,695)
Total other financing sources (uses)	1,282,271	(58,695)	-	-	-	1,223,576
Net change in fund balance	2,436,507	-	405,298	111,072	162,125	3,115,002
Fund balances:						
Beginning of year	3,049,825	-	5,013,505	1,798,788	1,060,113	10,922,231
End of year	\$ 5,486,332	\$ -	\$ 5,418,803	\$ 1,909,860	\$ 1,222,238	\$ 14,037,233

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, 2025

Exhibit 5

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

DRAFT

Net changes in fund balances - total governmental funds \$ 3,115,002

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 836,046

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 9,750,310

Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities 4,134,735

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
 OPEB nonemployer contributions 30,699

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,713,829

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.
 Pension (expense) benefit (13,953,228)
 OPEB (expense) benefit (2,420,813)
 Compensated absences 3,992,531

Total change in net position of governmental activities \$ 7,199,111

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, 2025

Exhibit 6

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Orange County	\$ 44,965,376	\$ 44,965,376	\$ 44,965,376	\$ -
Other	260,000	269,146	306,895	37,749
Total revenues	<u>45,225,376</u>	<u>45,234,522</u>	<u>45,272,271</u>	<u>37,749</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	11,713,925	11,731,362	11,718,462	12,900
Special populations	3,413,700	3,395,384	3,148,854	246,530
Alternative programs	984,096	991,973	963,396	28,577
School leadership	2,605,395	2,649,951	2,649,951	-
Co-curricular	979,496	946,001	826,840	119,161
School-based support	3,223,140	3,198,553	3,164,923	33,630
Total instructional services	<u>22,919,752</u>	<u>22,913,224</u>	<u>22,472,426</u>	<u>440,798</u>
System-wide support services:				
Support and development	1,947,118	1,903,964	1,905,319	(1,355)
Special population support and development	231,500	234,579	234,579	-
Alternative programs and services support and development	14,700	14,700	-	14,700
Technology support	1,024,400	1,052,701	1,053,834	(1,133)
Operational support	9,337,117	9,273,688	8,827,125	446,563
Financial and human resource services	1,415,169	1,415,169	1,239,907	175,262
Accountability	122,600	119,009	115,536	3,473
System-wide pupil support	149,800	153,336	153,233	103
Policy, leadership and public relations	2,209,348	2,205,812	1,744,236	461,576
Total system-wide support services	<u>16,451,752</u>	<u>16,372,958</u>	<u>15,273,769</u>	<u>1,099,189</u>
Ancillary services:				
Nutrition	90,100	93,691	93,691	-
Nonprogrammed charges	6,187,272	6,278,149	6,278,149	-
Total expenditures	<u>45,648,876</u>	<u>45,658,022</u>	<u>44,118,035</u>	<u>1,539,987</u>
Excess (deficiency) of revenues over expenditures	(423,500)	(423,500)	1,154,236	1,577,736
Other financing sources:				
Transfers from other funds	-	-	1,282,271	1,282,271
Fund balance appropriated	423,500	423,500	-	(423,500)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,436,507	<u>\$ 2,436,507</u>
Fund balances:				
Beginning of year			3,049,825	
End of year			<u>\$ 5,486,332</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, 2025

Exhibit 6 (continued)

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 51,322,227	\$ 57,415,312	\$ 55,613,447	\$ (1,801,865)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	28,731,646	31,427,560	31,226,712	200,848
Special populations	8,808,131	9,483,062	8,621,794	861,268
Alternative programs	2,553,644	3,437,084	2,772,680	664,404
School leadership	2,621,583	3,011,621	3,007,437	4,184
School-based support	1,941,185	2,901,304	2,868,605	32,699
Total instructional services	<u>44,656,189</u>	<u>50,260,631</u>	<u>48,497,228</u>	<u>1,763,403</u>
System-wide support services:				
Support and development	147,018	122,154	122,154	-
Special population support and development	187,670	230,807	230,807	-
Technology support	83,270	243,139	243,139	-
Operational support	4,667,920	4,424,919	4,386,784	38,135
Financial and human resource services	1,024,169	1,148,768	1,148,768	-
System-wide pupil support	79,628	187,367	187,367	-
Policy, leadership and public relations	426,739	738,505	738,505	-
Total system-wide support services	<u>6,616,414</u>	<u>7,095,659</u>	<u>7,057,524</u>	<u>38,135</u>
Total expenditures	<u>51,272,603</u>	<u>57,356,290</u>	<u>55,554,752</u>	<u>1,801,538</u>
Excess of revenues over expenditures	49,624	59,022	58,695	(327)
Other financing uses:				
Transfers to other funds	(49,624)	(59,022)	(58,695)	327
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF 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, 2025

Exhibit 6 (continued)

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Orange County	\$ 1,415,570	\$ 1,652,217	\$ 1,657,334	\$ 5,117
U.S. Government	-	3,574	3,574	-
Other	854,300	1,145,001	1,850,669	705,668
Total revenues	<u>2,269,870</u>	<u>2,800,792</u>	<u>3,511,577</u>	<u>710,785</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	388,393	393,494	120,627	272,867
Special populations	1,044,733	1,116,871	836,902	279,969
Alternative programs	338,449	607,400	325,655	281,745
Co-curricular	9,573	9,573	-	9,573
School-based support	1,424,028	1,672,566	1,664,325	8,241
Total instructional services	<u>3,205,176</u>	<u>3,799,904</u>	<u>2,947,509</u>	<u>852,395</u>
System-wide support services:				
Support and development	300	300	(498)	798
Alternative programs and services support and development	171,947	171,947	69,021	102,926
Technology support	-	-	(4,719)	4,719
Operational support	329,174	237,483	39,540	197,943
Total system-wide support services	<u>501,421</u>	<u>409,730</u>	<u>103,344</u>	<u>306,386</u>
Ancillary services:				
Nutrition	31,624	59,509	55,426	4,083
Total expenditures	<u>3,738,221</u>	<u>4,269,143</u>	<u>3,106,279</u>	<u>1,162,864</u>
Excess (deficiency) of revenues over expenditures	(1,468,351)	(1,468,351)	405,298	1,873,649
Fund balance appropriated	<u>1,468,351</u>	<u>1,468,351</u>	-	(1,468,351)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	405,298	<u>\$ 405,298</u>
Fund balances:				
Beginning of year			<u>5,013,505</u>	
End of year			<u>\$ 5,418,803</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, 2025**

Exhibit 7

	Enterprise		Totals
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,804,676	\$ -	\$ 1,804,676
Due from other governments	84,499	-	84,499
Receivables	5,371	-	5,371
Due from other funds	9,208	-	9,208
Inventories	98,081	-	98,081
Total current assets	<u>2,001,835</u>	<u>-</u>	<u>2,001,835</u>
Noncurrent assets:			
Net OPEB asset	1,782	-	1,782
Capital assets:			
Furniture and equipment, net	142,138	-	142,138
Total noncurrent assets	<u>143,920</u>	<u>-</u>	<u>143,920</u>
Total assets	<u>2,145,755</u>	<u>-</u>	<u>2,145,755</u>
Deferred Outflows of Resources			
Pension and OPEB plans	<u>1,014,007</u>	<u>-</u>	<u>1,014,007</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	748	-	748
Compensated absences	94,132	-	94,132
Unearned revenue	63,306	-	63,306
Total current liabilities	<u>158,186</u>	<u>-</u>	<u>158,186</u>
Noncurrent liabilities:			
Net pension liability	916,421	-	916,421
Net OPEB liability	1,842,778	-	1,842,778
Compensated absences	106,149	-	106,149
Total noncurrent liabilities	<u>2,865,348</u>	<u>-</u>	<u>2,865,348</u>
Total liabilities	<u>3,023,534</u>	<u>-</u>	<u>3,023,534</u>
Deferred Inflows of Resources			
Pension and OPEB plans	<u>285,794</u>	<u>-</u>	<u>285,794</u>
Net position			
Investment in capital assets	142,138	-	142,138
Restricted for DIPNC OPEB plan	2,492	-	2,492
Unrestricted (deficit)	<u>(294,196)</u>	<u>-</u>	<u>(294,196)</u>
Total net position	<u>\$ (149,566)</u>	<u>\$ -</u>	<u>\$ (149,566)</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, 2025

Exhibit 8

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Operating revenues:			
Food sales	\$ 680,102	\$ -	\$ 680,102
Child care fees	-	1,113	1,113
Other	3,436	425	3,861
Total operating revenues	<u>683,538</u>	<u>1,538</u>	<u>685,076</u>
Operating expenses:			
Food cost:			
Purchase of food	1,088,033	-	1,088,033
Donated commodities	200,746	-	200,746
Salaries and benefits	1,930,977	5,984	1,936,961
Pension and OPEB expense (benefit)	(6,546)	(1,084,327)	(1,090,873)
Materials and supplies	113,881	-	113,881
Depreciation	29,080	-	29,080
Contracted services	41,553	-	41,553
Other	11,203	-	11,203
Total operating expenses	<u>3,408,927</u>	<u>(1,078,343)</u>	<u>2,330,584</u>
Operating income (loss)	<u>(2,725,389)</u>	<u>1,079,881</u>	<u>(1,645,508)</u>
Nonoperating revenues:			
Federal reimbursements and grants	2,453,255	-	2,453,255
Federal commodities	200,746	-	200,746
State reimbursements	4,800	-	4,800
Total nonoperating revenues	<u>2,658,801</u>	<u>-</u>	<u>2,658,801</u>
Income (loss) before transfers	(66,588)	1,079,881	1,013,293
Transfers to other funds	-	(1,282,271)	(1,282,271)
Transfers from other funds	58,695	-	58,695
Change in net position	<u>(7,893)</u>	<u>(202,390)</u>	<u>(210,283)</u>
Net position, beginning of year	47,209	202,390	249,599
Change in accounting principle (Note 4)	<u>(188,882)</u>	<u>-</u>	<u>(188,882)</u>
Net position (deficit), beginning of year, as restated	<u>(141,673)</u>	<u>202,390</u>	<u>60,717</u>
Net position (deficit), end of year	<u>\$ (149,566)</u>	<u>\$ -</u>	<u>\$ (149,566)</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, 2025

Exhibit 9

	Enterprise		Totals
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 668,411	\$ 1,819	\$ 670,230
Cash paid for goods and services	(1,246,477)	(915)	(1,247,392)
Cash paid to employees for services	(1,927,886)	(6,766)	(1,934,652)
Other	3,436	425	3,861
Net cash used by operating activities	<u>(2,502,516)</u>	<u>(5,437)</u>	<u>(2,507,953)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(1,282,271)	(1,282,271)
Due from other funds	31,876	-	31,876
Federal and State reimbursements and grants	2,450,011	-	2,450,011
Net cash provided (used) by noncapital financing activities	<u>2,481,887</u>	<u>(1,282,271)</u>	<u>1,199,616</u>
Net decrease in cash and cash equivalents	(20,629)	(1,287,708)	(1,308,337)
Cash and cash equivalents, beginning of year	1,825,305	1,287,708	3,113,013
Cash and cash equivalents, end of year	<u>\$ 1,804,676</u>	<u>\$ -</u>	<u>\$ 1,804,676</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (2,725,389)	\$ 1,079,881	\$ (1,645,508)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	29,080	-	29,080
Donated commodities	200,746	-	200,746
Salaries paid by other funds	58,695	-	58,695
Changes in assets, liabilities, deferred outflows and deferred inflows of resources:			
Decrease in accounts receivable	-	706	706
Increase in net OPEB asset	(1,782)	-	(1,782)
Decrease in inventories	1,682	-	1,682
Decrease in accounts payable and accrued liabilities	(35)	(915)	(950)
Decrease in unearned revenue	(11,691)	-	(11,691)
Decrease in net pension liability	(141,514)	(563,501)	(705,015)
Increase (decrease) in net OPEB liability	386,831	(775,497)	(388,666)
(Increase) decrease in deferred outflows	(63,974)	506,026	442,052
Decrease in deferred inflows	(186,107)	(251,355)	(437,462)
Decrease in compensated absences payable	(49,058)	(782)	(49,840)
Total adjustments	<u>222,873</u>	<u>(1,085,318)</u>	<u>(862,445)</u>
Net cash used by operating activities	<u>\$ (2,502,516)</u>	<u>\$ (5,437)</u>	<u>\$ (2,507,953)</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 \$200,746 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid School Food Service Fund salaries and benefits of \$58,695 during the fiscal year. These payments are reflected as a transfer from other funds and an operating expense on Exhibit 8.

DRAFT

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

**ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2025**

Exhibit 10

DRAFT

	<u>Administrative Fund</u>
Assets	
Cash and cash equivalents	\$ <u>116,744</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net Position	
Assets held in trust for private purpose	\$ <u>116,744</u>

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

ORANGE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2025

Exhibit 11

Administrative
Fund

DRAFT

Additions:		
Contributions and other revenue		\$ 21
Deductions:		
Instructional costs and other expenditures		-
Change in net position		21
Beginning net position		116,723
Ending net position		\$ 116,744

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Orange County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Orange County, North Carolina, except in the Chapel Hill and Carrboro townships. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The fiduciary fund is presented separately. Interfund services provided and used are not eliminated in the process of consolidation.

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund.

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

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

The Board reports the following nonmajor governmental funds:

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

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

The Board reports the following major enterprise funds:

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

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

The Board reports the following fiduciary fund:

Administrative Fund. The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district. It is accounted for as a private purpose trust fund.

C. Measurement Focus and Basis of Accounting

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

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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 Net Position/Fund Balances

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

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.

DRAFT

4. Capital Assets

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

For capital assets utilized in both governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

5. Deferred outflows and inflows of resources

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

6. Long-term Obligations

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

7. Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Board follows the State’s policy for vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years’ records of the current portion of compensated absences.

Vacation Leave. Employees may accumulate up to thirty (30) days of earned but unused vacation leave with such leave being fully vested when earned and eligible for payment at the employee’s current pay rate upon separation from employment.

Sick Leave. 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. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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

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

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

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

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

The Board does not have a formal revenue spending policy. However, it is the Board's practice to use resources in the following hierarchy: debt proceeds, State funds, federal funds, local non-Board funds and Board funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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 \$(36,572,173) consists of the following elements:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 185,221,140
Less accumulated depreciation	(92,643,643)
Net capital assets	92,577,497
Net OPEB asset	97,572
Deferred outflows of resources related to pensions	23,150,230
Deferred outflows of resources related to OPEB	32,373,638
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(1,763,912)
Compensated absences	(16,272,839)
Net pension liability	(50,180,375)
Net OPEB liability	(100,904,803)
Deferred inflows of resources related to pensions	(810,357)
Deferred inflows of resources related to OPEB	(14,838,824)
Total adjustment	\$ (36,572,173)

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,084,109 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,208,400
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	(3,372,354)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	1,713,829
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	9,750,310
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	4,134,735
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
OPEB nonemployer contributions	30,699
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(13,953,228)
OPEB (expense) benefit	(2,420,813)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	3,992,531
Total adjustment	<u>\$ 4,084,109</u>

10. Defined Benefit Pension Plans

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

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2025, the Board had deposits with banks and savings and loans with a carrying amount of \$12,568,784, a carrying amount with the State Treasurer in the Federal Grants Fund of \$1,176, and an overdraft balance with the State Treasurer of \$33,258 in the State Public School Fund. The bank balances with the financial institutions and the State Treasurer were \$12,790,296 and \$80,600, respectively. Of these balances, \$1,108,402 was covered by federal depository insurance and \$11,762,494 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board had cash on hand at year-end of \$117.

2. Investments

At June 30, 2025, the Board had \$2,968,862 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 2.1 years at June 30, 2025. The Board has no investment balances in the NCCMT as of June 30, 2025. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2025 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other Governments	Other	Total
Governmental activities:				
General Fund	\$ 15,288	\$ 14,550	\$ -	\$ 29,838
Other governmental activities	(24,496)	3,584,356	-	3,559,860
Total governmental activities	<u>\$ (9,208)</u>	<u>\$ 3,598,906</u>	<u>\$ -</u>	<u>\$ 3,589,698</u>
Business-type activities:				
School Food Service Fund	<u>\$ 9,208</u>	<u>\$ 84,499</u>	<u>\$ 5,371</u>	<u>\$ 99,078</u>

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 14,550	Amounts due from County
State Public School Fund	33,258	State grant funds
Other Special Revenue Fund	267,219	Amounts due from County
Capital Outlay Fund	3,283,879	Amounts due from County
Total	<u>\$ 3,598,906</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 84,499</u>	Federal funds

DRAFT

4. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 773,988	\$ -	\$ -	\$ 773,988
Construction in progress	11,953,856	3,344,087	4,538,862	10,759,081
Total capital assets not being depreciated	<u>12,727,844</u>	<u>3,344,087</u>	<u>4,538,862</u>	<u>11,533,069</u>
Capital assets being depreciated:				
Buildings and improvements	150,066,688	4,538,862	-	154,605,550
Equipment and furniture	5,762,929	841,859	86,186	6,518,602
Vehicles	12,541,465	22,454	-	12,563,919
Total capital assets being depreciated	<u>168,371,082</u>	<u>5,403,175</u>	<u>86,186</u>	<u>173,688,071</u>
Less accumulated depreciation for:				
Buildings and improvements	73,786,792	2,799,737	-	76,586,529
Equipment and furniture	5,454,619	119,780	86,186	5,488,213
Vehicles	10,116,064	452,837	-	10,568,901
Total accumulated depreciation	<u>89,357,475</u>	<u>3,372,354</u>	<u>86,186</u>	<u>92,643,643</u>
Total capital assets being depreciated, net	<u>79,013,607</u>			<u>81,044,428</u>
Governmental activity capital assets, net	<u>\$ 91,741,451</u>			<u>\$ 92,577,497</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,358,742	\$ -	\$ -	\$ 1,358,742
Less accumulated depreciation for:				
Equipment and furniture	1,187,524	29,080	-	1,216,604
School Food Service capital assets, net	<u>\$ 171,218</u>			<u>\$ 142,138</u>

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

Depreciation was charged to governmental functions as follows:

Operational support services	\$ 452,837
Unallocated depreciation	<u>2,919,517</u>
Total	<u>\$ 3,372,354</u>

DRAFT

5. Construction and Other Significant Commitments

As of June 30, 2025, the Board had various capital projects in progress throughout the district. At year-end, the Board’s commitments with contractors for the remaining portion of the contracts related to these projects totaled approximately \$2.1 million.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers’ and State Employees’ Retirement System

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

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

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

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

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, 2025 was 16.79% 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 \$9,928,373 for the year ended June 30, 2025.

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

At June 30, 2025, the Board reported a liability of \$51,096,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2024 and 2023, the Board's proportion was 0.3449% and 0.3484%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of \$13,960,966. At June 30, 2025, 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	\$ 4,604,709	\$ 151,049
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	8,425,620	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	614,309	674,107
Board contributions subsequent to the measurement date	9,928,373	-
Total	<u>\$ 23,573,011</u>	<u>\$ 825,156</u>

\$9,928,373 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

DRAFT

Year ended June 30:

2026	\$ 3,932,077
2027	10,007,210
2028	(217,903)
2029	(901,902)
Total	<u>\$ 12,819,482</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2023 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rates used to measure the total pension liability reported at June 30, 2025 and 2024 was 6.50% for both years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability	\$ 93,731,407	\$ 51,096,796	\$ 15,938,312

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the year ended June 30, 2025, the Board contributed 6.99% of covered payroll, which amounted to \$4,133,373 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$10.3 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$31,260.

At June 30, 2025, the Board reported a liability of \$102,747,581 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

determined. At June 30, 2024 and 2023, the Board's proportion was 0.3021% and 0.2997%, respectively.

\$4,133,373 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2026	\$	(733,888)
2027		2,707,941
2028		6,777,291
2029		<u>4,930,747</u>
Total	\$	<u>13,682,091</u>

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%

Healthcare cost trend rates:

Medical	5.00-6.50%
Prescription drug	5.00-10.00%
Administrative costs	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2025 and 2024 were 3.93% and 3.65%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.93 percent) or 1-percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	\$ 122,243,030	\$ 102,747,581	\$ 87,094,439

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

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

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-9.00%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical - 5.00-6.50%, Pharmacy - 5.00-10.00%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 11.00%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 84,810,751	\$ 102,747,581	\$ 125,972,282

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$76,872 for the year ended June 30, 2025.

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

At June 30, 2025, the Board reported an asset of \$99,354 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.3017% and 0.3062%, respectively.

\$76,872 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2026	\$	(39,629)
2027		(25,637)
2028		15,733
2029		7,642
2030		4,600
Total	\$	<u>(37,291)</u>

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

Inflation	2.50%
Salary increases	3.25%-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	3.00%, net of OPEB plan expense, including inflation

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 88,591	\$ 99,354	\$ 110,667

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 1.2%.

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2025:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (benefit)	\$ 1,525,139	\$ 51,194	\$ 1,576,333
OPEB liability (asset)	102,747,581	(99,354)	102,648,227
Proportionate share of the net OPEB liability or asset	0.3021%	0.3017%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 837,453	\$ 40,054	\$ 877,507
Changes of assumptions	24,745,813	1,482	24,747,295
Net difference between projected and actual earnings on plan investments	440,290	77,999	518,289
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,601,927	9,601	2,611,528
Board contributions subsequent to the measurement date	<u>4,133,373</u>	<u>76,872</u>	<u>4,210,245</u>
Total deferred outflows of resources	<u>\$ 32,758,856</u>	<u>\$ 206,008</u>	<u>\$ 32,964,864</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 114,279	\$ 114,279
Changes of assumptions	13,396,187	46,288	13,442,475
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>1,547,205</u>	<u>5,860</u>	<u>1,553,065</u>
Total deferred inflows of resources	<u>\$ 14,943,392</u>	<u>\$ 166,427</u>	<u>\$ 15,109,819</u>

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

2. Accounts Payable

Accounts payable as of June 30, 2025 are as follows:

	<u>Vendors and Other</u>	<u>Due to Other Governments</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 1,663,474	\$ -	\$ 1,663,474
Other governmental activities	1,370,088	1,176	1,371,264
Total governmental activities	<u>\$ 3,033,562</u>	<u>\$ 1,176</u>	<u>\$ 3,034,738</u>
Business-type activities:			
School Food Service Fund	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 748</u>

DRAFT

3. Unearned Revenues

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

Governmental activities:	
Prepayments of tuition (Other Special Revenue Fund)	<u>\$ 101,988</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 63,306</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	\$ 5,482,216	\$ 265,328
Changes of assumptions	24,747,295	13,442,475
Net difference between projected and actual earnings on pension and OPEB plan investments	8,943,909	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,225,837	2,227,172
Board contributions subsequent to the measurement date	<u>14,138,618</u>	<u>-</u>
Total	<u>\$ 56,537,875</u>	<u>\$ 15,934,975</u>

5. Risk Management

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

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

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

The Board also participates in the State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund insures the tangible property assets of the Board. Buildings and contents are insured on a replacement cost basis.

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 December 31, 2024 and Aetna thereafter. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

6. Long-Term Obligations

a. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third-party direct placement financing arrangements. During the prior fiscal years, the Board entered into such contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contracts outstanding at year-end totaled \$669,889. The contracts each require four equal principal-only payments with the first payment due within ten days of receipt of the buses and the following three payments due on each of the three subsequent November 15th dates.

The Board entered into a direct placement installment purchase contract for the purchase of technology equipment during the fiscal year ended June 30, 2021. The equipment was pledged as collateral for the debt while the debt was outstanding. The original amount of the installment purchase contract totaled \$3,000,000. The contract was paid in full during the year ended June 30, 2025.

The Board entered into a direct placement installment purchase contract for the purchase of technology equipment during the fiscal year ended June 30, 2024. The equipment is pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contract totaled \$3,131,803. The contract requires four equal payments of principal and interest at 5.277% due annually through 2027.

**ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

The future minimum payments of the installment purchases as of June 30, 2025 including interest, are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 927,871	\$ 82,387
2027	836,041	42,252
Totals	<u>\$ 1,763,912</u>	<u>\$ 124,639</u>

DRAFT

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, 2025:

	<u>July 1, 2024 (As restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Governmental activities:					
Direct placement installment purchases	\$ 3,477,741	\$ -	\$ 1,713,829	\$ 1,763,912	\$ 927,871
Net pension liability	56,465,420	-	6,285,045	50,180,375	-
Net OPEB liability	77,708,508	23,196,295	-	100,904,803	-
Compensated absences	20,265,370	-	3,992,531	16,272,839	6,834,592
Total	<u>\$ 157,917,039</u>	<u>\$ 23,196,295</u>	<u>\$ 11,991,405</u>	<u>\$ 169,121,929</u>	<u>\$ 7,762,463</u>
Business-type activities:					
Net pension liability	\$ 1,621,436	\$ -	\$ 705,015	\$ 916,421	\$ -
Net OPEB liability	2,231,444	-	388,666	1,842,778	-
Compensated absences	250,121	-	49,840	200,281	94,132
Total	<u>\$ 4,103,001</u>	<u>\$ -</u>	<u>\$ 1,143,521</u>	<u>\$ 2,959,480</u>	<u>\$ 94,132</u>

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

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2025 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	Other Special Revenue Fund	\$ 9,208
General Fund	Capital Outlay Fund	15,288

The balance above represents \$9,208 owed from the Other Special Revenue Fund to the School Food Service Fund for unpaid student meal charges and \$15,288 owed from the Capital Outlay Fund to the General Fund for cash flow purposes. These amounts are expected to be paid prior to June 30, 2026.

**ORANGE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2025**

DRAFT

2. Transfers to/from other Funds

Transfers to/from other funds for the year ended June 30, 2025 consist of the following:

From the State Public School Fund to the School Food Service Fund for salaries and benefits	<u>\$ 58,695</u>
From the Child Care Fund to the General Fund for closeout of the Child Care Fund and transfer of remaining cash balances	<u>\$ 1,282,271</u>

D. Net Position/Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

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

Total governmental activities capital assets	\$ 92,577,497
Less:	
Capital Outlay Fund - accounts payable	(1,358,731)
Installment purchase obligations for school buses	<u>(202,981)</u>
Net investment in capital assets, governmental activities	<u>\$ 91,015,785</u>

The district also has \$1,560,931 of installment purchase obligations outstanding at June 30, 2025 for technology equipment. This amount has been excluded from the calculation of net investment in capital assets due to these obligations being for noncapitalized items.

2. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is unassigned and available for appropriation at June 30, 2025:

Total fund balance - General Fund	\$ 5,486,332
Less:	
Stabilization by State statute	<u>(29,838)</u>
Unassigned fund balance	<u>\$ 5,456,494</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, 2025 are as follows:

Capital Outlay Fund	\$ 12,816,853
---------------------	---------------

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

ORANGE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 4 – ACCOUNTING CHANGES

Change in Accounting Principle

Effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement requires that governments recognize liabilities for sick leave that is attributable to services the employee has rendered, that accumulates and is more likely than not to be used. See the table below for the effects on Board’s net position as a result of the adoption of this statement.

Adjustments to and Restatements of Beginning Balances

During the fiscal year ended June 30, 2025, implementation of GASB Statement 101 resulted in restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Restatements of Beginning Balances		
	Proprietary Fund	Government-Wide	
	School Food Service	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	\$ 47,209	\$ (14,361,062)	\$ 249,599
Change in accounting principle	(188,882)	(15,372,989)	(188,882)
June 30, 2024 net position (deficit), as restated	<u>\$ (141,673)</u>	<u>\$ (29,734,051)</u>	<u>\$ 60,717</u>

NOTE 5 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 28, 2025 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

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

DRAFT

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability	0.345%	0.348%	0.335%	0.324%	0.332%
Board's proportionate share of the net pension liability	\$ 51,096,796	\$ 58,086,856	\$ 49,702,202	\$ 15,184,739	\$ 40,100,148
Board's covered payroll	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876	\$ 51,269,029
Board's proportionate share of the net pension liability as a percentage of its covered payroll	86.47%	99.87%	92.34%	29.64%	78.22%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Board's proportion of the net pension liability	0.338%	0.354%	0.350%	0.344%	0.333%
Board's proportionate share of the net pension liability	\$ 35,043,425	\$ 35,231,612	\$ 27,788,793	\$ 31,588,661	\$ 12,258,443
Board's covered payroll	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158	\$ 46,481,354
Board's proportionate share of the net pension liability as a percentage of its covered payroll	68.75%	69.01%	55.67%	66.76%	26.37%
Plan fiduciary net position as a percentage of the total	87.56%	87.61%	89.51%	87.32%	94.64%

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

DRAFT

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 9,928,373	\$ 10,417,425	\$ 10,108,833	\$ 8,816,201	\$ 7,571,480
Contributions in relation to the contractually required contribution	<u>9,928,373</u>	<u>10,417,425</u>	<u>10,108,833</u>	<u>8,816,201</u>	<u>7,571,480</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 59,132,656	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,649,593	\$ 6,264,927	\$ 5,503,276	\$ 4,981,861	\$ 4,329,337
Contributions in relation to the contractually required contribution	<u>6,649,593</u>	<u>6,264,927</u>	<u>5,503,276</u>	<u>4,981,861</u>	<u>4,329,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

DRAFT

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability	0.302%	0.300%	0.292%	0.287%	0.293%
Board's proportionate share of the net OPEB liability	\$ 102,747,581	\$ 79,858,515	\$ 69,308,459	\$ 88,581,782	\$ 81,380,270
Board's covered payroll	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876	\$ 51,269,029
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	173.89%	137.30%	128.77%	172.92%	158.73%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Board's proportion of the net OPEB liability	0.303%	0.319%	0.320%	0.303%	
Board's proportionate share of the net OPEB liability	\$ 95,720,788	\$ 90,850,434	\$ 105,035,373	\$ 131,770,855	
Board's covered payroll	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158	
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	187.78%	177.96%	210.41%	278.50%	
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%	

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

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

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

DRAFT

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 4,133,373	\$ 4,218,968	\$ 4,007,472	\$ 3,385,464	\$ 3,422,022
Contributions in relation to the contractually required contribution	<u>4,133,373</u>	<u>4,218,968</u>	<u>4,007,472</u>	<u>3,385,464</u>	<u>3,422,022</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 59,132,656	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,317,106	\$ 3,196,183	\$ 3,088,573	\$ 2,918,963	\$ 2,638,501
Contributions in relation to the contractually required contribution	<u>3,317,106</u>	<u>3,196,183</u>	<u>3,088,573</u>	<u>2,918,963</u>	<u>2,638,501</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

DRAFT

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.302%	0.306%	0.294%	0.287%	0.291%
Board's proportionate share of the net OPEB liability (asset)	\$ (99,354)	\$ 81,437	\$ 87,489	\$ (46,870)	\$ (143,140)
Board's covered payroll	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876	\$ 51,269,029
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.17%	0.14%	0.16%	0.09%	0.28%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%

52

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

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

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

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

DRAFT

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 76,872	\$ 64,998	\$ 58,164	\$ 48,441	\$ 46,105
Contributions in relation to the contractually required contribution	<u>76,872</u>	<u>64,998</u>	<u>58,164</u>	<u>48,441</u>	<u>46,105</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 59,132,656	\$ 59,089,195	\$ 58,163,596	\$ 53,822,961	\$ 51,227,876
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 51,269	\$ 71,366	\$ 71,471	\$ 190,913	\$ 193,176
Contributions in relation to the contractually required contribution	<u>51,269</u>	<u>71,366</u>	<u>71,471</u>	<u>190,913</u>	<u>193,176</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 51,269,029	\$ 50,975,810	\$ 51,050,798	\$ 49,918,447	\$ 47,315,158
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

DRAFT

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Orange County:			
Local current expense	\$ 44,965,376	\$ 44,965,376	\$ -
Other:			
Fines and forfeitures	150,000	161,819	11,819
Interest earned on investment	110,000	133,890	23,890
Miscellaneous	9,146	11,186	2,040
Total other	<u>269,146</u>	<u>306,895</u>	<u>37,749</u>
Total revenues	<u>45,234,522</u>	<u>45,272,271</u>	<u>37,749</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	11,731,362	11,718,462	12,900
Special populations	3,395,384	3,148,854	246,530
Alternative programs	991,973	963,396	28,577
School leadership	2,649,951	2,649,951	-
Co-curricular	946,001	826,840	119,161
School-based support	3,198,553	3,164,923	33,630
Total instructional services	<u>22,913,224</u>	<u>22,472,426</u>	<u>440,798</u>
System-wide support services:			
Support and development	1,903,964	1,905,319	(1,355)
Special population support and development	234,579	234,579	-
Alternative programs and services support and development	14,700	-	14,700
Technology support	1,052,701	1,053,834	(1,133)
Operational support	9,273,688	8,827,125	446,563
Financial and human resource services	1,415,169	1,239,907	175,262
Accountability	119,009	115,536	3,473
System-wide pupil support	153,336	153,233	103
Policy, leadership and public relations	2,205,812	1,744,236	461,576
Total system-wide support services	<u>16,372,958</u>	<u>15,273,769</u>	<u>1,099,189</u>
Ancillary services:			
Nutrition	93,691	93,691	-

**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, 2025**

	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	6,278,149	6,278,149	-
Total expenditures	<u>45,658,022</u>	<u>44,118,035</u>	<u>1,539,987</u>
Excess (deficiency) of revenues over expenditures	(423,500)	1,154,236	1,577,736
Other financing sources:			
Transfers from other funds	-	1,282,271	1,282,271
Fund balance appropriated	<u>423,500</u>	-	<u>(423,500)</u>
Net change in fund balance	<u>\$ -</u>	2,436,507	<u>\$ 2,436,507</u>
Fund balance:			
Beginning of year		<u>3,049,825</u>	
End of year		<u>\$ 5,486,332</u>	

**ORANGE COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2025**

	Special Revenue Funds		Totals
	Federal Grants	Individual Schools	
Assets			
Cash and cash equivalents	\$ 1,176	\$ 1,222,238	\$ 1,223,414
Total assets	<u>\$ 1,176</u>	<u>\$ 1,222,238</u>	<u>\$ 1,223,414</u>
Liabilities			
Due to other governments	\$ 1,176	\$ -	\$ 1,176
Fund balances			
Restricted:			
Individual schools	-	1,222,238	1,222,238
Total liabilities and fund balances	<u>\$ 1,176</u>	<u>\$ 1,222,238</u>	<u>\$ 1,223,414</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, 2025**

	Special Revenue Funds		Totals
	Federal Grants	Individual Schools	
Revenues:			
U.S. Government	\$ 5,935,026	\$ -	\$ 5,935,026
Other	-	1,661,106	1,661,106
Total revenues	<u>5,935,026</u>	<u>1,661,106</u>	<u>7,596,132</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	1,186,008	-	1,186,008
Special populations	1,995,810	-	1,995,810
Alternative programs	1,729,430	-	1,729,430
Co-curricular	-	1,498,981	1,498,981
School-based support	253,692	-	253,692
Total instructional services	<u>5,164,940</u>	<u>1,498,981</u>	<u>6,663,921</u>
System-wide support services:			
Support and development	319,086	-	319,086
Special population support and development	7,657	-	7,657
Alternative programs and services support and development	92,503	-	92,503
Operational support	116,428	-	116,428
Total system-wide support services	<u>535,674</u>	<u>-</u>	<u>535,674</u>
Non-programmed charges	234,412	-	234,412
Total expenditures	<u>5,935,026</u>	<u>1,498,981</u>	<u>7,434,007</u>
Net change in fund balance	-	162,125	162,125
Fund balances:			
Beginning of year	-	1,060,113	1,060,113
End of year	<u>\$ -</u>	<u>\$ 1,222,238</u>	<u>\$ 1,222,238</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FEDERAL GRANTS FUND
For the Fiscal Year Ended June 30, 2025**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
U.S. Government	\$ 6,679,140	\$ 5,935,026	\$ (744,114)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	1,192,739	1,186,008	6,731
Special populations	2,130,651	1,995,810	134,841
Alternative programs	2,174,199	1,729,430	444,769
School-based support	300,799	253,692	47,107
Total instructional services	<u>5,798,388</u>	<u>5,164,940</u>	<u>633,448</u>
System-wide support services:			
Support and development	404,867	319,086	85,781
Special population support and development	7,657	7,657	-
Alternative programs and services support and development	94,538	92,503	2,035
Operational support	123,835	116,428	7,407
Total system-wide support services	<u>630,897</u>	<u>535,674</u>	<u>95,223</u>
Non-programmed charges:			
Payments to other governments	248,415	234,412	14,003
Unbudgeted Federal grant funds	1,440	-	1,440
Total non-programmed charges	<u>249,855</u>	<u>234,412</u>	<u>15,443</u>
Total expenditures	<u>6,679,140</u>	<u>5,935,026</u>	<u>744,114</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance:			
Beginning of year		-	
End of year		<u>\$ -</u>	

**ORANGE COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 INDIVIDUAL SCHOOLS FUND
 For the Fiscal Year Ended June 30, 2025**

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2024	Fund balances 6/30/2025
Orange High	\$ 496,898	\$ 419,421	\$ 77,477	\$ 488,964	\$ 566,441
Cedar Ridge High	499,996	462,178	37,818	272,834	310,652
Orange Middle	170,761	152,070	18,691	37,760	56,451
Gravelly Hill Middle	90,738	76,524	14,214	25,234	39,448
A.L. Stanback Middle	100,886	103,835	(2,949)	35,953	33,004
Efland-Cheeks Elementary	48,827	52,070	(3,243)	23,134	19,891
Grady A. Brown Elementary	22,121	19,614	2,507	27,837	30,344
Central Elementary	19,627	21,807	(2,180)	18,017	15,837
River Park Elementary	84,031	87,209	(3,178)	42,994	39,816
New Hope Elementary	19,303	16,296	3,007	36,039	39,046
Hillsborough Elementary	45,030	26,232	18,798	25,106	43,904
Pathways Elementary	59,813	60,391	(578)	25,025	24,447
Partnership Academy Alternative	3,075	1,334	1,741	1,216	2,957
Totals	<u>\$ 1,661,106</u>	<u>\$ 1,498,981</u>	<u>\$ 162,125</u>	<u>\$ 1,060,113</u>	<u>\$ 1,222,238</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, 2025**

	Final Budget	Actual	Variance with Final Budget
DRAFT			
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 228,975	\$ 228,977	\$ 2
Orange County:			
Bond revenues	6,251,395	3,592,625	(2,658,770)
General county appropriations	1,272,960	1,272,960	-
Reimbursements	34,652,998	15,426,373	(19,226,625)
Total Orange County	<u>42,177,353</u>	<u>20,291,958</u>	<u>(21,885,395)</u>
Total revenues	<u>42,406,328</u>	<u>20,520,935</u>	<u>(21,885,393)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	76,298	64,987	11,311
Co-curricular	157,448	146,147	11,301
School-based support	39,872	31,892	7,980
Total instructional services	<u>273,618</u>	<u>243,026</u>	<u>30,592</u>
System-wide support services:			
Operational support	814,127	709,168	104,959
Financial and human resource services	206,377	202,407	3,970
Total system-wide support services	<u>1,020,504</u>	<u>911,575</u>	<u>108,929</u>
Ancillary services:			
Nutrition	7,500	7,500	-
Debt service:			
Principal retirement	1,713,829	1,713,829	-
Interest and fees	129,050	129,050	-
Total debt service	<u>1,842,879</u>	<u>1,842,879</u>	<u>-</u>
Capital outlay	39,622,196	17,404,883	22,217,313
Total expenditures	<u>42,766,697</u>	<u>20,409,863</u>	<u>22,356,834</u>
Excess (deficiency) of revenues over expenditures	(360,369)	111,072	471,441
Fund balance appropriated	360,369	-	(360,369)
Net change in fund balance	<u>\$ -</u>	111,072	<u>\$ 111,072</u>
Fund balance:			
Beginning of year		<u>1,798,788</u>	
End of year		<u>\$ 1,909,860</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, 2025

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	\$ 680,845	\$ 680,102	\$ (743)
Other	60	3,436	3,376
Total operating revenues	<u>680,905</u>	<u>683,538</u>	<u>2,633</u>
Operating expenditures:			
Business support services:			
Purchase of food		1,086,351	
Donated commodities		200,746	
Salaries and benefits		1,980,035	
Materials and supplies		113,881	
Contracted services		41,553	
Other		11,203	
Total operating expenditures	<u>3,439,456</u>	<u>3,433,769</u>	<u>5,687</u>
Operating loss	<u>(2,758,551)</u>	<u>(2,750,231)</u>	<u>8,320</u>
Nonoperating revenues:			
Federal reimbursements and grants	2,464,621	2,453,255	(11,366)
Federal commodities	196,430	200,746	4,316
State reimbursements	2,500	4,800	2,300
Total nonoperating revenues	<u>2,663,551</u>	<u>2,658,801</u>	<u>(4,750)</u>
Deficiency of revenues over expenditures	(95,000)	(91,430)	3,570
Other financing sources:			
Transfers from other funds	45,000	58,695	13,695
Fund balance appropriated	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(32,735)</u>	<u>\$ (32,735)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(29,080)	
Net OPEB asset		1,782	
Net pension liability		141,514	
Net OPEB liability		(386,831)	
Deferred outflows - pension and OPEB		63,974	
Deferred inflows - pension and OPEB		186,107	
Decrease in compensated absences payable		49,058	
Decrease in inventories		(1,682)	
Change in net position (full accrual)		<u>\$ (7,893)</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, 2025**

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	\$ 4,000	\$ 1,113	\$ (2,887)
Other	-	425	425
Total operating revenue	<u>4,000</u>	<u>1,538</u>	<u>(2,462)</u>
Operating expenditures:			
Regular community services:			
Salaries and benefits		6,766	
Total operating expenditures	<u>8,000</u>	<u>6,766</u>	<u>1,234</u>
Operating loss	(4,000)	(5,228)	(1,653)
Other financing uses:			
Transfers to other funds	(1,283,000)	(1,282,271)	729
Fund balance appropriated	<u>1,287,000</u>	<u>-</u>	<u>(1,287,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,287,499)</u>	<u>\$ (1,287,924)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net pension liability		563,501	
Net OPEB liability		775,497	
Deferred outflows - pension and OPEB		(506,026)	
Deferred inflows - pension and OPEB		251,355	
Decrease in compensated absences payable		<u>782</u>	
Change in net position (full accrual)		<u>\$ (202,390)</u>	

DRAFT

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

DRAFT

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, 2025, and the related notes to the basic financial statements, which collectively comprises the Orange County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 28, 2025.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

*October 28, 2025
Rockingham, North Carolina*

DRAFT



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

DRAFT

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

To the Orange County Board of Education
Hillsborough, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Orange County Board of Education, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2025. The Orange County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Orange County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Orange County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orange County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single

Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Orange County Board of Education's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

October 28, 2025
Rockingham, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

DRAFT

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

To the Orange County Board of Education
Hillsborough, North Carolina

Report on Compliance for Each Major State Program

Opinion on 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 OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2025. The Orange County Board of Education's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Orange County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Orange County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orange County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single

Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Orange County Board of Education's compliance with the requirements of each major State program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

October 28, 2025
Rockingham, North Carolina

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DRAFT

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
84.425	COVID-19 – Education Stabilization Fund
84.010	Title I, Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? *Yes*

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DRAFT

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

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

Type of auditor's 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

Dollar threshold used to distinguish between Major State Programs

\$ 500,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

**ORANGE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025**

There were no findings reported in the prior year.

DRAFT

ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed-through the N.C. Department of Public Instruction:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 200,746
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	603,455
National School Lunch Program	10.555	PRC 035	1,679,864
After School Snack Program	10.555	PRC 035	54,125
Summer Food Service Program for Children	10.559	PRC 035	113,062
Seamless Summer Program	10.555	PRC 035	2,749
Cash Assistance Subtotal			<u>2,453,255</u>
Total Child Nutrition Cluster			2,654,001
Local Food for Schools Cooperative Agreement Program	10.185	PRC 035	<u>3,574</u>
Total U.S. Department of Agriculture			<u>2,657,575</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, 105, 115	1,526,724
Supporting Effective Instruction State Grant	84.367	PRC 103	236,198
Student Support and Academic Enrichment Program	84.424	PRC 108	45,481
Language Acquisition Grant	84.365	PRC 104,111	143,539
Education for Homeless Children and Youth	84.196	PRC 026	10,611
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,943,657
Special Needs Targeted Assistance	84.027	PRC 118	3,073
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	54,835
Preschool Targeted Assistance	84.173	PRC 119	4,295
Total Special Education Cluster			<u>2,005,860</u>
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>117,618</u>

**ORANGE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
COVID-19 - Education Stabilization Fund:			
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	1,648,975
COVID-19 - ESSER III - Summer Career Accel. Programs	84.425U	PRC 188	61,742
COVID-19 - ESSER III - Math Enrichment Programs	84.425U	PRC 189	18,812
COVID-19 - ESSER III - Grants for Identification and Location of Missing Students	84.425U	PRC 191	30,247
COVID-19 - ESSER III - Cyberbullying & Suicide Prevention Grants	84.425U	PRC 192	75,456
COVID-19 - ESSER III - NBPTS Certification Fee Reimbursement Program	84.425U	PRC 198	13,763
Total COVID-19 - Education Stabilization Fund	84.425		<u>1,848,995</u>
Total U.S. Department of Education			<u>5,935,026</u>
Total Federal Assistance			<u>8,592,601</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund		Various	52,401,516
Career and Technical Education:			
State Months of Employment		PRC 013	2,619,473
Program Support Funds		PRC 014	338,480
Driver Training		PRC 012	171,291
School Technology Fund		PRC 015	<u>82,687</u>
Cash assistance subtotal			<u>55,613,447</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	<u>228,977</u>
Total N.C. Department of Public Instruction			<u>55,842,424</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			1,214
State Reduced Lunch Program			<u>3,586</u>
Total N.C. Department of Agriculture			<u>4,800</u>
Total State Assistance			<u>55,847,224</u>
Total Federal and State Assistance			<u>\$ 64,439,825</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Orange County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Orange County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Orange County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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