

**ALAMANCE-BURLINGTON  
BOARD OF EDUCATION  
Burlington, North Carolina**

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
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**INDEPENDENT AUDITORS' REPORT**

To the Alamance-Burlington Board of Education  
Burlington, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alamance-Burlington Board of Education, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alamance-Burlington Board of Education as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, State Public School, Federal Grants and Other

Special Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 44 and 45, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alamance-Burlington Board of Education's basic financial statements. The individual nonmajor fund schedules, budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015 on our consideration of the Alamance-Burlington Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alamance-Burlington Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

November 11, 2015  
Statesville, North Carolina  
(704) 562-5039

## **ALAMANCE-BURLINGTON BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Alamance-Burlington Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The Board's average daily membership for the 2014-2015 year increased by approximately 60 students compared to the 2013-2014 year.
- The Board received millions of dollars of American Recovery and Reinvestment Act (ARRA) revenue over the past five years. Virtually all ARRA funding has now expired. Management and the Board of Education have worked diligently to find ways to absorb these lost revenues to have a minimal impact on the schools.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the fifth consecutive year.

### ***Overview of the Financial Statements***

The audited financial statements of the Alamance-Burlington Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary schedules and other schedules for governmental and enterprise funds.*

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. 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 funds are presented on the full accrual basis of accounting.

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

## **ALAMANCE-BURLINGTON BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Government-wide Statements**

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

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets 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.

Alamance-Burlington Board of Education has two 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 Federal Grants Fund, the Other Special Revenue Fund, the Individual Schools Fund and the Capital Outlay Fund.

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Alamance-Burlington 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.

**Financial Analysis of the Board as a Whole**

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$66.4 million as of June 30, 2015 as compared to \$113.1 million as of June 30, 2014, a decrease of \$46.7 million. The largest component of net position is the net investment in capital assets of \$99.3 million, which comprises 150% of the total net position. Following is a summary of the Statement of Net Position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 18,308,704	\$ 24,228,245	\$ 5,002,530	\$ 4,927,380	\$ 23,311,234	\$ 29,155,625
Capital assets	97,507,719	101,664,747	2,566,531	2,992,336	100,074,250	104,657,083
Total assets	115,816,423	125,892,992	7,569,061	7,919,716	123,385,484	133,812,708
Deferred outflows of resources	9,834,318	-	297,657	-	10,131,975	-
Current liabilities	13,810,304	13,056,944	276,665	304,846	14,086,969	13,361,790
Long-term liabilities	15,638,537	7,200,107	365,103	108,125	16,003,640	7,308,232
Total liabilities	29,448,841	20,257,051	641,768	412,971	30,090,609	20,670,022
Deferred inflows of resources	35,946,007	-	1,087,985	-	37,033,992	-
Net investment in capital assets	96,718,310	101,540,492	2,566,531	2,992,336	99,284,841	104,532,828
Restricted net position	2,992,959	4,116,837	-	-	2,992,959	4,116,837
Unrestricted net position	(39,455,376)	(21,388)	3,570,434	4,514,409	(35,884,942)	4,493,021
Total net position	\$ 60,255,893	\$ 105,635,941	\$ 6,136,965	\$ 7,506,745	\$ 66,392,858	\$ 113,142,686

The net position of the Board's governmental activities was \$60.3 million at June 30, 2015, a decrease of \$45.3 million from the amount reported at June 30, 2014, indicating a decline in the financial condition of the Board. This decline is attributable to the recording of pension related accounts due to the implementation of GASB 68. Net investment in capital assets decreased due to an excess of depreciation expense over capital additions for the year.

The net position of the Board's business-type activities decreased \$1.4 million from \$7.5 million at June 30, 2014 to \$6.1 million at June 30, 2015. This decrease is also a result of the implementation of GASB 68. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 3,557,279	\$ 3,475,208	\$ 4,224,854	\$ 4,480,701	\$ 7,782,133	\$ 7,955,909
Operating grants and contributions	134,971,952	128,975,887	8,482,220	8,140,192	143,454,172	137,116,079
Capital grants and contributions	627,598	124,255	-	-	627,598	124,255
General revenues:						
County appropriations	34,214,294	32,904,289	-	-	34,214,294	32,904,289
State appropriations	4,281,021	4,343,640	-	-	4,281,021	4,343,640
Other revenues	2,378,526	1,021,366	10,754	17,695	2,389,280	1,039,061
Total revenues	<u>180,030,670</u>	<u>170,844,645</u>	<u>12,717,828</u>	<u>12,638,588</u>	<u>192,748,498</u>	<u>183,483,233</u>
Expenses:						
Governmental activities:						
Instructional services	149,587,199	148,267,746	-	-	149,587,199	148,267,746
System-wide support services	26,537,226	26,635,416	-	-	26,537,226	26,635,416
Ancillary services	99,292	-	-	-	99,292	-
Payments to other governments	1,599,998	928,536	-	-	1,599,998	928,536
Unallocated depreciation	5,805,171	5,875,466	-	-	5,805,171	5,875,466
Business-type activities:						
School food service	-	-	11,967,670	12,135,580	11,967,670	12,135,580
Child care	-	-	856,184	987,850	856,184	987,850
Total expenses	<u>183,628,886</u>	<u>181,707,164</u>	<u>12,823,854</u>	<u>13,123,430</u>	<u>196,452,740</u>	<u>194,830,594</u>
Excess (deficiency) before transfers	(3,598,216)	(10,862,519)	(106,026)	(484,842)	(3,704,242)	(11,347,361)
Transfers in (out)	(839)	457,455	839	(457,455)	-	-
Change in net position	<u>(3,599,055)</u>	<u>(10,405,064)</u>	<u>(105,187)</u>	<u>(942,297)</u>	<u>(3,704,242)</u>	<u>(11,347,361)</u>
Beginning net position	105,635,941	116,041,005	7,506,745	8,449,042	113,142,686	124,490,047
Net position, beginning, restated	63,854,948	-	6,242,152	-	70,097,100	-
Ending net position	<u>\$ 60,255,893</u>	<u>\$ 105,635,941</u>	<u>\$ 6,136,965</u>	<u>\$ 7,506,745</u>	<u>\$ 66,392,858</u>	<u>\$ 113,142,686</u>

Total governmental activities generated revenues of \$180.0 million while expenses in this category totaled \$183.6 million for the year ended June 30, 2015, resulting in a decrease in net position of \$3.6 million. Comparatively, revenues were \$170.8 million and expenses totaled \$181.7 million for the year ended June 30, 2014, resulting in a decrease in net position of \$10.4 million. In comparing the two years, revenues increased by \$9.2 million while expenses increased by \$1.9 million.

The Board's primary sources of revenues were funding from the State of North Carolina, Alamance County, and the United States Government, which respectively comprised 68%, 19% and 8% of our total revenues. As would be expected, the major component of our expenditures was instructional services



**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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which accounted for 83% of our total expenditures during the most recent fiscal year. Of the remaining 17% of our total expenditures, 14% was attributable to system-wide support services.

Our business-type activities generated revenues of \$12.7 million, while expenses in this category totaled \$12.8 million for the year ended June 30, 2015. For the year, net position decreased by \$105,000. Comparatively, revenues were \$12.6 million and expenses totaled \$13.1 million for the year ended June 30, 2014.

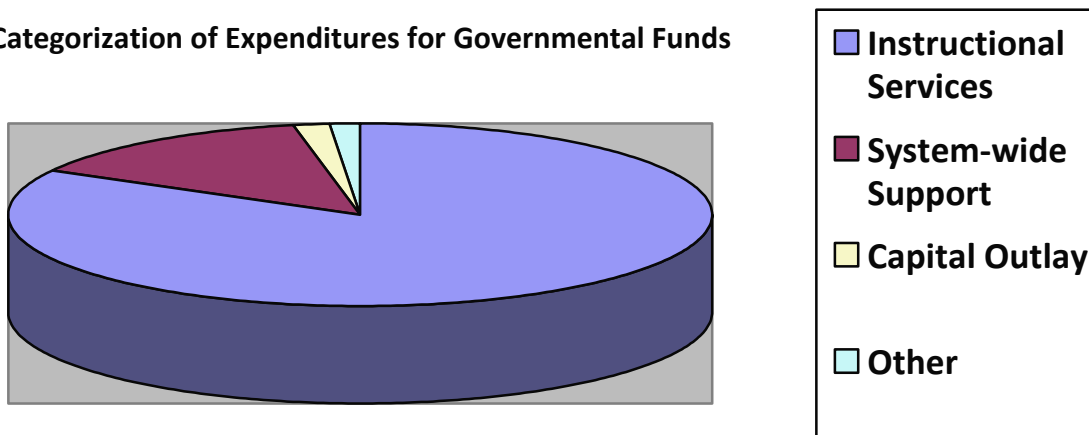
**Financial Analysis of the Board's Funds**

*Governmental Funds:* The focus of Alamance-Burlington 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 \$9.7 million at June 30, 2015, a decrease of \$5.3 million from the amount reported at June 30, 2014. The Board's General and Other Special Revenue funds reported decreases in fund balance for the year of \$1.9 million and \$2.2 million, respectively, while the Capital Outlay and Individual Schools funds reported decreases in fund balance of \$1 million and \$73,000, respectively. The General Fund experienced this decline in fund balance due to rising costs of meeting the educational needs of the students of the District.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these funds are expended in the year received.

**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 Fund and the Child Care Fund, reported a combined decrease in net position of \$105,000 for the fiscal year ended June 30, 2015. The decrease in net position in the School Food Service Fund was \$344,000 for the fiscal year ended June 30, 2015 while the Child Care Fund reported an increase in net position of \$239,000 in 2015.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**General Fund Budgetary Highlights**

Over the course of the year, the Board made minor revisions to the budget to account for changes in program allocations. The original, total budgeted expenditures were increased by \$2.5 million during the year which is approximately 8% of the total budget. There were no expenditures in excess of the budgeted expenditures.

**Capital Assets**

Total primary government capital assets were \$100 million at June 30, 2015 compared to \$104.7 million at June 30, 2014, a decrease of 5%. This decrease is due to an excess of depreciation expense over capital additions for the year. The following table is a summary of the Board's capital assets, net of depreciation, at June 30, 2015 and 2014. More detailed information about the Board's capital assets is contained in note 2 to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Land	\$ 5,284,685	\$ 5,281,330	\$ -	\$ -	\$ 5,284,685	\$ 5,281,330
Construction in progress	-	-	-	-	-	-
Buildings	58,265,350	61,527,283	-	-	58,265,350	61,527,283
Improvements to land and buildings	28,981,460	30,876,682	-	-	28,981,460	30,876,682
Equipment and furniture	1,786,431	1,977,734	2,566,531	2,992,336	4,352,962	4,970,070
Vehicles	3,189,793	2,001,718	-	-	3,189,793	2,001,718
<b>Total</b>	<b>\$ 97,507,719</b>	<b>\$ 101,664,747</b>	<b>\$ 2,566,531</b>	<b>\$ 2,992,336</b>	<b>\$ 100,074,250</b>	<b>\$ 104,657,083</b>

**Debt Outstanding**

During the year, the Board's installment purchase liability increased from \$124,000 at June 30, 2014 to \$789,000 at June 30, 2015. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in note 3 to the financial statements.

**Economic Factors**

The school district is located in Alamance County which is centrally located in North Carolina linking the Research Triangle Region and the Piedmont Triad Region. This gateway location provides access to North Carolina's most desired amenities. Midway between the Atlantic Coast and the Blue Ridge Mountains, Alamance County covers 431 square miles of metropolitan areas, small towns and rural areas.

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects the school district. The following factors have affected the economic outlook of Alamance County:

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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- As of June 30, 2015, Alamance County experienced an unemployment rate of 5.9% as compared to an unemployment rate of 6.3% at June 30, 2014. The County's unemployment rate is the same as the June 30, 2015 State of N.C. rate.
- Alamance County Economic Development Foundation has been formed as part of the efforts to reinforce and expand the economic development efforts of the County.
- A target market study has been completed and a strategic plan is in process to understand the resources Alamance County has and to define how to market these resources.

***Requests for Information***

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

Shannon Dennison, Executive Director of Finance  
Alamance-Burlington Board of Education  
1712 Vaughn Road  
Burlington, NC 27217

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 11,997,470	\$ 4,530,517	\$ 16,527,987
Due from other governments	5,481,351	302,899	5,784,250
Receivables	295,785	28,517	324,302
Internal balances	50,441	(50,441)	-
Inventories	-	191,038	191,038
Prepaid expenses	483,657	-	483,657
Capital assets:			
Land and construction in progress	5,284,685	-	5,284,685
Other capital assets, net of depreciation	92,223,034	2,566,531	94,789,565
Total capital assets	<u>97,507,719</u>	<u>2,566,531</u>	<u>100,074,250</u>
Total assets	<u>115,816,423</u>	<u>7,569,061</u>	<u>123,385,484</u>
<b>Deferred Outflows of Resources</b>	<u>9,834,318</u>	<u>297,657</u>	<u>10,131,975</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	2,935,009	9,968	2,944,977
Accrued salaries and wages payable	5,629,526	45,764	5,675,290
Unearned revenue	-	90,427	90,427
Long-term liabilities:			
Net pension liability	9,578,243	289,907	9,868,150
Due within one year	5,245,769	130,506	5,376,275
Due in more than one year	<u>6,060,294</u>	<u>75,196</u>	<u>6,135,490</u>
Total liabilities	<u>29,448,841</u>	<u>641,768</u>	<u>30,090,609</u>
<b>Deferred Inflows of Resources</b>	<u>35,946,007</u>	<u>1,087,985</u>	<u>37,033,992</u>
<b>Net position</b>			
Net investment in capital assets	96,718,310	2,566,531	99,284,841
Restricted for:			
Stabilization by State statute	607,385	-	607,385
School capital outlay	824,104	-	824,104
Instructional services	163,917	-	163,917
Individual schools activities	1,397,553	-	1,397,553
Unrestricted	<u>(39,455,376)</u>	<u>3,570,434</u>	<u>(35,884,942)</u>
Total net position	<u>\$ 60,255,893</u>	<u>\$ 6,136,965</u>	<u>\$ 66,392,858</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 88,731,947	\$ -	\$ 79,162,910	\$ -	\$ (9,569,037)	\$ -	\$ (9,569,037)
Special populations	24,114,891	-	22,197,944	-	(1,916,947)	-	(1,916,947)
Alternative programs	12,140,477	-	10,533,544	-	(1,606,933)	-	(1,606,933)
School leadership	9,715,410	-	5,971,323	-	(3,744,087)	-	(3,744,087)
Co-curricular	4,257,364	3,486,295	-	-	(771,069)	-	(771,069)
School-based support	10,627,110	-	9,247,245	-	(1,379,865)	-	(1,379,865)
System-wide support services:							
Support and development	1,782,773	-	795,034	-	(987,739)	-	(987,739)
Special population support and development	587,458	-	310,034	-	(277,424)	-	(277,424)
Alternative programs and services support and development	118,213	-	120,269	-	2,056	-	2,056
Technology support	1,155,781	-	262,678	-	(893,103)	-	(893,103)
Operational support	18,651,963	70,984	5,106,251	627,598	(12,847,130)	-	(12,847,130)
Financial and human resource services	2,566,705	-	769,909	-	(1,796,796)	-	(1,796,796)
Accountability	80,746	-	-	-	(80,746)	-	(80,746)
System-wide pupil support	105,010	-	-	-	(105,010)	-	(105,010)
Policy, leadership and public relations	1,488,577	-	494,811	-	(993,766)	-	(993,766)
Ancillary services	99,292	-	-	-	(99,292)	-	(99,292)
Payments to other governments/charter schools	1,599,998	-	-	-	(1,599,998)	-	(1,599,998)
Unallocated depreciation expense**	5,805,171	-	-	-	(5,805,171)	-	(5,805,171)
Total governmental activities	<u>183,628,886</u>	<u>3,557,279</u>	<u>134,971,952</u>	<u>627,598</u>	<u>(44,472,057)</u>	<u>-</u>	<u>(44,472,057)</u>
Business-type activities:							
School food service	11,967,670	3,048,547	8,482,220	-	-	(436,903)	(436,903)
Child care	856,184	1,176,307	-	-	-	320,123	320,123
Total business-type activities	<u>12,823,854</u>	<u>4,224,854</u>	<u>8,482,220</u>	<u>-</u>	<u>-</u>	<u>(116,780)</u>	<u>(116,780)</u>
Total primary government	<u>\$ 196,452,740</u>	<u>\$ 7,782,133</u>	<u>\$ 143,454,172</u>	<u>\$ 627,598</u>	<u>(44,472,057)</u>	<u>(116,780)</u>	<u>(44,588,837)</u>
			General revenues:				
			Unrestricted county appropriations - operating		33,117,749	-	33,117,749
			Unrestricted county appropriations - capital		1,096,545	-	1,096,545
			Unrestricted State appropriations - operating		4,027,091	-	4,027,091
			Unrestricted State appropriations - capital		253,930	-	253,930
			Investment earnings, unrestricted		99,662	10,754	110,416
			Miscellaneous, unrestricted		2,278,864	-	2,278,864
			Transfers		(839)	839	-
			Total general revenues and transfers		<u>40,873,002</u>	<u>11,593</u>	<u>40,884,595</u>
			Change in net position		<u>(3,599,055)</u>	<u>(105,187)</u>	<u>(3,704,242)</u>
			Net position - beginning, previously reported		105,635,941	7,506,745	113,142,686
			Restatement		<u>(41,780,993)</u>	<u>(1,264,593)</u>	<u>(43,045,586)</u>
			Net position - beginning, as restated		<u>63,854,948</u>	<u>6,242,152</u>	<u>70,097,100</u>
			Net position - ending		<u>\$ 60,255,893</u>	<u>\$ 6,136,965</u>	<u>\$ 66,392,858</u>

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

**Exhibit 3**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
<b>Assets</b>							
Cash and cash equivalents	\$ 5,457,549	\$ -	\$ -	4,345,901	\$ 796,467	\$ 1,397,553	\$ 11,997,470
Due from other governments	103,964	4,651,220	404,268	142,456	179,443	-	5,481,351
Accounts receivable	54,480	-	-	241,305	-	-	295,785
Due from other funds	-	-	-	65,180	-	-	65,180
Prepaid expenditures	483,657	-	-	-	-	-	483,657
Total assets	<u>\$ 6,099,650</u>	<u>\$ 4,651,220</u>	<u>\$ 404,268</u>	<u>\$ 4,794,842</u>	<u>\$ 975,910</u>	<u>\$ 1,397,553</u>	<u>\$ 18,323,443</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,759,613	\$ -	\$ -	\$ 23,590	\$ 151,806	\$ -	\$ 2,935,009
Accrued salaries and wages payable	486,556	4,651,220	404,268	87,482	-	-	5,629,526
Due to other funds	14,739	-	-	-	-	-	14,739
Total liabilities	<u>3,260,908</u>	<u>4,651,220</u>	<u>404,268</u>	<u>111,072</u>	<u>151,806</u>	<u>-</u>	<u>8,579,274</u>
Fund balances:							
Nonspendable:							
Prepaid expenditures	483,657	-	-	-	-	-	483,657
Restricted:							
Stabilization by State statute	158,444	-	-	448,941	-	-	607,385
School capital outlay	-	-	-	-	824,104	-	824,104
Instructional services	-	-	-	163,917	-	-	163,917
Individual schools	-	-	-	-	-	1,397,553	1,397,553
Assigned:							
Special revenues	-	-	-	4,070,912	-	-	4,070,912
Unassigned	2,196,641	-	-	-	-	-	2,196,641
Total fund balances	<u>2,838,742</u>	<u>-</u>	<u>-</u>	<u>4,683,770</u>	<u>824,104</u>	<u>1,397,553</u>	<u>9,744,169</u>
Total liabilities and fund balances	<u>\$ 6,099,650</u>	<u>\$ 4,651,220</u>	<u>\$ 404,268</u>	<u>\$ 4,794,842</u>	<u>\$ 975,910</u>	<u>\$ 1,397,553</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	97,507,719
Deferred outflows of resources related to pensions.	9,834,318
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.	(11,306,063)
Net pension liability	(9,578,243)
Deferred inflows of resources related to pensions	<u>(35,946,007)</u>
Net position of governmental activities	<u>\$ 60,255,893</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 4**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
<b>Revenues:</b>							
State of North Carolina	\$ -	\$ 121,216,324	\$ -	\$ 1,243,990	\$ 881,528	\$ -	\$ 123,341,842
Alamance County	33,117,749	-	-	-	1,096,545	-	34,214,294
U.S. Government	-	-	14,149,963	393,465	-	-	14,543,428
Other	956,386	-	-	3,791,633	7,715	3,486,295	8,242,029
Total revenues	<u>34,074,135</u>	<u>121,216,324</u>	<u>14,149,963</u>	<u>5,429,088</u>	<u>1,985,788</u>	<u>3,486,295</u>	<u>180,341,593</u>
<b>Expenditures:</b>							
Current:							
Instructional services:							
Regular instructional	8,942,909	77,519,756	1,643,154	3,921,018	85,736	-	92,112,573
Special populations	1,915,547	16,590,981	5,606,963	895,996	-	-	25,009,487
Alternative programs	373,967	4,436,695	6,096,849	1,683,344	-	-	12,590,855
School leadership	4,104,502	5,958,566	12,757	-	-	-	10,075,825
Co-curricular	764,677	-	-	8,738	-	3,641,886	4,415,301
School-based support	1,466,671	9,057,722	189,523	307,430	-	-	11,021,346
System-wide support services:							
Support and development	1,038,733	783,261	11,773	15,142	-	-	1,848,909
Special population support and development	202,714	156,923	153,111	96,503	-	-	609,251
Alternative programs and services support and development	2,330	-	120,269	-	-	-	122,599
Technology support	935,980	262,675	3	-	-	-	1,198,658
Operational support	11,407,075	5,101,613	4,638	711,024	542,125	-	17,766,475
Financial and human resource services	1,884,812	769,909	-	7,202	-	-	2,661,923
Accountability	83,741	-	-	-	-	-	83,741
System-wide pupil support	90,263	-	-	18,643	-	-	108,906
Policy, leadership and public relations	1,048,988	494,811	-	-	-	-	1,543,799
Ancillary services	99,292	-	-	-	-	-	99,292
Non-programmed charges	1,599,998	-	310,923	-	-	-	1,910,921
Debt service:							
Principal retirement	-	-	-	-	627,598	-	627,598
Capital outlay	-	-	-	-	3,083,406	-	3,083,406
Total expenditures	<u>35,962,199</u>	<u>121,132,912</u>	<u>14,149,963</u>	<u>7,665,040</u>	<u>4,338,865</u>	<u>3,641,886</u>	<u>186,890,865</u>
Revenues over (under) expenditures	<u>(1,888,064)</u>	<u>83,412</u>	<u>-</u>	<u>(2,235,952)</u>	<u>(2,353,077)</u>	<u>(155,591)</u>	<u>(6,549,272)</u>
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	-	82,573	82,573
Transfers to other funds	-	(83,412)	-	-	-	-	(83,412)
Installment purchase obligations issued	-	-	-	-	1,292,752	-	1,292,752
Total other financing sources (uses)	-	(83,412)	-	-	1,292,752	82,573	1,291,913
Net change in fund balance	(1,888,064)	-	-	(2,235,952)	(1,060,325)	(73,018)	(5,257,359)
<b>Fund balances:</b>							
Beginning of year	4,726,806	-	-	6,919,722	1,884,429	1,470,571	15,001,528
End of year	<u>\$ 2,838,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,683,770</u>	<u>\$ 824,104</u>	<u>\$ 1,397,553</u>	<u>\$ 9,744,169</u>

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

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

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ (5,257,359)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(4,157,028)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	9,834,318
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(665,154)
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	(3,743,257)
Compensated absences	<u>389,425</u>
Total changes in net position of governmental activities	<u>\$ (3,599,055)</u>

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



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

**Exhibit 6**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	33,117,749	33,117,749	33,117,749	-
U.S. Government	-	-	-	-
Other	650,000	749,011	956,386	207,375
Total revenues	<u>33,767,749</u>	<u>33,866,760</u>	<u>34,074,135</u>	<u>207,375</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	9,000,000	9,005,226	8,942,909	62,317
Special populations	1,347,749	1,972,929	1,915,547	57,382
Alternative programs	600,000	375,182	373,967	1,215
School leadership	4,400,000	4,104,502	4,104,502	-
Co-curricular	770,000	771,500	764,677	6,823
School-based support	1,300,000	1,466,672	1,466,671	1
Total instructional services	<u>17,417,749</u>	<u>17,696,011</u>	<u>17,568,273</u>	<u>127,738</u>
System-wide support services:				
Support and development	800,000	1,146,197	1,038,733	107,464
Special population support and development	200,000	202,715	202,714	1
Alternative programs and services support and development	-	2,330	2,330	-
Technology support	900,000	936,856	935,980	876
Operational support	9,600,000	11,413,930	11,407,075	6,855
Financial and human resource services	1,900,000	1,889,890	1,884,812	5,078
Accountability	40,000	83,742	83,741	1
System-wide pupil support	110,000	110,615	90,263	20,352
Policy, leadership and public relations	1,200,000	1,124,234	1,048,988	75,246
Total system-wide support services	<u>14,750,000</u>	<u>16,910,509</u>	<u>16,694,636</u>	<u>215,873</u>
Ancillary services:				
Community	-	5,739	5,738	1
Nutrition	-	93,555	93,554	1
Total ancillary services	<u>-</u>	<u>99,294</u>	<u>99,292</u>	<u>2</u>
Nonprogrammed charges	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,599,998</u>	<u>2</u>
Total expenditures	<u>33,767,749</u>	<u>36,305,814</u>	<u>35,962,199</u>	<u>343,615</u>
Revenues over (under) expenditures	-	(2,439,054)	(1,888,064)	550,990
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	2,439,054	-	(2,439,054)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,888,064)</u>	<u>\$ (1,888,064)</u>
Fund balances:				
Beginning of year			4,726,806	
End of year			<u>\$ 2,838,742</u>	

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND AND ANNUALY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2015

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 120,027,334	\$ 122,323,037	\$ 121,216,324	\$ (1,106,713)
Alamance County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>120,027,334</u>	<u>122,323,037</u>	<u>121,216,324</u>	<u>(1,106,713)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	76,331,413	78,144,372	77,519,756	624,616
Special populations	16,556,226	16,672,902	16,590,981	81,921
Alternative programs	4,228,532	4,500,903	4,436,695	64,208
School leadership	5,990,312	5,982,308	5,958,566	23,742
Co-curricular	-	-	-	-
School-based support	9,538,271	9,164,408	9,057,722	106,686
Total instructional services	<u>112,644,754</u>	<u>114,464,893</u>	<u>113,563,720</u>	<u>901,173</u>
System-wide support services:				
Support and development	665,017	783,261	783,261	-
Special population support and development	164,000	157,280	156,923	357
Alternative programs and services support and development	-	-	-	-
Technology support	95,000	263,009	262,675	334
Operational support	5,301,510	5,304,929	5,101,613	203,316
Financial and human resource services	692,000	770,009	769,909	100
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	420,053	494,811	494,811	-
Total system-wide support services	<u>7,337,580</u>	<u>7,773,299</u>	<u>7,569,192</u>	<u>204,107</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>119,982,334</u>	<u>122,238,192</u>	<u>121,132,912</u>	<u>1,105,280</u>
Revenues over (under) expenditures	45,000	84,845	83,412	(1,433)
Other financing uses:				
Transfers to other funds	(45,000)	(84,845)	(83,412)	1,433
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND AND ANNUALY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2015

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	-	-	-	-
U.S. Government	16,672,785	18,258,271	14,149,963	(4,108,308)
Other	-	-	-	-
Total revenues	<u>16,672,785</u>	<u>18,258,271</u>	<u>14,149,963</u>	<u>(4,108,308)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	2,039,000	1,834,330	1,643,154	191,176
Special populations	5,500,000	5,951,839	5,606,963	344,876
Alternative programs	7,009,000	7,617,299	6,096,849	1,520,450
School leadership	-	12,757	12,757	-
Co-curricular	-	-	-	-
School-based support	245,000	394,054	189,523	204,531
Total instructional services	<u>14,793,000</u>	<u>15,810,279</u>	<u>13,549,246</u>	<u>2,261,033</u>
System-wide support services:				
Support and development	5,000	11,774	11,773	1
Special population support and development	378,000	267,787	153,111	114,676
Alternative programs and services support and development	232,458	411,809	120,269	291,540
Technology support	343,327	343,327	3	343,324
Operational support	66,000	4,638	4,638	-
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>1,024,785</u>	<u>1,039,335</u>	<u>289,794</u>	<u>749,541</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonprogrammed charges	<u>855,000</u>	<u>1,408,657</u>	<u>310,923</u>	<u>1,097,734</u>
Total expenditures	<u>16,672,785</u>	<u>18,258,271</u>	<u>14,149,963</u>	<u>4,108,308</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2015

	Other Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,234,530	\$ 1,243,990	\$ 1,243,990	\$ -
Alamance County	-	-	-	-
U.S. Government	419,336	443,694	393,465	(50,229)
Other	2,844,664	2,821,579	3,791,633	970,054
Total revenues	4,498,530	4,509,263	5,429,088	919,825
Expenditures:				
Current:				
Instructional services:				
Regular instructional	2,474,323	6,313,278	3,921,018	2,392,260
Special populations	3,793,700	1,240,420	895,996	344,424
Alternative programs	1,900,000	1,796,755	1,683,344	113,411
School leadership	-	-	-	-
Co-curricular	-	12,250	8,738	3,512
School-based support	380,740	467,081	307,430	159,651
Total instructional services	8,548,763	9,829,784	6,816,526	3,013,258
System-wide support services:				
Support and development	109,250	45,130	15,142	29,988
Special population support and development	-	123,000	96,503	26,497
Alternative programs and services support and development	-	-	-	-
Technology support	107,545	-	-	-
Operational support	130,000	1,554,665	711,024	843,641
Financial and human resource services	220,000	7,203	7,202	1
Accountability	-	-	-	-
System-wide pupil support	20,000	18,644	18,643	1
Policy, leadership and public relations	-	552	-	552
Total system-wide support services	586,795	1,749,194	848,514	900,680
Ancillary services:				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	9,135,558	11,578,978	7,665,040	3,913,938
Revenues over (under) expenditures	(4,637,028)	(7,069,715)	(2,235,952)	4,833,763
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	4,637,028	7,069,715	-	7,069,715
Net change in fund balance	\$ -	\$ -	(2,235,952)	\$ (2,235,952)
Fund balances:				
Beginning of year			6,919,722	
End of year			\$ 4,683,770	

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPES**  
**June 30, 2015**

**Exhibit 7**

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,796,390	\$ 734,127	\$ 4,530,517
Due from other governments	302,899	-	302,899
Receivables	28,517	-	28,517
Due from other funds	14,739	-	14,739
Inventories	191,038	-	191,038
Total current assets	<u>4,333,583</u>	<u>734,127</u>	<u>5,067,710</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>2,551,640</u>	<u>14,891</u>	<u>2,566,531</u>
Total assets	<u>6,885,223</u>	<u>749,018</u>	<u>7,634,241</u>
<b>Deferred Outflows of Resources</b>	<u>277,140</u>	<u>20,517</u>	<u>297,657</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	9,697	271	9,968
Accrued salaries and wages payable	42,334	3,430	45,764
Due to other funds	65,180	-	65,180
Compensated absences	114,830	15,676	130,506
Unearned revenue	90,427	-	90,427
Total current liabilities	<u>322,468</u>	<u>19,377</u>	<u>341,845</u>
Noncurrent liabilities:			
Net pension liability	269,924	19,983	289,907
Compensated absences	<u>66,164</u>	<u>9,032</u>	<u>75,196</u>
Total liabilities	<u>658,556</u>	<u>48,392</u>	<u>706,948</u>
<b>Deferred Inflows of Resources</b>	<u>1,012,991</u>	<u>74,994</u>	<u>1,087,985</u>
<b>Net position</b>			
Net investment in capital assets	2,551,640	14,891	2,566,531
Unrestricted	<u>2,939,176</u>	<u>631,258</u>	<u>3,570,434</u>
Total net position	<u>\$ 5,490,816</u>	<u>\$ 646,149</u>	<u>\$ 6,136,965</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 8**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 3,048,547	\$ -	\$ 3,048,547
Child care fees	-	1,176,307	1,176,307
Total operating revenues	<u>3,048,547</u>	<u>1,176,307</u>	<u>4,224,854</u>
			-
Operating expenses:			
Food cost:			
Purchase of food	4,378,338	25,039	4,403,377
Donated commodities	636,324	-	636,324
Salaries and benefits	5,193,286	726,324	5,919,610
Indirect costs	495,201	23,572	518,773
Materials and supplies	481,731	37,977	519,708
Repairs and maintenance	15,974	105	16,079
Depreciation	550,636	2,643	553,279
Non-capitalized equipment	84,543	21,220	105,763
Contracted services	70,957	2,520	73,477
Other	60,680	16,784	77,464
Total operating expenses	<u>11,967,670</u>	<u>856,184</u>	<u>12,823,854</u>
Operating income (loss)	<u>(8,919,123)</u>	<u>320,123</u>	<u>(8,599,000)</u>
Nonoperating revenues:			
Federal reimbursements	7,825,744	-	7,825,744
Federal commodities	636,324	-	636,324
State reimbursements	20,152	-	20,152
Interest earned	9,518	1,236	10,754
Total nonoperating revenues	<u>8,491,738</u>	<u>1,236</u>	<u>8,492,974</u>
Income (loss) before transfers	(427,385)	321,359	(106,026)
Transfers to other funds	-	(82,573)	(82,573)
Transfers from other funds	83,412	-	83,412
Change in net position	<u>(343,973)</u>	<u>238,786</u>	<u>(105,187)</u>
Net position, beginning, as previously reported	7,012,215	494,530	7,506,745
Restatement	<u>(1,177,426)</u>	<u>(87,167)</u>	<u>(1,264,593)</u>
Net position, beginning, as restated	<u>5,834,789</u>	<u>407,363</u>	<u>6,242,152</u>
Net position, end of year	<u>\$ 5,490,816</u>	<u>\$ 646,149</u>	<u>\$ 6,136,965</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 9**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 3,059,236	\$ 1,176,307	\$ 4,235,543
Cash paid for goods and services	(5,493,598)	(127,397)	(5,620,995)
Cash paid to employees for services	(5,321,758)	(744,660)	(6,066,418)
Net cash provided (used) by operating activities	<u>(7,756,120)</u>	<u>304,250</u>	<u>(7,451,870)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(82,573)	(82,573)
Due to/from other funds	116,860	8,200	125,060
Federal and State reimbursements	7,887,097	-	7,887,097
Net cash provided (used) by noncapital financing activities	<u>8,003,957</u>	<u>(74,373)</u>	<u>7,929,584</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(127,474)</u>	-	<u>(127,474)</u>
Cash flows from investing activities:			
Interest earned on investments	<u>9,518</u>	<u>1,236</u>	<u>10,754</u>
Net increase in cash and cash equivalents	129,881	231,113	360,994
Cash and cash equivalents, beginning of year	<u>3,666,509</u>	<u>503,014</u>	<u>4,169,523</u>
Cash and cash equivalents, end of year	<u>\$ 3,796,390</u>	<u>\$ 734,127</u>	<u>\$ 4,530,517</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (8,919,123)</u>	<u>\$ 320,123</u>	<u>\$ (8,599,000)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	550,636	2,643	553,279
Pension expense	105,489	7,810	113,299
Donated commodities	636,324	-	636,324
Salaries paid by special revenue fund	83,412	-	83,412
Changes in assets, deferred outflows of resources and liabilities:			
Decrease in accounts receivable	6,164	-	6,164
Decrease in inventories	113,419	-	113,419
Decrease in accounts payable and accrued liabilities	(19,593)	(180)	(19,773)
Increase in deferred outflows of resources for pension plan contributions in the current fiscal year	(277,140)	(20,517)	(297,657)
Decrease in accrued salaries and wages payable	(2,168)	(3,209)	(5,377)
Increase in unavailable revenue	4,525	-	4,525
Decrease in compensated absences payable	<u>(38,065)</u>	<u>(2,420)</u>	<u>(40,485)</u>
Total adjustments	<u>1,163,003</u>	<u>(15,873)</u>	<u>1,147,130</u>
Net cash provided (used) by operating activities	<u>\$ (7,756,120)</u>	<u>\$ 304,250</u>	<u>\$ (7,451,870)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$636,324 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 salaries and benefits of \$83,412 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Alamance-Burlington 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 Alamance-Burlington 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 Alamance County, North Carolina. 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. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – 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.

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.



**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

*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 Alamance 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:

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

The Board reports the following major enterprise fund:

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

The Board reports the following nonmajor enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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 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. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. The Board has authorized the Superintendent to transfer appropriations within a fund under the following conditions:

- a. Amounts may be transferred not to exceed 10% between functions of the same fund with a monthly summary of such transfers reported to the Board at its next regular meeting and entered in the Board minutes.
- b. Amounts may be transferred between sub-functions and objects of expenditures within a function without limitations and without a report to the Board being required.
- c. Amounts may not be transferred between funds or from any contingency appropriation within a fund without Board of Education and Board of County Commissioners approval.
- d. Amounts may be transferred in State or Federal projects upon prior approval of the appropriate funding agency. If such transfers require Board of Education approval under other provisions of the budget resolution, a monthly summary of such transfers must be reported to the Board of Education at its next regular meeting.
- e. Amounts may not be transferred which would result in the elimination of currently staffed positions and/or existing programs without Board of Education approval.

During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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(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. The STIF 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 fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for goods or services in one period that benefit a future period. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

5. Capital Assets

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

It is the policy of the Board to capitalize all vehicles costing more than \$20,000 and all other capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives is not capitalized.

Alamance County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20 - 50
Equipment and furniture	5 - 15
Vehicles	8

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

6. Deferred outflows and inflows of resources

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

7. 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.

8. Compensated Absences

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

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

9. 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.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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Fund Balances

In the governmental fund financial statements, fund balance is composed of four 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:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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

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

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

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

Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

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

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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 \$50,511,724 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 225,452,839
Less Accumulated Depreciation	<u>(127,945,120)</u>
Net capital assets	97,507,719
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(1,374,153)
Contributions made to the pension plan in current fiscal year	9,834,318
 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:	
Net pension liability	(9,578,243)
Installment purchases	(789,409)
Compensated absences	(10,516,654)
 Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(2,231,207)
Difference between projected and actual earnings on plan investments	<u>(32,340,647)</u>
Total adjustment	<u>\$ 50,511,724</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,658,304 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 1,934,907
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but no in the fund statements.	(6,091,935)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	9,834,318
New debt issued during the year is recorded as a source of funds on the fund statements; but it has no effect on the statement of activities	(1,292,752)
Principal payments on debt owed are recorded as a use of funds on the fund statements but it affects only the statement of net position in the government-wide statements.	627,598
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	(3,743,257)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>389,425</u>
Total adjustment	<u>\$ 1,658,304</u>

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

None noted.

Noncompliance

None noted.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - 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, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$9,237,293 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$9,725,319 and \$2,437,869, respectively. Of these balances, \$1,727,056 was covered by federal depository insurance and \$10,436,132 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2015, the Board had \$7,975 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$7,282,719 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board has no policy for managing interest rate, credit, concentration or foreign currency risk.



**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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3. Accounts Receivable

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

	Due from (to) other Funds (Internal Balances)	Due from other Governments	Other	Total
Governmental activities:				
General Fund	\$ (14,739)	\$ 103,964	\$ 54,480	\$ 143,705
Other governmental funds	<u>65,180</u>	<u>5,377,387</u>	<u>241,305</u>	<u>5,683,872</u>
Total governmental activities	<u>\$ 50,441</u>	<u>\$ 5,481,351</u>	<u>\$ 295,785</u>	<u>\$ 5,827,577</u>
Business-type activities:				
School Food Service Fund	\$ (50,441)	\$ 302,899	\$ 28,517	\$ 280,975
Child Care Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ (50,441)</u>	<u>\$ 302,899</u>	<u>\$ 28,517</u>	<u>\$ 280,975</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 103,964	Amounts due from County
State Public School Fund	4,651,220	Operating funds from DPI
Federal Grants Fund	404,268	Federal grant funds
Capital Outlay Fund	179,443	Amounts due from County
Other Special Revenue Fund	<u>142,456</u>	State and federal grant funds
Total	<u>\$ 5,481,351</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 302,899</u>	Federal grant funds

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
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4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,281,330	\$ -	\$ -	\$ 5,281,330
Construction in progress	-	3,355	-	3,355
Total capital assets not being depreciated	<u>5,281,330</u>	<u>3,355</u>	<u>-</u>	<u>5,284,685</u>
Capital assets being depreciated:				
Buildings	134,770,376	-	-	134,770,376
Improvements to land and buildings	61,319,661	-	-	61,319,661
Equipment and furniture	8,513,523	95,461	-	8,608,984
Vehicles	13,633,042	1,836,091	-	15,469,133
Total capital assets being depreciated	<u>218,236,602</u>	<u>1,931,552</u>	<u>-</u>	<u>220,168,154</u>
Less accumulated depreciation for:				
Buildings	73,243,093	3,261,933	-	76,505,026
Improvements to land and buildings	30,442,979	1,895,222	-	32,338,201
Equipment and furniture	6,535,789	286,764	-	6,822,553
Vehicles	11,631,324	648,016	-	12,279,340
Total accumulated depreciation	<u>121,853,185</u>	<u>6,091,935</u>	<u>-</u>	<u>127,945,120</u>
Total capital assets being depreciated, net	<u>96,383,417</u>			<u>92,223,034</u>
Governmental activity capital assets, net	<u>\$ 101,664,747</u>			<u>\$ 97,507,719</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 8,838,938	\$ 127,474	\$ -	\$ 8,966,412
Less accumulated depreciation for:				
Equipment and furniture	5,864,136	550,636	-	6,414,772
School Food Service capital assets, net	<u>2,974,802</u>			<u>2,551,640</u>
Child Care Fund:				
Capital assets being depreciated:				
Equipment and furniture	47,527	-	-	47,527
Less accumulated depreciation for:				
Equipment and furniture	29,993	2,643	-	32,636
Child Care Fund capital assets, net	<u>17,534</u>			<u>14,891</u>
Business-type activities capital assets, net	<u>\$ 2,992,336</u>			<u>\$ 2,566,531</u>

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 286,764
Unallocated depreciation	<u>5,805,171</u>
Total	<u>\$ 6,091,935</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$10,131,975 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$9,868,150 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net pension liability was based on a projection of the Board’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board’s proportion was .84% and .86%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$3,856,556. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,300,213
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	33,340,873
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	1,392,906
Board contributions subsequent to the measurement date	10,131,975	-
Total	<u>\$ 10,131,975</u>	<u>\$ 37,033,992</u>

\$10,131,975 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ 9,309,656
2017	9,309,656
2018	9,309,656
2019	9,105,024
2020	--
Thereafter	--

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

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

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discounted Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 70,840,418	\$ 9,868,150	\$ (41,614,049)

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

b. Other Postemployment Benefits

Healthcare Benefits

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

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

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*Funding Policy.* The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$6,079,185, \$5,719,969 and \$5,707,237, respectively. These contributions represented 5.49%, 5.40% and 5.30% of covered payroll, respectively.

Long-term Disability Benefits

*Plan Description.* Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

*Funding Policy.* An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System;

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$454,001, \$466,072 and \$473,808, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.



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2. Accounts Payable

Accounts payable as of June 30, 2015 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 2,759,613	\$ 486,556	\$ 3,246,169
Other governmental activities	<u>175,396</u>	<u>5,142,970</u>	<u>5,318,366</u>
Total governmental activities	<u>\$ 2,935,009</u>	<u>\$ 5,629,526</u>	<u>\$ 8,564,535</u>
Business-type activities:			
School Food Service Fund	\$ 9,697	\$ 42,334	\$ 52,031
Child Care Fund	<u>271</u>	<u>3,430</u>	<u>3,701</u>
Total business-type activities	<u>\$ 9,968</u>	<u>\$ 45,764</u>	<u>\$ 55,732</u>

3. Unavailable Revenues

The balance in unavailable revenues at year-end is composed of the following item:

Prepayments of meals (School Food Service Fund)	<u>\$ 90,427</u>
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4. Deferred Inflows of resources

The balance in deferred inflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 1,392,906
Board contributions subsequent to the measurement date	10,131,975	-
Difference between projected and actual earnings on plan investments	-	33,340,873
Difference between expected and actual experience	<u>-</u>	<u>2,300,213</u>
Totals	<u>\$ 10,131,975</u>	<u>\$ 37,033,992</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

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

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

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

6. Contingent Liabilities

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

7. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted bids to purchase Thomas Built Buses through third party financing arrangements. The Board entered into such contracts for the purchase of school buses. The contracts require four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15<sup>th</sup> dates. The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

<u>Year Ending June 30.</u>	<u>Governmental Activities</u> <u>Principal</u>
2016	\$ 323,188
2017	323,189
2018	<u>143,032</u>
Total	<u>\$ 789,409</u>

b. Long-Term Obligation Activity

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

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 124,255	\$ 1,292,752	\$ 627,598	\$ 789,409	\$ 323,188
Net pension liability	50,724,055	-	41,145,812	9,578,243	-
Compensated absences	<u>10,906,079</u>	<u>8,864,848</u>	<u>9,254,273</u>	<u>10,516,654</u>	<u>4,922,581</u>
Total governmental activities	<u>\$ 61,754,389</u>	<u>\$ 10,157,600</u>	<u>\$ 51,027,683</u>	<u>\$ 20,884,306</u>	<u>\$ 5,245,769</u>
Business-type activities:					
Net pension liability	\$ 1,535,277	\$ -	\$ 1,245,370	\$ 289,907	\$ -
Compensated absences	<u>246,187</u>	<u>316,521</u>	<u>357,006</u>	<u>205,702</u>	<u>130,506</u>
Total business-type activities	<u>\$ 1,781,464</u>	<u>\$ 316,521</u>	<u>\$ 1,602,376</u>	<u>\$ 495,609</u>	<u>\$ 130,506</u>

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2015 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 83,412</u>
From the Child Care Fund to the Individual Schools Fund for co-curricular costs	<u>\$ 82,573</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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2. Interfund Balances

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Special Revenue Fund	School Food Service Fund	<u>\$ 65,180</u>
School Food Service Fund	General Fund	<u>\$ 14,739</u>

The amounts above represent the need for reimbursement of various operating expenses. These amounts are expected to be paid prior to June 30, 2015.

D. Fund Balance

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

Total fund balance - General Fund	\$ 2,838,742
Less:	
Prepaid expenditures	(483,657)
Stabilization by State statute	<u>(158,444)</u>
Remaining fund balance	<u>\$ 2,196,641</u>

**NOTE 4 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES**

Other revenues for the fiscal year ended June 30, 2015 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	\$ 1,881,564
Local sales tax refund	11,121
Other reimbursements and refunds	189,714
Indirect costs allocated	867,859
Interest income	13,553
Activity bus revenue	253,741
Private grants and programs	176,846
Rental of school property	79,374
Tuition and fees	13,236
Other	<u>304,625</u>
Total other revenues	<u>\$ 3,791,633</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$41,780,993 and \$1,264,593, respectively

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER'S AND STATE EMPLOYEES' RETIREMENT SYSTEM  
 Last Two Fiscal Years\***

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	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.842%	0.861%
Board's proportionate share of the net pension liability (asset)	\$ 9,868,150	\$ 52,259,332
Board's covered-employee payroll	\$ 106,132,900	\$ 107,475,854
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.54%	44.42%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHER'S AND STATE EMPLOYEES' RETIREMENT SYSTEM  
Last Two Fiscal Years**

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	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,131,975	\$ 9,222,949
Contributions in relation to the contractually required contribution	<u>10,131,975</u>	<u>9,222,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 110,731,966	\$ 106,132,900
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Alamance County:			
County appropriation	\$ 33,117,749	\$ 33,117,749	\$ -
Other:			
Fines and forfeitures	749,011	810,065	61,054
Interest earned on investment	-	41,387	41,387
Sales and use tax refund	-	102,134	102,134
Miscellaneous	-	2,800	2,800
Total other	<u>749,011</u>	<u>956,386</u>	<u>207,375</u>
Total revenues	<u>33,866,760</u>	<u>34,074,135</u>	<u>207,375</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	9,005,226	8,942,909	62,317
Special populations	1,972,929	1,915,547	57,382
Alternative programs	375,182	373,967	1,215
School leadership	4,104,502	4,104,502	-
Co-curricular	771,500	764,677	6,823
School-based support	<u>1,466,672</u>	<u>1,466,671</u>	<u>1</u>
Total instructional services	<u>17,696,011</u>	<u>17,568,273</u>	<u>127,738</u>
System-wide support services:			
Support and development	1,146,197	1,038,733	107,464
Special population support and development	202,715	202,714	1
Alternative programs and services support and development	2,330	2,330	-
Technology support	936,856	935,980	876
Operational support	11,413,930	11,407,075	6,855
Financial and human resource services	1,889,890	1,884,812	5,078
Accountability	83,742	83,741	1
System-wide pupil support	110,615	90,263	20,352
Policy, leadership and public relations	<u>1,124,234</u>	<u>1,048,988</u>	<u>75,246</u>
Total system-wide support services	<u>16,910,509</u>	<u>16,694,636</u>	<u>215,873</u>



**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Current:			
Ancillary services:			
Community	5,739	5,738	1
Nutrition	93,555	93,554	1
Total ancillary services	<u>99,294</u>	<u>99,292</u>	<u>2</u>
Non-programmed charges:			
Payments to other governments	<u>1,600,000</u>	<u>1,599,998</u>	<u>2</u>
Total expenditures	<u>36,305,814</u>	<u>35,962,199</u>	<u>343,615</u>
Revenues under expenditures	(2,439,054)	(1,888,064)	550,990
Fund balance appropriated	<u>2,439,054</u>	<u>-</u>	<u>(2,439,054)</u>
Net change in fund balance	<u>\$ -</u>	(1,888,064)	<u>\$ (1,888,064)</u>
Fund balance:			
Beginning of year		<u>4,726,806</u>	
End of year		<u>\$ 2,838,742</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**INDIVIDUAL SCHOOL FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Revenues and Transfers in	Expenditures	Net change in fund balance	Fund balances 6/30/2014	Fund balances 6/30/2015
Alexander Wilson Elementary	\$ 73,800	\$ 83,446	\$ (9,646)	\$ 129,134	\$ 119,488
Altamahaw Ossipee Elementary	74,167	73,246	921	19,506	20,427
R. Homer Andrews Elementary	44,797	44,540	257	12,538	12,795
Eastlawn Elementary	22,415	21,914	501	8,565	9,066
Elon Elementary	75,115	88,742	(13,627)	34,187	20,560
Garrett Elementary	57,760	70,156	(12,396)	64,905	52,509
Grove Park Elementary	47,001	48,307	(1,306)	8,577	7,271
Haw River Elementary	21,537	17,631	3,906	2,982	6,888
Highland Elementary	56,857	99,890	(43,033)	64,977	21,944
Hillcrest Elementary	39,088	38,555	533	33,458	33,991
E.M. Holt Elementary	120,681	108,664	12,017	101,129	113,146
B. Everett Jordan Elementary	42,499	51,388	(8,889)	203,639	194,750
Newlin Elementary	52,510	50,435	2,075	12,256	14,331
North Graham Elementary	37,172	36,858	314	21,942	22,256
Pleasant Grove Elementary	46,419	52,853	(6,434)	15,869	9,435
Marvin B. Smith Elementary	46,102	54,149	(8,047)	30,223	22,176
South Graham Elementary	42,478	52,760	(10,282)	17,584	7,302
South Mebane Elementary	87,372	78,665	8,707	11,022	19,729
Sylvan Elementary	86,667	53,954	32,713	7,325	40,038
E.M. Yoder Elementary	80,965	90,301	(9,336)	21,072	11,736
Broadview Middle	78,069	75,858	2,211	9,107	11,318
Graham Middle	81,005	84,812	(3,807)	25,301	21,494
Hawfields Middle	136,854	129,263	7,591	33,934	41,525
Southern Middle	69,843	61,513	8,330	13,441	21,771
Turrentine Middle	78,000	71,288	6,712	13,920	20,632
Western Middle	262,694	260,335	2,359	48,779	51,138
Woodlawn Middle	40,535	44,591	(4,056)	21,395	17,339
Cummings High	161,966	164,955	(2,989)	50,271	47,282
Eastern Alamance High	458,986	456,713	2,273	86,506	88,779
Graham High	132,114	138,942	(6,828)	24,132	17,304
Southern Alamance High	336,913	326,007	10,906	113,200	124,106
Western Alamance High	347,668	372,589	(24,921)	117,062	92,141
Walter Williams High	206,799	216,932	(10,133)	85,658	75,525
Burlington Middle College	5,906	5,228	678	928	1,606
Sellers Gunn Education Center	1,760	2,274	(514)	690	176
Career and Technical Ed Center	14,354	14,132	222	5,357	5,579
<b>Totals</b>	<b>\$ 3,568,868</b>	<b>\$ 3,641,886</b>	<b>\$ (73,018)</b>	<b>\$ 1,470,571</b>	<b>\$ 1,397,553</b>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**CAPITAL OUTLAY FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 366,619	\$ 253,930	\$ (112,689)
State appropriations - buses	<u>627,598</u>	<u>627,598</u>	<u>-</u>
Total State of North Carolina	<u>994,217</u>	<u>881,528</u>	<u>(112,689)</u>
Alamance County:			
Local bond revenues	2,237,692	846,545	(1,391,147)
General county appropriations	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Alamance County	<u>2,487,692</u>	<u>1,096,545</u>	<u>(1,391,147)</u>
Other:			
Interest earned on investments		2,935	
Miscellaneous		<u>4,780</u>	
Total other	<u>-</u>	<u>7,715</u>	<u>7,715</u>
Total revenues	<u>3,481,909</u>	<u>1,985,788</u>	<u>(1,496,121)</u>
Expenditures:			
Debt service:			
Principal retirement	<u>627,598</u>	<u>627,598</u>	<u>-</u>
Current:			
Instructional services:			
Regular instructional	<u>87,290</u>	<u>85,736</u>	<u>1,554</u>
System-wide support services:			
Operational support	<u>1,194,808</u>	<u>542,125</u>	<u>652,683</u>
Capital outlay:			
School buses		1,292,752	
HVAC projects		215,187	
Painting projects		255,542	
Roofing projects		101,100	
Other buildings and improvements		<u>1,218,825</u>	
Total buildings and improvements	<u>3,284,310</u>	<u>3,083,406</u>	<u>200,904</u>
Total expenditures	<u>5,194,006</u>	<u>4,338,865</u>	<u>855,141</u>
Revenues over (under) expenditures	(1,712,097)	(2,353,077)	(640,980)
Other financing sources:			
Installment purchase obligations issued	651,808	1,292,752	640,944
Fund balance appropriated	<u>1,060,289</u>	<u>-</u>	<u>(1,060,289)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,060,325)</u>	<u>\$ (1,060,325)</u>
Fund balance:			
Beginning of year		<u>1,884,429</u>	
End of year		<u>\$ 824,104</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 3,269,535	\$ 3,048,547	\$ (220,988)
Operating expenditures:			
Business support services:			
Purchase of food	-	4,264,919	-
Donated commodities	-	636,324	-
Salaries and benefits	-	5,508,491	-
Indirect costs	-	495,201	-
Materials and supplies	-	481,731	-
Repairs and maintenance	-	15,974	-
Non-capitalized equipment	-	84,543	-
Contracted services	-	70,957	-
Other	-	60,680	-
Capital outlay	-	127,474	-
Total operating expenditures	<u>11,996,500</u>	<u>11,746,294</u>	<u>250,206</u>
Operating loss	<u>(8,726,965)</u>	<u>(8,697,747)</u>	<u>29,218</u>
Nonoperating revenues:			
Federal reimbursements and grants	7,858,300	7,825,744	(32,556)
Federal commodities	763,200	636,324	(126,876)
State reimbursements	21,000	20,152	(848)
Interest earned	<u>11,000</u>	<u>9,518</u>	<u>(1,482)</u>
Total nonoperating revenues	<u>8,653,500</u>	<u>8,491,738</u>	<u>(161,762)</u>
Excess of revenues over (under) expenditures before other financing sources	(73,465)	(206,009)	(132,544)
Other financing sources:			
Transfers from other funds	<u>73,465</u>	<u>83,412</u>	<u>9,947</u>
Net change in fund balance	<u>\$ -</u>	<u>(122,597)</u>	<u>\$ (122,597)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Contributions to the pension plan in current fiscal year		277,140	
Depreciation		(550,636)	
Equipment purchases		127,474	
Decrease in compensated absences payable		38,065	
Decrease in inventory		(113,419)	
Pension expense		<u>(105,489)</u>	
Change in net position (full accrual)		<u>\$ (343,973)</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**CHILD CARE FUND**  
**For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 1,575,000	\$ 1,176,307	\$ (398,693)
Operating expenditures:			
Regular community services:			
Purchase of food	-	25,039	-
Salaries and benefits	-	741,451	-
Indirect costs	-	23,572	-
Materials and supplies	-	37,977	-
Repairs and maintenance	-	105	-
Non-capitalized equipment	-	21,220	-
Contracted services	-	2,520	-
Other	-	16,784	-
Total operating expenditures	<u>1,027,000</u>	<u>868,668</u>	<u>158,332</u>
Operating income	548,000	307,639	(240,361)
Nonoperating revenues:			
Interest earned	<u>2,000</u>	<u>1,236</u>	<u>(764)</u>
Excess of revenues over expenditures before other financing uses	550,000	308,875	(241,125)
Other financing uses:			
Transfers to other funds	<u>(550,000)</u>	<u>(82,573)</u>	<u>467,427</u>
Net change in fund balance	<u>\$ -</u>	226,302	<u>\$ 226,302</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Contributions to the pension plan in current fiscal year		20,517	
Depreciation		(2,643)	
Decrease in compensated absences payable		2,420	
Pension expense		<u>(7,810)</u>	
Change in net position (full accrual)		<u>\$ 238,786</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 *Government Auditing Standards*

To the Alamance-Burlington Board of Education  
Burlington, 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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alamance-Burlington Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Alamance-Burlington Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 11, 2015.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Alamance-Burlington Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

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

*Purpose of this Report*

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

*Anderson Smith & Wike PLLC*

*November 11, 2015  
Statesville, North Carolina*



Report On Compliance with Requirements Applicable to Each Major Federal  
Program and Internal Control Over Compliance in Accordance with OMB  
Circular A-133 and the State Single Audit Implementation Act

To the Alamance-Burlington Board of Education  
Burlington, North Carolina

*Report on Compliance for Each Major Federal Program*

We have audited the Alamance-Burlington Board of Education's compliance with the types of compliance requirements described in the *OM) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Alamance-Burlington Board of Education's major federal programs for the year ended June 30, 2015. The Alamance-Burlington Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Alamance-Burlington Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alamance-Burlington Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, the Alamance-Burlington Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### *Report on Internal Control Over Compliance*

Management of the Alamance-Burlington Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alamance-Burlington Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Anderson Smith & Wike PLLC*

**November 11, 2015**  
**Statesville, North Carolina**



Report On Compliance with Requirements Applicable to Each Major State  
Program and Internal Control Over Compliance in Accordance with Applicable Sections of  
OMB Circular A-133 and the State Single Audit Implementation Act

To the Alamance-Burlington Board of Education  
Burlington, North Carolina

*Report on Compliance for Each Major State Program*

We have audited the Alamance-Burlington Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Alamance-Burlington Board of Education's major state programs for the year ended June 30, 2015. The Alamance-Burlington Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Alamance-Burlington Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Alamance-Burlington Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### *Opinion on Each Major State Program*

In our opinion, the Alamance-Burlington Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### *Report on Internal Control over Compliance*

Management of the Alamance-Burlington Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alamance-Burlington Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Anderson Smith & Wike PLLC*

November 11, 2015  
**Statesville, North Carolina**

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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

***Financial Statements***

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

***Federal Awards***

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

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	School Lunch Program
10.559	Summer Food Service Program
84.196	Race to the Top - ARRA

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 690,165</i></u>
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Auditee qualified as low-risk auditee?	<i>Yes</i>
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**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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**Section I - Summary of Auditors' Results (Continued)**

**State Awards**

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name

State Public School Fund  
Vocational Education – State Months of Employment  
Vocational Education – Program Support Funds  
School Technology Fund  
School Buses  
Textbooks

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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Section II. Financial Statement Findings

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None

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Section III. Federal Award Findings and Questioned Costs

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None

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Section IV. State Award Findings and Questioned Costs

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None

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2015**

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**Finding: 14-01**

Status: Corrected.

**Finding: 14-02**

Status: Corrected.

**Finding: 14-03**

Status: Corrected.



**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Noncash Assistance (Commodities):		
National School Lunch Program	10.555	\$ <u>636,324</u>
Cash Assistance:		
School Breakfast Program	10.553	1,746,379
National School Lunch Program	10.555	5,882,466
Summer Food Service Program for Children	10.559	<u>164,247</u>
Cash Assistance Subtotal		<u>7,793,092</u>
Total Child Nutrition Cluster		8,429,416
Fresh Fruit and Vegetable Program	10.582	<u>32,652</u>
Total U.S. Department of Agriculture		<u>8,462,068</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	6,267,061
Migrant Education	84.011	46,913
Improving Teacher Quality	84.367	570,147
Language Acquisition Grant	84.365	169,390
Race to the Top - ARRA	84.395	858,859
Education for Homeless Children and Youth	84.196	55,689
Office of Special Education and Rehabilitative Services:		
Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Individuals with Disabilities Education Act:		
Special Education - Grants to States	84.027	5,742,108
Special Education - Preschool Grants	84.173	<u>137,958</u>
Total Special Education Cluster		<u>5,880,066</u>
Title VI-B, Education of the Handicapped	84.323	20,169

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Office of Vocational and Adult Education: Passed-through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States Program Development	84.048	<u>281,669</u>
Passed-through University of North Carolina at Chapel Hill: Gear Up NC Grant	84.334	<u>308,902</u>
Total U.S. Department of Education		<u>14,458,865</u>
<u>U.S. Department of Defense</u> Direct Program: ROTC	None	<u>84,563</u>
<b>Total Federal Assistance</b>		<b><u>\$ 23,005,496</u></b>
 <b>State Grants:</b>		
<u>N.C. Department of Public Instruction</u>		
State Public School Fund		\$ 113,240,512
Vocational Education:		
State Months of Employment		5,962,128
Program Support Funds		659,535
Driver Training		433,514
School Technology Fund		580,443
State appropriations - buses (noncash)		627,598
Textbooks (noncash)		340,192
Passed-through Alamance County: Public School Capital Fund - Lottery		<u>253,930</u>
Total NC Department of Public Instruction		<u>122,097,852</u>
<u>N.C. Department of Agriculture</u> State Reduced Breakfast Program		20,152

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<u>N.C. Department of Health and Human Services</u> Division of Child Development: NC Pre-Kindergarten Program		1,243,990
<b>Total State Assistance</b>		<b><u>123,361,994</u></b>
<b>Total Federal and State Assistance</b>		<b><u>\$ 146,367,490</u></b>

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

1. Basis of Presentation

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