

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

*Financial Statements  
For the Fiscal Year Ended  
June 30, 2017*

**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, 2017 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, 2017, 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 43 and 44, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 October 4, 2017 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*

October 4, 2017  
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, 2017. 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 2016-2017 year decreased by approximately 29 students compared to the 2015-2016 year.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the sixth 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.

### ***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.

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

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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.

*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.

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

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

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$59.2 million as of June 30, 2017 as compared to \$66.0 million as of June 30, 2016, a decrease of \$6.8 million. The largest component of net position is the net investment in capital assets of \$89.3 million, which comprises 151% 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, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Current assets	\$ 17,374,258	\$ 16,363,002	\$ 5,255,812	\$ 5,123,984	\$ 22,630,070	\$ 21,486,986
Capital assets	88,938,061	91,715,865	1,898,933	2,166,441	90,836,994	93,882,306
Total assets	<u>106,312,319</u>	<u>108,078,867</u>	<u>7,154,745</u>	<u>7,290,425</u>	<u>113,467,064</u>	<u>115,369,292</u>
Deferred outflows of resources	<u>51,145,385</u>	<u>9,999,813</u>	<u>1,541,621</u>	<u>312,632</u>	<u>52,687,006</u>	<u>10,312,445</u>
Current liabilities	9,283,031	8,979,142	153,190	268,139	9,436,221	9,247,281
Long-term liabilities	<u>90,423,387</u>	<u>41,329,410</u>	<u>2,581,126</u>	<u>1,052,024</u>	<u>93,004,513</u>	<u>42,381,434</u>
Total liabilities	<u>99,706,418</u>	<u>50,308,552</u>	<u>2,734,316</u>	<u>1,320,163</u>	<u>102,440,734</u>	<u>51,628,715</u>
Deferred inflows of resources	<u>4,359,142</u>	<u>7,800,130</u>	<u>131,393</u>	<u>243,862</u>	<u>4,490,535</u>	<u>8,043,992</u>
Net investment in						
capital assets	87,358,015	91,209,805	1,898,933	2,166,441	89,256,948	93,376,246
Restricted net position	2,787,557	2,900,635	-	-	2,787,557	2,900,635
Unrestricted net position	<u>(36,753,428)</u>	<u>(34,140,442)</u>	<u>3,931,724</u>	<u>3,872,591</u>	<u>(32,821,704)</u>	<u>(30,267,851)</u>
Total net position	<u>\$ 53,392,144</u>	<u>\$ 59,969,998</u>	<u>\$ 5,830,657</u>	<u>\$ 6,039,032</u>	<u>\$ 59,222,801</u>	<u>\$ 66,009,030</u>

The net position of the Board's governmental activities was \$53.4 million at June 30, 2017, a decrease of \$6.6 million from the amount reported at June 30, 2016, indicating a decline in the financial condition of the Board. This decline is primarily due to non-cash expenses such as depreciation and pension expense. 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 \$.2 million from \$6.0 million at June 30, 2016 to \$5.8 million at June 30, 2017. This decrease is not felt to be significant as the business-type activities try to break even over time. 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, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Revenues:						
Program revenues:						
Charges for services	\$ 3,601,379	\$ 3,728,759	\$ 3,825,827	\$ 3,808,152	\$ 7,427,206	\$ 7,536,911
Operating grants and contributions	140,245,837	138,143,600	9,374,826	9,295,097	149,620,663	147,438,697
Capital grants and contributions	1,126,354	363,026	-	-	1,126,354	363,026
General revenues:						
County appropriations	39,816,338	37,841,992	-	-	39,816,338	37,841,992
State appropriations	5,111,321	4,333,735	-	-	5,111,321	4,333,735
Other revenues	2,311,732	2,093,362	17,154	13,535	2,328,886	2,106,897
Total revenues	<u>192,212,961</u>	<u>186,504,474</u>	<u>13,217,807</u>	<u>13,116,784</u>	<u>205,430,768</u>	<u>199,621,258</u>
Expenses:						
Governmental activities:						
Instructional services	162,692,928	153,322,825	-	-	162,692,928	153,322,825
System-wide support services	28,695,898	25,696,706	-	-	28,695,898	25,696,706
Ancillary services	-	-	-	-	-	-
Payments to other governments	2,343,727	2,059,573	-	-	2,343,727	2,059,573
Unallocated depreciation	4,986,252	5,660,129	-	-	4,986,252	5,660,129
Business-type activities:						
School food service	-	-	12,328,672	12,181,428	12,328,672	12,181,428
Child care	-	-	1,169,520	1,084,425	1,169,520	1,084,425
Total expenses	<u>198,718,805</u>	<u>186,739,233</u>	<u>13,498,192</u>	<u>13,265,853</u>	<u>212,216,997</u>	<u>200,005,086</u>
Excess (deficiency)						
before transfers	(6,505,844)	(234,759)	(280,385)	(149,069)	(6,786,229)	(383,828)
Transfers in (out)	<u>(72,010)</u>	<u>(51,136)</u>	<u>72,010</u>	<u>51,136</u>	<u>-</u>	<u>-</u>
Change in net position	(6,577,854)	(285,895)	(208,375)	(97,933)	(6,786,229)	(383,828)
Net position, beginning	<u>59,969,998</u>	<u>60,255,893</u>	<u>6,039,032</u>	<u>6,136,965</u>	<u>66,009,030</u>	<u>66,392,858</u>
Ending net position	<u>\$ 53,392,144</u>	<u>\$ 59,969,998</u>	<u>\$ 5,830,657</u>	<u>\$ 6,039,032</u>	<u>\$ 59,222,801</u>	<u>\$ 66,009,030</u>

Total governmental activities generated revenues of \$192.2 million while expenses in this category totaled \$198.7 million for the year ended June 30, 2017, resulting in a decrease in net position of \$6.6 million. Comparatively, revenues were \$186.5 million and expenses totaled \$186.7 million for the year ended June 30, 2016, resulting in a decrease in net position of \$.3 million. In comparing the two years, revenues increased by \$6.7 million while expenses increased by \$12.0 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%, 21% and 7% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 82% of our total expenditures during the most recent fiscal year. Of the remaining 18% of our total expenditures, 13% was attributable to system-wide support services.

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

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Our business-type activities generated revenues of \$13.2 million, while expenses in this category totaled \$13.5 million for the year ended June 30, 2017. For the year, net position decreased by approximately \$200,000. Comparatively, revenues were \$13.1 million and expenses totaled \$13.3 million for the year ended June 30, 2016.

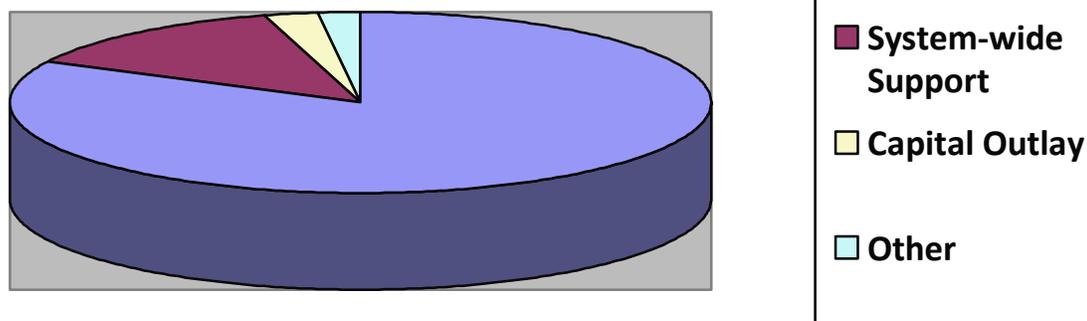
### **Financial Analysis of the Board's Funds**

*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 \$8.1 million at June 30, 2017, an increase of \$.7 million from the amount reported at June 30, 2016. The Board's General, Other Special Revenue, Capital Outlay and Individual Schools funds reported increases in fund balance for the year of \$265,000, \$321,000, \$117,000 and \$4,000, respectively. The General Fund experienced this increase in fund balance by closely managing expenditures 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 \$208,000 for the fiscal year ended June 30, 2017. The decrease in net position in the School Food Service Fund was \$232,000 for the fiscal year ended June 30, 2017 while the Child Care Fund reported an increase in net position of \$24,000 in 2017.

### **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. Total budgeted expenditures were not changed by a significant amount during the year. There were no expenditures in excess of the budgeted expenditures.

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

**Capital Assets**

Total primary government capital assets were \$90.8 million at June 30, 2017 compared to \$93.9 million at June 30, 2016, a decrease of approximately 3%. 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, 2017 and 2016. More detailed information about the Board's capital assets is contained in note 3 to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Land	\$ 5,281,330	\$ 5,281,330	\$ -	\$ -	\$ 5,281,330	\$ 5,281,330
Construction in progress	-	-	-	-	-	-
Buildings	52,594,887	55,010,563	-	-	52,594,887	55,010,563
Improvements to land and buildings	25,664,040	27,297,323	-	-	25,664,040	27,297,323
Equipment and furniture	1,328,533	1,557,384	1,898,933	2,166,441	3,227,466	3,723,825
Vehicles	4,069,271	2,569,265	-	-	4,069,271	2,569,265
<b>Total</b>	<b>\$ 88,938,061</b>	<b>\$ 91,715,865</b>	<b>\$ 1,898,933</b>	<b>\$ 2,166,441</b>	<b>\$ 90,836,994</b>	<b>\$ 93,882,306</b>

**Debt Outstanding**

During the year, the Board's installment purchase liability increased from \$506,000 at June 30, 2016 to \$1,580,000 at June 30, 2017. 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:

- As of June 30, 2017, Alamance County experienced an unemployment rate of 4.1% as compared to an unemployment rate of 5.0% at June 30, 2016. The County's unemployment rate is slightly lower than the North Carolina rate of 4.2%.
- Alamance County Economic Development Foundation exists to alleviate unemployment and underemployment within and stimulate the economic development of Alamance County. In the last 5 years, The Alamance County Economic Development Foundation has seen 32 new businesses and industry location and expansion announcements, \$563,541,000 in capital investments and 2,206 new jobs.

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

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- 5 action pillars including preserving agriculture, world class education, smart growth and development, public health and safety, and government accountability and resource management have been developed that act as decision making priorities. The Strategic Plan committee is continuing to develop a comprehensive strategic plan based around these pillars.
- Alamance County has a historically low cost of living index compared to the national average.
- Alamance County's per capita income and median household income fall just below the North Carolina average.

***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, 2017**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,281,697	\$ 4,666,180	\$ 15,947,877
Due from other governments	5,903,381	384,854	6,288,235
Receivables	36,241	5,134	41,375
Internal balances	22,134	(22,134)	-
Inventories	-	221,778	221,778
Prepaid expenses	130,805	-	130,805
Capital assets:			
Land and construction in progress	5,281,330	-	5,281,330
Other capital assets, net of depreciation	83,656,731	1,898,933	85,555,664
Total capital assets	<u>88,938,061</u>	<u>1,898,933</u>	<u>90,836,994</u>
Total assets	<u>106,312,319</u>	<u>7,154,745</u>	<u>113,467,064</u>
<b>Deferred Outflows of Resources</b>	<u>51,145,385</u>	<u>1,541,621</u>	<u>52,687,006</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	3,154,908	12,486	3,167,394
Accrued salaries and wages payable	6,128,123	49,543	6,177,666
Unearned revenue	-	91,161	91,161
Long-term liabilities:			
Net pension liability	78,722,394	2,372,847	81,095,241
Due within one year	5,537,190	129,824	5,667,014
Due in more than one year	<u>6,163,803</u>	<u>78,455</u>	<u>6,242,258</u>
Total liabilities	<u>99,706,418</u>	<u>2,734,316</u>	<u>102,440,734</u>
<b>Deferred Inflows of Resources</b>	<u>4,359,142</u>	<u>131,393</u>	<u>4,490,535</u>
<b>Net position</b>			
Net investment in capital assets	87,358,015	1,898,933	89,256,948
Restricted for:			
Stabilization by State statute	203,550	-	203,550
School capital outlay	756,971	-	756,971
Instructional services	354,278	-	354,278
Individual schools activities	1,472,758	-	1,472,758
Unrestricted	<u>(36,753,428)</u>	<u>3,931,724</u>	<u>(32,821,704)</u>
Total net position	<u>\$ 53,392,144</u>	<u>\$ 5,830,657</u>	<u>\$ 59,222,801</u>

The accompanying notes are an integral part of the basic financial statements.

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**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 96,191,882	\$ -	\$ 80,328,947	\$ -	\$ (15,862,935)	\$ -	\$ (15,862,935)
Special populations	27,181,758	-	24,036,765	-	(3,144,993)	-	(3,144,993)
Alternative programs	12,295,993	-	9,852,727	-	(2,443,266)	-	(2,443,266)
School leadership	10,643,352	-	7,747,439	-	(2,895,913)	-	(2,895,913)
Co-curricular	4,322,390	3,474,787	-	-	(847,603)	-	(847,603)
School-based support	12,057,553	-	9,825,520	-	(2,232,033)	-	(2,232,033)
System-wide support services:							
Support and development	2,038,203	-	1,151,780	-	(886,423)	-	(886,423)
Special population support and development	928,093	-	198,554	-	(729,539)	-	(729,539)
Alternative programs and services support and development							
Technology support	86,180	-	83,401	-	(2,779)	-	(2,779)
Operational support	1,192,812	-	339,345	-	(853,467)	-	(853,467)
Financial and human resource services	19,912,800	126,592	5,153,415	1,126,354	(13,506,439)	-	(13,506,439)
Accountability	2,561,361	-	1,005,725	-	(1,555,636)	-	(1,555,636)
System-wide pupil support	37,803	-	-	-	(37,803)	-	(37,803)
Policy, leadership and public relations	142,734	-	-	-	(142,734)	-	(142,734)
Ancillary services	1,795,912	-	522,219	-	(1,273,693)	-	(1,273,693)
Payments to other governments/charter schools	-	-	-	-	-	-	-
Unallocated depreciation expense**	2,343,727	-	-	-	(2,343,727)	-	(2,343,727)
Total governmental activities	4,986,252	-	-	-	(4,986,252)	-	(4,986,252)
Total governmental activities	198,718,805	3,601,379	140,245,837	1,126,354	(53,745,235)	-	(53,745,235)
Business-type activities:							
School food service	12,328,672	2,624,062	9,374,826	-	-	(329,784)	(329,784)
Child care	1,169,520	1,201,765	-	-	-	32,245	32,245
Total business-type activities	13,498,192	3,825,827	9,374,826	-	-	(297,539)	(297,539)
<b>Total primary government</b>	<b>\$ 212,216,997</b>	<b>\$ 7,427,206</b>	<b>\$ 149,620,663</b>	<b>\$ 1,126,354</b>	<b>(53,745,235)</b>	<b>(297,539)</b>	<b>(54,042,774)</b>
General revenues:							
					38,264,189	-	38,264,189
					1,552,149	-	1,552,149
					4,027,091	-	4,027,091
					1,084,230	-	1,084,230
					97,754	17,154	114,908
					2,213,978	-	2,213,978
					(72,010)	72,010	-
					47,167,381	89,164	47,256,545
					(6,577,854)	(208,375)	(6,786,229)
					59,969,998	6,039,032	66,009,030
					\$ 53,392,144	\$ 5,830,657	\$ 59,222,801

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

The accompanying notes are an integral part of the basic financial statements.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

**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	\$ 6,691,815	\$ -	\$ -	2,382,009	\$ 735,115	\$ 1,472,758	\$ 11,281,697
Due from other governments	70,871	5,100,832	380,511	74,304	276,863	-	5,903,381
Accounts receivable	27,262	-	-	8,979	-	-	36,241
Due from other funds	-	-	-	22,134	-	-	22,134
Prepaid expenditures	130,805	-	-	-	-	-	130,805
Total assets	<u>\$ 6,920,753</u>	<u>\$ 5,100,832</u>	<u>\$ 380,511</u>	<u>\$ 2,487,426</u>	<u>\$ 1,011,978</u>	<u>\$ 1,472,758</u>	<u>\$ 17,374,258</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,893,318	\$ -	\$ -	\$ 6,583	\$ 255,007	\$ -	\$ 3,154,908
Accrued salaries and wages payable	507,117	5,100,832	380,511	139,663	-	-	6,128,123
Total liabilities	<u>3,400,435</u>	<u>5,100,832</u>	<u>380,511</u>	<u>146,246</u>	<u>255,007</u>	<u>-</u>	<u>9,283,031</u>
Fund balances:							
Nonspendable:							
Prepaid expenditures	130,805	-	-	-	-	-	130,805
Restricted:							
Stabilization by State statute	98,133	-	-	105,417	-	-	203,550
School capital outlay	-	-	-	-	756,971	-	756,971
Instructional services	-	-	-	354,278	-	-	354,278
Individual schools	-	-	-	-	-	1,472,758	1,472,758
Assigned:							
Special revenues	-	-	-	1,881,485	-	-	1,881,485
Unassigned	3,291,380	-	-	-	-	-	3,291,380
Total fund balances	<u>3,520,318</u>	<u>-</u>	<u>-</u>	<u>2,341,180</u>	<u>756,971</u>	<u>1,472,758</u>	<u>8,091,227</u>
Total liabilities and fund balances	<u>\$ 6,920,753</u>	<u>\$ 5,100,832</u>	<u>\$ 380,511</u>	<u>\$ 2,487,426</u>	<u>\$ 1,011,978</u>	<u>\$ 1,472,758</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.	88,938,061
Deferred outflows of resources related to pensions.	51,145,385
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.	(11,700,993)
Net pension liability	(78,722,394)
Deferred inflows of resources related to pensions	<u>(4,359,142)</u>
Net position of governmental activities	<u>\$ 53,392,144</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 4**

	Major Funds				Non-major Fund	Total	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Governmental Funds
<b>Revenues:</b>							
State of North Carolina	\$ -	\$ 128,326,660	\$ -	\$ 87,749	\$ 2,210,584	\$ -	\$ 130,624,993
Alamance County	38,264,189	-	-	-	1,552,149	-	39,816,338
U.S. Government	-	-	12,266,302	328,323	-	-	12,594,625
Other	1,114,565	-	-	4,796,646	56,542	3,474,787	9,442,540
<b>Total revenues</b>	<b>39,378,754</b>	<b>128,326,660</b>	<b>12,266,302</b>	<b>5,212,718</b>	<b>3,819,275</b>	<b>3,474,787</b>	<b>192,478,496</b>
<b>Expenditures:</b>							
<b>Current:</b>							
<b>Instructional services:</b>							
Regular instructional	12,990,758	79,510,086	818,861	1,123,753	29,375	-	94,472,833
Special populations	1,115,236	19,166,406	4,870,359	1,535,842	-	-	26,687,843
Alternative programs	464,394	4,017,907	5,834,820	1,755,444	-	-	12,072,565
School leadership	2,702,514	7,747,439	-	-	-	-	10,449,953
Co-curricular	754,113	-	-	9,851	-	3,479,885	4,243,849
School-based support	1,801,197	9,561,600	263,920	211,740	-	-	11,838,457
<b>System-wide support services:</b>							
Support and development	846,707	1,131,385	20,395	2,680	-	-	2,001,167
Special population support and development	572,263	89,543	109,011	140,412	-	-	911,229
Alternative programs and services support and development	1,213	-	83,401	-	-	-	84,614
Technology support	831,793	339,345	-	-	-	-	1,171,138
Operational support	11,889,660	5,153,415	-	-	87,107	-	17,130,182
Financial and human resource services	1,509,094	1,005,725	-	-	-	-	2,514,819
Accountability	37,116	-	-	-	-	-	37,116
System-wide pupil support	125,411	-	-	-	14,730	-	140,141
Policy, leadership and public relations	1,132,567	522,219	-	108,491	-	-	1,763,277
Ancillary services	-	-	-	-	-	-	-
Non-programmed charges	2,340,008	-	265,535	3,719	-	-	2,609,262
<b>Debt service:</b>							
Principal retirement	-	-	-	-	1,126,354	-	1,126,354
Capital outlay	-	-	-	-	4,644,660	-	4,644,660
<b>Total expenditures</b>	<b>39,114,044</b>	<b>128,245,070</b>	<b>12,266,302</b>	<b>4,891,932</b>	<b>5,902,226</b>	<b>3,479,885</b>	<b>193,899,459</b>
<b>Revenues over (under) expenditures</b>	<b>264,710</b>	<b>81,590</b>	<b>-</b>	<b>320,786</b>	<b>(2,082,951)</b>	<b>(5,098)</b>	<b>(1,420,963)</b>
<b>Other financing sources (uses):</b>							
Transfers from other funds	-	-	-	-	-	9,580	9,580
Transfers to other funds	-	(81,590)	-	-	-	-	(81,590)
Installment purchase obligations issued	-	-	-	-	2,200,340	-	2,200,340
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(81,590)</b>	<b>-</b>	<b>-</b>	<b>2,200,340</b>	<b>9,580</b>	<b>2,128,330</b>
<b>Net change in fund balance</b>	<b>264,710</b>	<b>-</b>	<b>-</b>	<b>320,786</b>	<b>117,389</b>	<b>4,482</b>	<b>707,367</b>
<b>Fund balances:</b>							
Beginning of year	3,255,608	-	-	2,020,394	639,582	1,468,276	7,383,860
End of year	\$ 3,520,318	\$ -	\$ -	\$ 2,341,180	\$ 756,971	\$ 1,472,758	\$ 8,091,227

The accompanying notes are an integral part of the basic financial statements.

**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, 2017**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 707,367
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(2,777,804)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	11,098,691
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.	(1,073,986)
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	(14,583,379)
Compensated absences	<u>51,257</u>
Total changes in net position of governmental activities	<u>\$ (6,577,854)</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION** **Exhibit 6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACT**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	38,264,189	38,264,189	38,264,189	-
U.S. Government	-	-	-	-
Other	827,994	1,168,994	1,114,565	(54,429)
<b>Total revenues</b>	<u>39,092,183</u>	<u>39,433,183</u>	<u>39,378,754</u>	<u>(54,429)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instructional services:</b>				
Regular instructional	13,708,687	12,991,411	12,990,758	653
Special populations	1,113,437	1,115,455	1,115,236	219
Alternative programs	410,880	465,520	464,394	1,126
School leadership	2,837,345	2,811,933	2,702,514	109,419
Co-curricular	771,096	771,096	754,113	16,983
School-based support	1,328,601	1,801,232	1,801,197	35
<b>Total instructional services</b>	<u>20,170,046</u>	<u>19,956,647</u>	<u>19,828,212</u>	<u>128,435</u>
<b>System-wide support services:</b>				
Support and development	719,100	891,352	846,707	44,645
Special population support and development	269,851	572,563	572,263	300
Alternative programs and services support and development	2,556	2,556	1,213	1,343
Technology support	897,332	911,227	831,793	79,434
Operational support	11,905,831	11,921,829	11,889,660	32,169
Financial and human resource services	1,760,369	1,590,693	1,509,094	81,599
Accountability	51,750	52,750	37,116	15,634
System-wide pupil support	131,716	132,164	125,411	6,753
Policy, leadership and public relations	1,083,632	1,143,598	1,132,567	11,031
<b>Total system-wide support services</b>	<u>16,822,137</u>	<u>17,218,732</u>	<u>16,945,824</u>	<u>272,908</u>
<b>Ancillary services:</b>				
Community	-	-	-	-
Nutrition	-	-	-	-
<b>Total ancillary services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonprogrammed charges	2,100,000	2,395,000	2,340,008	54,992
<b>Total expenditures</b>	<u>39,092,183</u>	<u>39,570,379</u>	<u>39,114,044</u>	<u>456,335</u>
Revenues over (under) expenditures	-	(137,196)	264,710	401,906
<b>Other financing uses:</b>				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	137,196	-	(137,196)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>264,710</u>	<u>\$ 264,710</u>
<b>Fund balances:</b>				
Beginning of year			3,255,608	
End of year			<u>3,520,318</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION** **Exhibit 6 (continued)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
State of North Carolina	\$ 126,373,739	\$ 131,240,840	\$ 128,326,660	\$ (2,914,180)
Alamance County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>126,373,739</u>	<u>131,240,840</u>	<u>128,326,660</u>	<u>(2,914,180)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instructional services:</b>				
Regular instructional	80,323,388	80,974,631	79,510,086	1,464,545
Special populations	18,749,309	19,504,279	19,166,406	337,873
Alternative programs	3,255,022	4,314,923	4,017,907	297,016
School leadership	7,588,081	7,840,607	7,747,439	93,168
Co-curricular	-	-	-	-
School-based support	9,664,963	9,944,027	9,561,600	382,427
Total instructional services	<u>119,580,763</u>	<u>122,578,467</u>	<u>120,003,438</u>	<u>2,575,029</u>
<b>System-wide support services:</b>				
Support and development	1,117,713	1,140,233	1,131,385	8,848
Special population support and development	92,334	95,834	89,543	6,291
Alternative programs and services support and development	-	-	-	-
Technology support	115,200	438,805	339,345	99,460
Operational support	4,081,985	5,338,849	5,153,415	185,434
Financial and human resource services	809,852	1,031,782	1,005,725	26,057
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	478,087	527,307	522,219	5,088
Total system-wide support services	<u>6,695,171</u>	<u>8,572,810</u>	<u>8,241,632</u>	<u>331,178</u>
<b>Ancillary services:</b>				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>126,275,934</u>	<u>131,151,277</u>	<u>128,245,070</u>	<u>2,906,207</u>
Revenues over (under) expenditures	97,805	89,563	81,590	(7,973)
<b>Other financing uses:</b>				
Transfers to other funds	(97,805)	(89,563)	(81,590)	7,973
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balances:</b>				
Beginning of year			-	
End of year			<u>\$ -</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION** **Exhibit 6 (continued)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACT**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	-	-	-	-
U.S. Government	14,387,189	14,701,204	12,266,302	(2,434,902)
Other	-	-	-	-
Total revenues	<u>14,387,189</u>	<u>14,701,204</u>	<u>12,266,302</u>	<u>(2,434,902)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	842,291	837,292	818,861	18,431
Special populations	5,043,457	5,157,741	4,870,359	287,382
Alternative programs	7,007,255	6,989,138	5,834,820	1,154,318
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	351,066	367,699	263,920	103,779
Total instructional services	<u>13,244,069</u>	<u>13,351,870</u>	<u>11,787,960</u>	<u>1,563,910</u>
System-wide support services:				
Support and development	11,543	20,688	20,395	293
Special population support and development	37,451	147,422	109,011	38,411
Alternative programs and services support and development	144,793	144,793	83,401	61,392
Technology support	-	-	-	-
Operational support	-	-	-	-
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>193,787</u>	<u>312,903</u>	<u>212,807</u>	<u>100,096</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonprogrammed charges	<u>949,333</u>	<u>1,036,431</u>	<u>265,535</u>	<u>770,896</u>
Total expenditures	<u>14,387,189</u>	<u>14,701,204</u>	<u>12,266,302</u>	<u>2,434,902</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>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION** **Exhibit 6 (continued)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Other Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ 87,749	\$ 87,749	\$ -
Alamance County	-	-	-	-
U.S. Government	294,921	311,048	328,323	17,275
Other	<u>4,037,296</u>	<u>4,767,105</u>	<u>4,796,646</u>	<u>29,541</u>
Total revenues	<u>4,332,217</u>	<u>5,165,902</u>	<u>5,212,718</u>	<u>46,816</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	2,326,581	2,451,777	1,123,753	1,328,024
Special populations	1,479,582	1,690,535	1,535,842	154,693
Alternative programs	1,531,025	1,861,041	1,755,444	105,597
School leadership	-	-	-	-
Co-curricular	5,580	17,580	9,851	7,729
School-based support	<u>426,697</u>	<u>253,433</u>	<u>211,740</u>	<u>41,693</u>
Total instructional services	<u>5,769,465</u>	<u>6,274,366</u>	<u>4,636,630</u>	<u>1,637,736</u>
System-wide support services:				
Support and development	10,000	10,394	2,680	7,714
Special population support and development	162,000	201,077	140,412	60,665
Alternative programs and services support and development	-	-	-	-
Technology support	-	3,500	-	3,500
Operational support	9,750	308,540	-	308,540
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	<u>107,407</u>	<u>112,407</u>	<u>108,491</u>	<u>3,916</u>
Total system-wide support services	<u>289,157</u>	<u>635,918</u>	<u>251,583</u>	<u>384,335</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	-	-	-
Total ancillary services	-	-	-	-
Nonprogrammed charges	<u>26,896</u>	<u>36,396</u>	<u>3,719</u>	<u>32,677</u>
Total expenditures	<u>6,085,518</u>	<u>6,946,680</u>	<u>4,891,932</u>	<u>2,054,748</u>
Revenues over (under) expenditures	(1,753,301)	(1,780,778)	320,786	2,101,564
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>1,753,301</u>	<u>1,780,778</u>	-	<u>1,780,778</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	320,786	<u>\$ 320,786</u>
Fund balances:				
Beginning of year			<u>2,020,394</u>	
End of year			<u>\$ 2,341,180</u>	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPES**  
**June 30, 2017**

**Exhibit 7**

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,971,299	\$ 694,881	\$ 4,666,180
Due from other governments	384,854	-	384,854
Receivables	5,134	-	5,134
Inventories	221,778	-	221,778
Total current assets	<u>4,583,065</u>	<u>694,881</u>	<u>5,277,946</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>1,832,646</u>	<u>66,287</u>	<u>1,898,933</u>
Total assets	<u>6,415,711</u>	<u>761,168</u>	<u>7,176,879</u>
<b>Deferred Outflows of Resources</b>	<u>1,425,082</u>	<u>116,539</u>	<u>1,541,621</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	4,891	7,595	12,486
Accrued salaries and wages payable	45,786	3,757	49,543
Due to other funds	22,134	-	22,134
Compensated absences	117,622	12,202	129,824
Unearned revenue	91,161	-	91,161
Total current liabilities	<u>281,594</u>	<u>23,554</u>	<u>305,148</u>
Noncurrent liabilities:			
Net pension liability	2,193,464	179,383	2,372,847
Compensated absences	<u>70,976</u>	<u>7,479</u>	<u>78,455</u>
Total liabilities	<u>2,546,034</u>	<u>210,416</u>	<u>2,756,450</u>
<b>Deferred Inflows of Resources</b>	<u>121,460</u>	<u>9,933</u>	<u>131,393</u>
<b>Net position</b>			
Net investment in capital assets	1,832,646	66,287	1,898,933
Unrestricted	<u>3,340,653</u>	<u>591,071</u>	<u>3,931,724</u>
Total net position	<u>\$ 5,173,299</u>	<u>\$ 657,358</u>	<u>\$ 5,830,657</u>

The accompanying notes are an integral part of the basic financial statements.

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**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, 2017**

**Exhibit 8**

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Operating revenues:			
Food sales	\$ 2,624,062	\$ -	\$ 2,624,062
Child care fees	-	1,201,765	1,201,765
Total operating revenues	<u>2,624,062</u>	<u>1,201,765</u>	<u>3,825,827</u>
Operating expenses:			
Food cost:			
Purchase of food	4,324,341	30,627	4,354,968
Donated commodities	779,925	-	779,925
Salaries and benefits	5,553,280	758,522	6,311,802
Indirect costs	415,017	30,505	445,522
Materials and supplies	473,378	205,961	679,339
Repairs and maintenance	79,481	10,418	89,899
Depreciation	466,237	6,699	472,936
Non-capitalized equipment	67,645	73,434	141,079
Contracted services	75,984	2,175	78,159
Other	93,384	51,179	144,563
Total operating expenses	<u>12,328,672</u>	<u>1,169,520</u>	<u>13,498,192</u>
Operating income (loss)	<u>(9,704,610)</u>	<u>32,245</u>	<u>(9,672,365)</u>
Nonoperating revenues:			
Federal reimbursements	8,599,774	-	8,599,774
Federal commodities	761,510	-	761,510
State reimbursements	13,542	-	13,542
Interest earned	15,839	1,315	17,154
Total nonoperating revenues	<u>9,390,665</u>	<u>1,315</u>	<u>9,391,980</u>
Income (loss) before transfers	(313,945)	33,560	(280,385)
Transfers to other funds	-	(9,580)	(9,580)
Transfers from other funds	81,590	-	81,590
Change in net position	(232,355)	23,980	(208,375)
Net position, beginning	<u>5,405,654</u>	<u>633,378</u>	<u>6,039,032</u>
Net position, end of year	<u>\$ 5,173,299</u>	<u>\$ 657,358</u>	<u>\$ 5,830,657</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 9**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 2,651,824	\$ 1,201,765	\$ 3,853,589
Cash paid for goods and services	(5,497,557)	(396,763)	(5,894,320)
Cash paid to employees for services	(5,405,213)	(769,886)	(6,175,099)
Net cash provided (used) by operating activities	<u>(8,250,946)</u>	<u>35,116</u>	<u>(8,215,830)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(9,580)	(9,580)
Due to/from other funds	51,072	-	51,072
Federal and State reimbursements	8,569,359	-	8,569,359
Net cash provided (used) by noncapital financing activities	<u>8,620,431</u>	<u>(9,580)</u>	<u>8,610,851</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(150,466)</u>	<u>(60,738)</u>	<u>(211,204)</u>
Cash flows from investing activities:			
Interest earned on investments	<u>15,839</u>	<u>1,315</u>	<u>17,154</u>
Net increase (decrease) in cash and cash equivalents	234,858	(33,887)	200,971
Cash and cash equivalents, beginning of year	<u>3,736,441</u>	<u>728,768</u>	<u>4,465,209</u>
Cash and cash equivalents, end of year	<u>\$ 3,971,299</u>	<u>\$ 694,881</u>	<u>\$ 4,666,180</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (9,704,610)	\$ 32,245	\$ (9,672,365)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	466,237	6,699	472,936
Donated commodities	761,510	-	761,510
Loss on disposal of capital assets	5,776	-	5,776
Salaries paid by special revenue fund	81,590	-	81,590
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	14,283	-	14,283
(Increase) decrease in inventories	47,745	-	47,745
Increase (decrease) in accounts payable and accrued liabilities	(3,433)	7,536	4,103
(Increase) decrease in deferred outflows	(1,138,056)	(90,933)	(1,228,989)
Increase (decrease) in net pension liability	1,313,679	100,897	1,414,576
Increase (decrease) in deferred inflows	(102,428)	(10,041)	(112,469)
Increase (decrease) in accrued salaries and wages payable	2,265	(542)	1,723
Increase (decrease) in unavailable revenue	13,479	-	13,479
Increase (decrease) in compensated absences payable	(8,983)	(10,745)	(19,728)
Total adjustments	<u>1,453,664</u>	<u>2,871</u>	<u>1,456,535</u>
Net cash provided (used) by operating activities	<u>\$ (8,250,946)</u>	<u>\$ 35,116</u>	<u>\$ (8,215,830)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$761,510 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 \$81,590 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.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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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. Interfund services provided and used are not eliminated. 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, 2017**

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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, 2017**

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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 (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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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 amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT Cash Portfolio's securities are measured at amortized cost, which is the MCCMT's share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. 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 received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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, 2017**

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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, 2017 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, 2017**

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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 as determined by the Board.

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, 2017**

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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 \$45,300,917 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)	\$ 228,057,319
Less Accumulated Depreciation	<u>(139,119,258)</u>
Net capital assets	88,938,061
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	362,125
Contributions made to the pension plan in current fiscal year	11,098,691
Difference between projected and actual earnings on plan investments	28,074,929
Changes of assumptions	11,609,640
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	(78,722,394)
Installment purchases	(1,580,046)
Compensated absences	(10,120,947)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(3,720,530)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(638,612)</u>
Total adjustment	<u>\$ 45,300,917</u>

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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 \$(7,285,221) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 2,467,099
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.	(5,244,903)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	2,653,050
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	(2,200,340)
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.	1,126,354
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	(6,137,738)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>51,257</u>
Total adjustment	<u>\$ (7,285,221)</u>

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

Excess of Expenditures Over Appropriations

None noted.

Noncompliance

None noted.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
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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, 2017, the Board had deposits with banks and savings and loans with a carrying amount of \$11,568,861 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$11,867,295 and \$450,367, respectively. Of these balances, \$1,769,587 was covered by federal depository insurance and \$10,548,075 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2017, the Board had \$8,025 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 \$4,370,991 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2017. The Board has no policy for managing interest rate, credit, concentration or foreign currency risk.

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3. Accounts Receivable

Receivables at the government-wide level at June 30, 2017 are as follows:

	Due from (to) other Funds (Internal Balances)	Due from other Governments	Other	Total
Governmental activities:				
General Fund	\$ -	\$ 70,871	\$ 27,262	\$ 98,133
Other governmental funds	<u>22,134</u>	<u>5,832,510</u>	<u>8,979</u>	<u>5,863,623</u>
Total governmental activities	<u>\$ 22,134</u>	<u>\$ 5,903,381</u>	<u>\$ 36,241</u>	<u>\$ 5,961,756</u>
Business-type activities:				
School Food Service Fund	\$ (22,134)	\$ 384,854	\$ 5,134	\$ 367,854
Child Care Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ (22,134)</u>	<u>\$ 384,854</u>	<u>\$ 5,134</u>	<u>\$ 367,854</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 70,871	Amounts due from County
State Public School Fund	5,100,832	Operating funds from DPI
Federal Grants Fund	380,511	Federal grant funds
Capital Outlay Fund	276,863	Amounts due from County
Other Special Revenue Fund	<u>74,304</u>	State and federal grant funds
Total	<u>\$ 5,903,381</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 384,854</u>	Federal grant funds

All of the accounts receivable balances as of June 30, 2017 are expected to be collected within the following year.

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4. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,281,330	\$ -	\$ -	\$ 5,281,330
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>5,281,330</u>	<u>-</u>	<u>-</u>	<u>5,281,330</u>
Capital assets being depreciated:				
Buildings	134,770,376	236,959	-	135,007,335
Improvements to land and buildings	61,319,661	-	-	61,319,661
Equipment and furniture	8,649,043	29,800	-	8,678,843
Vehicles	15,569,810	2,200,340	-	17,770,150
Total capital assets being depreciated	<u>220,308,890</u>	<u>2,467,099</u>	<u>-</u>	<u>222,775,989</u>
Less accumulated depreciation for:				
Buildings	79,759,813	2,652,635	-	82,412,448
Improvements to land and buildings	34,022,338	1,633,283	-	35,655,621
Equipment and furniture	7,091,659	258,651	-	7,350,310
Vehicles	13,000,545	700,334	-	13,700,879
Total accumulated depreciation	<u>133,874,355</u>	<u>5,244,903</u>	<u>-</u>	<u>139,119,258</u>
Total capital assets being depreciated, net	<u>86,434,535</u>			<u>83,656,731</u>
Governmental activity capital assets, net	<u>\$ 91,715,865</u>			<u>\$ 88,938,061</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 8,538,698	\$ 150,466	\$ 15,405	\$ 8,673,759
Less accumulated depreciation for:				
Equipment and furniture	6,384,505	466,237	9,629	6,841,113
School Food Service capital assets, net	<u>2,154,193</u>			<u>1,832,646</u>
Child Care Fund:				
Capital assets being depreciated:				
Equipment and furniture	47,527	60,738	-	108,265
Less accumulated depreciation for:				
Equipment and furniture	35,279	6,699	-	41,978
Child Care Fund capital assets, net	<u>12,248</u>			<u>66,287</u>
Business-type activities capital assets, net	<u>\$ 2,166,441</u>			<u>\$ 1,898,933</u>

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 258,651
Unallocated depreciation	<u>4,986,252</u>
Total	<u>\$ 5,244,903</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, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

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*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, 2017, was 9.98% 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 \$11,433,227 for the year ended June 30, 2017.

*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, 2017, the Board reported a liability of \$81,095,241 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015, the Board's proportion was .88% and .86%, respectively.

For the year ended June 30, 2017, the Board recognized pension expense of \$14,991,033. At June 30, 2017, 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	\$ -	\$ 3,832,674
Changes of assumptions	11,959,577	-
Net difference between projected and actual earnings on pension plan investments	28,921,162	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	373,040	657,861
Board contributions subsequent to the measurement date	11,433,227	-
Total	<u>\$ 52,687,006</u>	<u>\$ 4,490,535</u>

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\$11,433,227 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018		\$ 5,915,859
2019		6,126,644
2020		15,845,694
2021		8,875,047
2022		--
Thereafter		--
	Total	<u>\$ 36,763,244</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 8.1%, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

*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)	\$ 152,524,478	\$ 81,095,241	\$ 21,033,044

*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

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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.

*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, 2017, 2016, and 2015, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$6,656,017, \$6,396,490 and \$6,079,185, respectively. These contributions represented 5.81%, 5.60% and 5.49% of covered payroll, respectively.

#### Long-term Disability Benefits

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

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/>

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and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2017, 2016, and 2015, the Board paid all annual required contributions to the DIPNC for disability benefits of \$435,333, \$468,314 and \$454,001, respectively. These contributions represented 0.38%, 0.41% and 0.41% of covered payroll, respectively.

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2. Accounts Payable

Accounts payable as of June 30, 2017 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 2,893,318	\$ 507,117	\$ 3,400,435
Other governmental activities	<u>261,590</u>	<u>5,621,006</u>	<u>5,882,596</u>
Total governmental activities	<u>\$ 3,154,908</u>	<u>\$ 6,128,123</u>	<u>\$ 9,283,031</u>
Business-type activities:			
School Food Service Fund	\$ 4,891	\$ 45,786	\$ 50,677
Child Care Fund	<u>7,595</u>	<u>3,757</u>	<u>11,352</u>
Total business-type activities	<u>\$ 12,486</u>	<u>\$ 49,543</u>	<u>\$ 62,029</u>

3. Unearned Revenues

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

Prepayments of meals (School Food Service Fund)	<u>\$ 91,161</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	\$ 373,040	\$ 657,861
Changes of assumptions	11,959,577	-
Board contributions subsequent to the measurement date	11,433,227	-
Difference between projected and actual earnings on plan investments	28,921,162	-
Difference between expected and actual experience	<u>-</u>	<u>3,832,674</u>
Totals	<u>\$ 52,687,006</u>	<u>\$ 4,490,535</u>

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5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 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. 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. 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 over the following three years. The original amounts of the installment purchases agreements were \$651,808, \$932,645, and \$1,267,695. The future minimum payments of the installment purchases as of June 30, 2017 are as follows:

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2018	\$ 713,037
2019	550,086
2020	<u>316,923</u>
Total	<u>\$ 1,580,046</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, 2017:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 506,060	\$ 2,200,340	\$ 1,126,354	\$ 1,580,046	\$ 713,037
Net pension liability	30,651,146	48,071,248	-	78,722,394	-
Compensated absences	<u>10,172,204</u>	<u>9,166,583</u>	<u>9,217,840</u>	<u>10,120,947</u>	<u>4,824,153</u>
Total governmental activities	<u>\$ 41,329,410</u>	<u>\$ 59,438,171</u>	<u>\$ 10,344,194</u>	<u>\$ 90,423,387</u>	<u>\$ 5,537,190</u>
Business-type activities:					
Net pension liability	\$ 958,571	\$ 1,414,276	\$ -	\$ 2,372,847	\$ -
Compensated absences	<u>228,007</u>	<u>324,920</u>	<u>344,648</u>	<u>208,279</u>	<u>129,824</u>
Total business-type activities	<u>\$ 1,186,578</u>	<u>\$ 1,739,196</u>	<u>\$ 344,648</u>	<u>\$ 2,581,126</u>	<u>\$ 129,824</u>

Compensated absences and the pension liability 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, 2017 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 81,590</u>
From the Child Care Fund to the Individual Schools Fund for co-curricular costs	<u>\$ 9,580</u>

2. Interfund Balances

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Special Revenue Fund	School Food Service Fund	<u>\$ 22,134</u>

The amounts above represent the need for reimbursement of various operating expenses. These amounts are expected to be paid prior to June 30, 2018.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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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	\$ 3,520,318
Less:	
Prepaid expenditures	(130,805)
Stabilization by State statute	<u>(98,133)</u>
Remaining fund balance	<u>\$ 3,291,380</u>

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

Other revenues for the fiscal year ended June 30, 2017 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	\$ 1,130,427
Other reimbursements and refunds	1,524,675
Indirect costs allocated	772,079
Interest income	3,676
Activity bus revenue	289,813
Private grants and programs	679,221
Rental of school property	126,592
Tuition and fees	-
Other	<u>243,875</u>
Total other revenues	<u>\$ 4,796,646</u>

**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.

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

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.882%	0.858%	0.842%	0.861%
Board's proportionate share of the net pension liability (asset)	\$ 81,095,241	\$ 31,609,417	\$ 9,868,150	\$ 52,259,332
Board's covered-employee payroll	\$ 110,760,219	\$ 110,731,966	\$ 106,132,900	\$ 107,475,854
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.22%	28.55%	9.30%	48.62%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

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

Note:

This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

**This schedule is required supplementary information.**

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

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,433,227	\$ 10,134,560	\$ 10,131,975	\$ 9,222,949
Contributions in relation to the contractually required contribution	<u>11,433,227</u>	<u>10,134,560</u>	<u>10,131,975</u>	<u>9,222,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 114,561,390	\$ 110,760,219	\$ 110,731,966	\$ 106,132,900
Contributions as a percentage of covered-employee payroll	9.98%	9.15%	9.15%	8.69%

Note:

This schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

**This schedule is required supplementary information.**

**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, 2017**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Alamance County:			
County appropriation	\$ 38,264,189	\$ 38,264,189	\$ -
Other:			
Fines and forfeitures	910,000	949,394	39,394
Interest earned on investment	46,000	41,082	(4,918)
Sales and use tax refund	212,994	124,089	(88,905)
Miscellaneous	-	-	-
Total other	<u>1,168,994</u>	<u>1,114,565</u>	<u>(54,429)</u>
Total revenues	<u>39,433,183</u>	<u>39,378,754</u>	<u>(54,429)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	12,991,411	12,990,758	653
Special populations	1,115,455	1,115,236	219
Alternative programs	465,520	464,394	1,126
School leadership	2,811,933	2,702,514	109,419
Co-curricular	771,096	754,113	16,983
School-based support	1,801,232	1,801,197	35
Total instructional services	<u>19,956,647</u>	<u>19,828,212</u>	<u>128,435</u>
System-wide support services:			
Support and development	891,352	846,707	44,645
Special population support and development	572,563	572,263	300
Alternative programs and services support and development	2,556	1,213	1,343
Technology support	911,227	831,793	79,434
Operational support	11,921,829	11,889,660	32,169
Financial and human resource services	1,590,693	1,509,094	81,599
Accountability	52,750	37,116	15,634
System-wide pupil support	132,164	125,411	6,753
Policy, leadership and public relations	1,143,598	1,132,567	11,031
Total system-wide support services	<u>17,218,732</u>	<u>16,945,824</u>	<u>272,908</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, 2017**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Current:			
Non-programmed charges:			
Payments to other governments	<u>2,395,000</u>	<u>2,340,008</u>	<u>54,992</u>
Total expenditures	<u>39,570,379</u>	<u>39,114,044</u>	<u>456,335</u>
Revenues over (under) expenditures	(137,196)	264,710	401,906
Fund balance appropriated	<u>137,196</u>	<u>-</u>	<u>(137,196)</u>
Net change in fund balance	<u>\$ -</u>	264,710	<u>\$ 264,710</u>
Fund balance:			
Beginning of year		<u>3,255,608</u>	
End of year		<u>\$ 3,520,318</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, 2017**

	Revenues and Transfers in	Expenditures	Net change in fund balance	Fund balances 6/30/2016	Fund balances 6/30/2017
Alexander Wilson Elementary	\$ 107,347	\$ 110,684	\$ (3,337)	\$ 125,975	\$ 122,638
Altamahaw Ossipee Elementary	108,424	115,432	(7,008)	23,006	15,998
R. Homer Andrews Elementary	40,430	36,482	3,948	15,295	19,243
Eastlawn Elementary	10,423	10,836	(413)	10,494	10,081
Elon Elementary	70,006	60,894	9,112	25,706	34,818
Garrett Elementary	60,955	67,475	(6,520)	54,191	47,671
Grove Park Elementary	52,672	44,880	7,792	15,208	23,000
Haw River Elementary	22,162	32,070	(9,908)	10,900	992
Highland Elementary	79,297	75,593	3,704	12,584	16,288
Hillcrest Elementary	29,540	37,433	(7,893)	38,433	30,540
E.M. Holt Elementary	72,206	95,286	(23,080)	118,900	95,820
B. Everett Jordan Elementary	42,114	54,976	(12,862)	190,583	177,721
Newlin Elementary	56,693	57,811	(1,118)	7,862	6,744
North Graham Elementary	26,973	27,546	(573)	24,201	23,628
Pleasant Grove Elementary	34,551	33,421	1,130	12,726	13,856
Marvin B. Smith Elementary	47,971	39,020	8,951	20,651	29,602
South Graham Elementary	21,416	21,907	(491)	6,247	5,756
South Mebane Elementary	80,057	84,741	(4,684)	15,942	11,258
Sylvan Elementary	61,308	63,378	(2,070)	22,797	20,727
E.M. Yoder Elementary	82,317	84,943	(2,626)	34,597	31,971
Broadview Middle	100,310	92,265	8,045	12,542	20,587
Graham Middle	103,410	93,329	10,081	26,751	36,832
Hawfields Middle	112,892	117,161	(4,269)	38,969	34,700
Southern Middle	69,978	62,183	7,795	26,750	34,545
Turrentine Middle	96,818	94,753	2,065	17,152	19,217
Western Middle	182,711	193,979	(11,268)	58,825	47,557
Woodlawn Middle	62,446	62,838	(392)	21,106	20,714
Cummings High	132,024	134,911	(2,887)	55,219	52,332
Eastern Alamance High	378,586	384,575	(5,989)	91,488	85,499
Graham High	116,275	122,092	(5,817)	22,382	16,565
Southern Alamance High	405,342	400,845	4,497	135,402	139,899
Western Alamance High	349,341	310,779	38,562	98,325	136,887
Walter Williams High	229,781	222,666	7,115	66,388	73,503
Burlington Middle College	7,124	7,488	(364)	2,731	2,367
Ray Street Academy	3,351	3,706	(355)	2,420	2,065
Career and Technical Ed Center	27,116	21,507	5,609	5,528	11,137
Totals	<u>\$ 3,484,367</u>	<u>\$ 3,479,885</u>	<u>\$ 4,482</u>	<u>\$ 1,468,276</u>	<u>\$ 1,472,758</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CAPITAL OUTLAY FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 1,275,319	\$ 1,084,230	\$ (191,089)
State appropriations - buses	<u>1,003,918</u>	<u>1,126,354</u>	<u>122,436</u>
Total State of North Carolina	<u>2,279,237</u>	<u>2,210,584</u>	<u>(68,653)</u>
Alamance County:			
Local bond revenues		1,302,149	
General county appropriations		<u>250,000</u>	
Total Alamance County	<u>3,013,945</u>	<u>1,552,149</u>	<u>(1,461,796)</u>
Other:			
Interest earned on investments		1,332	
Contributions and donations		30,000	
Miscellaneous		<u>25,210</u>	
Total other	<u>1,380</u>	<u>56,542</u>	<u>55,162</u>
Total revenues	<u>5,294,562</u>	<u>3,819,275</u>	<u>(1,475,287)</u>
Expenditures:			
Debt service:			
Principal retirement	<u>1,126,354</u>	<u>1,126,354</u>	<u>-</u>
Current:			
Instructional services:			
Regular instructional	<u>63,000</u>	<u>29,375</u>	<u>33,625</u>
System-wide support services:			
Operational support	90,000	87,107	2,893
System-wide pupil support	<u>17,000</u>	<u>14,730</u>	<u>2,270</u>
Total System-wide support services	<u>107,000</u>	<u>101,837</u>	<u>5,163</u>
Capital outlay:	<u>6,198,548</u>	<u>4,644,660</u>	<u>1,553,888</u>
Total expenditures	<u>7,494,902</u>	<u>5,902,226</u>	<u>1,592,676</u>
Revenues over (under) expenditures	(2,200,340)	(2,082,951)	117,389
Other financing sources:			
Installment purchase obligations issued	2,200,340	2,200,340	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	117,389	<u>\$ 117,389</u>
Fund balance:			
Beginning of year		<u>639,582</u>	
End of year		<u>\$ 756,971</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, 2017**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 2,850,900	\$ 2,624,062	\$ (226,838)
Operating expenditures:			
Business support services:			
Purchase of food	-	4,276,596	-
Donated commodities	-	779,925	-
Salaries and benefits	-	5,489,068	-
Indirect costs	-	415,017	-
Materials and supplies	-	473,378	-
Repairs and maintenance	-	79,481	-
Non-capitalized equipment	-	67,645	-
Contracted services	-	75,984	-
Other	-	93,384	-
Capital outlay	-	150,466	-
Total operating expenditures	<u>12,630,000</u>	<u>11,900,944</u>	<u>729,056</u>
Operating loss	<u>(9,779,100)</u>	<u>(9,276,882)</u>	<u>502,218</u>
Nonoperating revenues:			
Federal reimbursements and grants	8,807,900	8,599,774	(208,126)
Federal commodities	740,700	761,510	20,810
State reimbursements	21,000	13,542	(7,458)
Interest earned	<u>9,500</u>	<u>15,839</u>	<u>6,339</u>
Total nonoperating revenues	<u>9,579,100</u>	<u>9,390,665</u>	<u>(188,435)</u>
Excess of revenues over (under) expenditures before other financing sources	(200,000)	113,783	313,783
Other financing sources:			
Transfers from other funds	-	81,590	81,590
Fund balance appropriated	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>195,373</u>	<u>\$ 195,373</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(466,237)	
Equipment purchases		150,466	
Net pension liability		(1,313,679)	
Deferred outflows - pension		1,138,056	
Deferred inflows - pension		102,428	
Compensated absences payable		8,983	
Inventory		<u>(47,745)</u>	
Change in net position (full accrual)		<u>\$ (232,355)</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, 2017**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 996,690	\$ 1,201,765	\$ 205,075
Operating expenditures:			
Regular community services:			
Purchase of food	-	30,627	-
Salaries and benefits	-	769,344	-
Indirect costs	-	30,505	-
Materials and supplies	-	205,961	-
Repairs and maintenance	-	10,418	-
Non-capitalized equipment	-	73,434	-
Contracted services	-	2,175	-
Other	-	51,179	-
Total operating expenditures	<u>1,581,000</u>	<u>1,173,643</u>	<u>407,357</u>
Operating income	(584,310)	28,122	612,432
Nonoperating revenues:			
Interest earned	<u>1,000</u>	<u>1,315</u>	<u>315</u>
Excess of revenues over expenditures before other financing uses	(583,310)	29,437	612,747
Other financing uses:			
Transfers to other funds	(70,000)	(9,580)	60,420
Fund balance appropriated	<u>653,310</u>	<u>-</u>	<u>(653,310)</u>
Net change in fund balance	<u>\$ -</u>	19,857	<u>\$ 19,857</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(6,699)	
Compensated absences payable		10,745	
Net pension liability		(100,897)	
Deferred outflows - pension		90,933	
Deferred inflows - pension		<u>10,041</u>	
Change in net position (full accrual)		<u>\$ 23,980</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*

INDEPENDENT AUDITORS' REPORT

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, 2017, 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 October 4, 2017.

*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*

*October 4, 2017*  
*Statesville, North Carolina*

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

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 OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Alamance-Burlington Board of Education's major federal programs for the year ended June 30, 2017. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

## *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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anderson Smith & Wike PLLC*

**October 4, 2017**  
**Statesville, North Carolina**



Report on Compliance with Requirements Applicable to Each Major State  
Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State  
Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

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, 2017. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 17-01. Our opinion on each major state program is not modified with respect to these matters.

The Alamance-Burlington Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Alamance-Burlington Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 17-01 that we consider to be a significant deficiency.

The Alamance-Burlington Board of Education's response to the internal control over compliance finding identified in our audit are described in the accompanying corrective action plan. The Alamance-Burlington Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Anderson Smith & Wike PLLC*

**October 4, 2017**  
**Statesville, North Carolina**

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

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

***Financial Statements***

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *No*

***Federal Awards***

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
	Special Education Cluster
84.027	Grants to States
84.173	Preschool Grants

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

Auditee qualified as low-risk auditee? *Yes*

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

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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 *Yes*

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 *Yes*

Identification of major State programs:

Program Name

State Public School Fund  
Public School Capital Fund - Lottery

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

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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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Finding: 17-01

**SIGNIFICANT DEFICIENCY AND NON COMPLIANCE**

State Public School Fund

Activities allowed or unallowed

Criteria: Classroom teachers are required to teach in a position that is consistent with their area of certification.

Condition: We noted one teacher paid with State funds who was not certified to teach the classes she was instructing. She was teaching high school psychology classes, but was licensed to teach high school history.

Effect: The teacher was instructing in an area outside of her area of certification therefore State funds had been used for unallowable expenditures.

Cause: Management did not have procedures and controls in place to ensure that all teachers are instructing classes within their area of certification.

Questioned Cost: None. The teacher's salary was moved out of the State Public School Fund prior to year-end.

Recommendation: We recommend that management review all teaching certificates to ensure that teachers are indeed teaching within areas for which they are certified to teach.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2017**

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Section II. Financial Statement Findings

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None reported

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Section III. Federal Award Findings and Questioned Costs

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None reported.

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Section IV. State Award Findings and Questioned Costs

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Finding: 17-01

Name of Contact Person:	Dawn Madren, Executive Director of Human Resources
Corrective Action Plan:	Management will closely monitor classroom teachers' areas of certification to ensure that they are indeed teaching in an area for which they are licensed.
Proposed Completion Date:	Immediately

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2017**

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Finding 16-01 – Repeat finding. **17-01**

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

<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	\$ 761,510
Cash Assistance:		
School Breakfast Program	10.553	1,951,883
National School Lunch Program	10.555	6,338,942
After School Snack Program	10.555	35,398
Summer Food Service Program for Children	10.559	241,585
Cash Assistance Subtotal		<u>8,567,808</u>
Total Child Nutrition Cluster		9,329,318
Fresh Fruit and Vegetable Program	10.582	<u>31,966</u>
Total School Nutrition Program (Note 3):		<u>9,361,284</u>
Total U.S. Department of Agriculture		<u>9,361,284</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	5,878,117
School Improvement Grant	84.010	120,190
Migrant Education	84.011	23,024
Supporting Effective Instruction State Grant	84.367	587,193
Language Acquisition Grant	84.365	249,360
Education for Homeless Children and Youth	84.196	60,000
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	4,879,256
Special Education - Preschool Grants	84.173	143,225
Total Special Education Cluster		<u>5,022,481</u>
Title VI-B, Education of the Handicapped	84.323	24,085

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Fiscal Year Ended June 30, 2017**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA 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>301,852</u>
Passed-through University of North Carolina at Chapel Hill: Gear Up NC Grant	84.334	<u>235,423</u>
Passed-through Mount Airy City Schools Mathematics and Science Partnership	84.366	18,504
Total U.S. Department of Education		<u>12,520,229</u>
<u>U.S. Department of Defense</u> Direct Program: JROTC	None	<u>74,396</u>
<b>Total Federal Assistance</b>		<b><u>\$ 21,955,909</u></b>
 <b>State Grants:</b>		
<u>N.C. Department of Public Instruction</u>		
State Public School Fund		\$ 120,472,101
Vocational Education:		
State Months of Employment		6,535,044
Program Support Funds		550,410
Driver Training		380,658
School Technology Fund		356,846
State appropriations - buses (noncash)		1,126,354
Textbooks (noncash)		31,601
Passed-through Alamance County: Public School Capital Fund - Lottery		<u>1,084,230</u>
Total NC Department of Public Instruction		<u>130,537,244</u>
<u>N.C. Department of Public Safety</u>		
Passed-through Alamance County Sustaining Education and Learning Team Grant		<u>87,749</u>
<u>N.C. Department of Agriculture</u>		
State Reduced Breakfast Program		<u>13,542</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<b>Total State Assistance</b>		<b><u>130,638,535</u></b>
<b>Total Federal and State Assistance</b>		<b><u>\$ 152,594,444</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 (SEFSA) includes the federal and State grant activity of Alamance-Burlington Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alamance-Burlington Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Alamance-Burlington Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program