

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2018*

**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, 2018 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, 2018, 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 and OPEB Liabilities and the Schedule of Board Contributions on pages 47 through 52, 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 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 10, 2018
Statesville, North Carolina
(704) 562-5039

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

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, 2018. 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 2017-2018 year increased by approximately 57 students compared to the 2016-2017 year.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the seventh 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

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. Liabilities exceeded assets by \$282.6 million as of June 30, 2018 and assets exceeded liabilities by \$59.2 million as of June 30, 2017, a decrease of \$341.8 million. Other than unrestricted net position, the largest component of net position is the net investment in capital assets of \$85.0 million. Following is a summary of the Statement of Net Position:

**Table 1
Condensed Statement of Net Position
As of June 30, 2018 and 2017**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
| | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 |
| Current assets | \$ 18,579,066 | \$ 17,374,258 | \$ 5,796,313 | \$ 5,255,812 | \$ 24,375,379 | \$ 22,630,070 |
| Capital assets | 84,845,038 | 88,938,061 | 1,532,519 | 1,898,933 | 86,377,557 | 90,836,994 |
| Total assets | <u>103,424,104</u> | <u>106,312,319</u> | <u>7,328,832</u> | <u>7,154,745</u> | <u>110,752,936</u> | <u>113,467,064</u> |
| Deferred outflows of resources | <u>44,746,903</u> | <u>51,145,385</u> | <u>1,289,336</u> | <u>1,541,621</u> | <u>46,036,239</u> | <u>52,687,006</u> |
| Current liabilities | 7,882,759 | 9,283,031 | 153,336 | 153,190 | 8,036,095 | 9,436,221 |
| Long-term liabilities | <u>328,195,560</u> | <u>90,423,387</u> | <u>9,321,450</u> | <u>2,581,126</u> | <u>337,517,010</u> | <u>93,004,513</u> |
| Total liabilities | <u>336,078,319</u> | <u>99,706,418</u> | <u>9,474,786</u> | <u>2,734,316</u> | <u>345,553,105</u> | <u>102,440,734</u> |
| Deferred inflows of resources | <u>91,246,661</u> | <u>4,359,142</u> | <u>2,629,181</u> | <u>131,393</u> | <u>93,875,842</u> | <u>4,490,535</u> |
| Net investment in capital assets | 83,452,101 | 87,358,015 | 1,532,519 | 1,898,933 | 84,984,620 | 89,256,948 |
| Restricted net position | 4,583,838 | 2,787,557 | 12,947 | - | 4,596,785 | 2,787,557 |
| Unrestricted net position | <u>(367,189,912)</u> | <u>(36,753,428)</u> | <u>(5,031,265)</u> | <u>3,931,724</u> | <u>(372,221,177)</u> | <u>(32,821,704)</u> |
| Total net position | <u>\$ (279,153,973)</u> | <u>\$ 53,392,144</u> | <u>\$ (3,485,799)</u> | <u>\$ 5,830,657</u> | <u>\$ (282,639,772)</u> | <u>\$ 59,222,801</u> |

Note that net position of governmental activities decreased significantly during the year, indicating deterioration in the financial condition of the Board. The decrease in net position was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also note that the Board carries capital assets for which Alamance County carries the offsetting debt.

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

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
| | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,453,872 | \$ 3,601,379 | \$ 3,798,215 | \$ 3,825,827 | \$ 7,252,087 | \$ 7,427,206 |
| Operating grants and contributions | 146,455,864 | 140,245,837 | 9,333,046 | 9,374,826 | 155,788,910 | 149,620,663 |
| Capital grants and contributions | 888,346 | 1,126,354 | 26,782 | - | 915,128 | 1,126,354 |
| General revenues: | | | | | | |
| County appropriations | 41,728,543 | 39,816,338 | - | - | 41,728,543 | 39,816,338 |
| State appropriations | 5,145,739 | 5,111,321 | - | - | 5,145,739 | 5,111,321 |
| Other revenues | 4,079,212 | 2,311,732 | 16,237 | 17,154 | 4,095,449 | 2,328,886 |
| Total revenues | <u>201,751,576</u> | <u>192,212,961</u> | <u>13,174,280</u> | <u>13,217,807</u> | <u>214,925,856</u> | <u>205,430,768</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 176,781,493 | 162,692,928 | - | - | 176,781,493 | 162,692,928 |
| System-wide support services | 30,294,435 | 28,695,898 | - | - | 30,294,435 | 28,695,898 |
| Ancillary services | 157,546 | - | - | - | 157,546 | - |
| Payments to other governments | 2,570,694 | 2,343,727 | - | - | 2,570,694 | 2,343,727 |
| Unallocated depreciation | 5,045,930 | 4,986,252 | - | - | 5,045,930 | 4,986,252 |
| Business-type activities: | | | | | | |
| School food service | - | - | 12,206,698 | 12,328,672 | 12,206,698 | 12,328,672 |
| Child care | - | - | 1,140,159 | 1,169,520 | 1,140,159 | 1,169,520 |
| Total expenses | <u>214,850,098</u> | <u>198,718,805</u> | <u>13,346,857</u> | <u>13,498,192</u> | <u>228,196,955</u> | <u>212,216,997</u> |
| Excess (deficiency) before transfers | (13,098,522) | (6,505,844) | (172,577) | (280,385) | (13,271,099) | (6,786,229) |
| Transfers in (out) | (58,982) | (72,010) | 58,982 | 72,010 | - | - |
| Change in net position | (13,157,504) | (6,577,854) | (113,595) | (208,375) | (13,271,099) | (6,786,229) |
| Beginning net position, as restated | (265,996,469) | 59,969,998 | (3,372,204) | 6,039,032 | (269,368,673) | 66,009,030 |
| Ending net position | <u>\$ (279,153,973)</u> | <u>\$ 53,392,144</u> | <u>\$ (3,485,799)</u> | <u>\$ 5,830,657</u> | <u>\$ (282,639,772)</u> | <u>\$ 59,222,801</u> |

Total governmental activities generated revenues of \$201.8 million while expenses in this category totaled \$214.9 million for the year ended June 30, 2018, resulting in a decrease in net position of \$13.2 million. Comparatively, revenues were \$192.2 million and expenses totaled \$198.7 million for the year ended June 30, 2017, resulting in a decrease in net position of \$6.6 million. In comparing the two years, revenues increased by \$9.7 million while expenses increased by \$16.2 million.

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

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 67%, 21% and 6% 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, 14% was attributable to system-wide support services.

Our business-type activities generated revenues of \$13.2 million, while expenses in this category totaled \$13.3 million for the year ended June 30, 2018. For the year, net position decreased by approximately \$115,000. Comparatively, revenues were \$13.2 million and expenses totaled \$13.5 million for the year ended June 30, 2017.

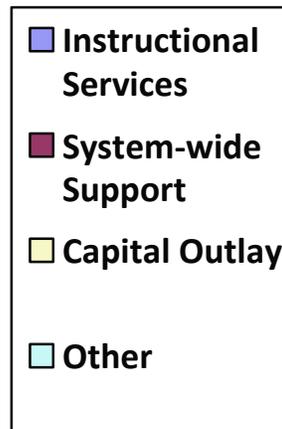
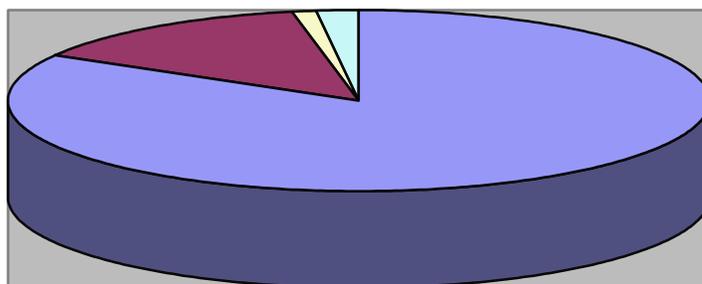
Financial Analysis of the Board's Funds

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 \$10.2 million at June 30, 2018, an increase of \$2.2 million from the amount reported at June 30, 2017. The Board's General, Other Special Revenue, Capital Outlay and Individual Schools funds reported increases in fund balance for the year of \$252,000, \$1,017,000, \$869,000 and \$18,000, 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 \$114,000 for the fiscal year ended June 30, 2018. The decrease in net position in the School Food Service Fund was \$260,000 for the fiscal year ended June 30, 2018 while the Child Care Fund reported an increase in net position of \$147,000 in 2018.

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 \$86.4 million at June 30, 2018 compared to \$90.8 million at June 30, 2017, a decrease of approximately 5%. This decrease is due to an excess of depreciation expense over capital additions for the year. The following table is a summary of the Board's capital assets, net of depreciation, at June 30, 2018 and 2017. 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 | |
|---------------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
| | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 | 6/30/18 | 6/30/17 |
| Land | \$ 5,281,330 | \$ 5,281,330 | \$ - | \$ - | \$ 5,281,330 | \$ 5,281,330 |
| Construction in progress | 320,159 | - | - | - | 320,159 | - |
| Buildings | 49,964,525 | 52,594,887 | - | - | 49,964,525 | 52,594,887 |
| Improvements to land and buildings | 24,201,608 | 25,664,040 | - | - | 24,201,608 | 25,664,040 |
| Equipment and furniture | 1,089,645 | 1,328,533 | 1,532,519 | 1,898,933 | 2,622,164 | 3,227,466 |
| Vehicles | 3,987,771 | 4,069,271 | - | - | 3,987,771 | 4,069,271 |
| Total | <u>\$ 84,845,038</u> | <u>\$ 88,938,061</u> | <u>\$ 1,532,519</u> | <u>\$ 1,898,933</u> | <u>\$ 86,377,557</u> | <u>\$ 90,836,994</u> |

Debt Outstanding

During the year, the Board's installment purchase liability decreased from \$1,580,000 at June 30, 2017 to \$1,390,000 at June 30, 2018. 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.

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

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, 2018, Alamance County experienced an unemployment rate of 4.2% as compared to an unemployment rate of 4.5% at June 30, 2017. The unemployment for North Carolina at June 30, 2018 was 4.2%.
- 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:

Jeremy Teetor, 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, 2018

Exhibit 1

| | Primary Government | | Total |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| Cash and cash equivalents | \$ 11,491,317 | \$ 5,194,732 | \$ 16,686,049 |
| Due from other governments | 5,999,635 | 340,789 | 6,340,424 |
| Receivables | 551,000 | 61,514 | 612,514 |
| Inventories | - | 186,331 | 186,331 |
| Net OPEB asset | 449,316 | 12,947 | 462,263 |
| Prepaid expenses | 87,798 | - | 87,798 |
| Capital assets: | | | |
| Land and construction in progress | 5,601,489 | - | 5,601,489 |
| Other capital assets, net of depreciation | 79,243,549 | 1,532,519 | 80,776,068 |
| Total capital assets | <u>84,845,038</u> | <u>1,532,519</u> | <u>86,377,557</u> |
| Total assets | <u>103,424,104</u> | <u>7,328,832</u> | <u>110,752,936</u> |
| Deferred Outflows of Resources | <u>44,746,903</u> | <u>1,289,336</u> | <u>46,036,239</u> |
| Liabilities | | | |
| Accounts payable and accrued expenses | 1,458,259 | 15,688 | 1,473,947 |
| Accrued salaries and wages payable | 6,424,500 | 46,629 | 6,471,129 |
| Unearned revenue | - | 91,018 | 91,018 |
| Long-term liabilities: | | | |
| Net pension liability | 65,651,825 | 1,891,691 | 67,543,516 |
| Net OPEB liability | 250,682,148 | 7,223,154 | 257,905,302 |
| Due within one year | 5,510,872 | 125,140 | 5,636,012 |
| Due in more than one year | 6,350,715 | 81,466 | 6,432,181 |
| Total liabilities | <u>336,078,319</u> | <u>9,474,786</u> | <u>345,553,105</u> |
| Deferred Inflows of Resources | <u>91,246,661</u> | <u>2,629,181</u> | <u>93,875,842</u> |
| Net position | | | |
| Net investment in capital assets | 83,452,101 | 1,532,519 | 84,984,620 |
| Restricted for: | | | |
| Stabilization by State statute | 833,015 | - | 833,015 |
| School capital outlay | 1,593,697 | - | 1,593,697 |
| Instructional services | 666,224 | - | 666,224 |
| Individual schools activities | 1,490,902 | - | 1,490,902 |
| DIPNC OPEB plan | - | 12,947 | 12,947 |
| Unrestricted | <u>(367,189,912)</u> | <u>(5,031,265)</u> | <u>(372,221,177)</u> |
| Total net position | <u>\$ (279,153,973)</u> | <u>\$ (3,485,799)</u> | <u>\$ (282,639,772)</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit 2

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------|----------------------|--|----------------------------------|---|--------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional services: | | | | | | | |
| Regular instructional | \$ 104,135,757 | \$ - | \$ 82,909,748 | \$ - | \$ (21,226,009) | \$ - | \$ (21,226,009) |
| Special populations | 29,659,217 | - | 25,654,498 | - | (4,004,719) | - | (4,004,719) |
| Alternative programs | 13,796,343 | - | 11,055,267 | - | (2,741,076) | - | (2,741,076) |
| School leadership | 12,164,439 | - | 7,745,414 | - | (4,419,025) | - | (4,419,025) |
| Co-curricular | 4,334,235 | 3,338,314 | 2,252 | - | (993,669) | - | (993,669) |
| School-based support | 12,691,502 | - | 10,305,169 | - | (2,386,333) | - | (2,386,333) |
| System-wide support services: | | | | | | | |
| Support and development | 1,984,387 | - | 1,156,499 | - | (827,888) | - | (827,888) |
| Special population support and development | 790,017 | - | 185,167 | - | (604,850) | - | (604,850) |
| Alternative programs and services support and development | 64,237 | - | 59,476 | - | (4,761) | - | (4,761) |
| Technology support | 1,017,283 | - | 74,856 | - | (942,427) | - | (942,427) |
| Operational support | 21,540,836 | 115,558 | 5,841,811 | 888,346 | (14,695,121) | - | (14,695,121) |
| Financial and human resource services | 2,587,168 | - | 910,095 | - | (1,677,073) | - | (1,677,073) |
| Accountability | 76,723 | - | - | - | (76,723) | - | (76,723) |
| System-wide pupil support | 140,318 | - | - | - | (140,318) | - | (140,318) |
| Policy, leadership and public relations | 2,093,466 | - | 555,612 | - | (1,537,854) | - | (1,537,854) |
| Ancillary services | 157,546 | - | - | - | (157,546) | - | (157,546) |
| Payments to other governments/charter schools | 2,570,694 | - | - | - | (2,570,694) | - | (2,570,694) |
| Unallocated depreciation expense** | 5,045,930 | - | - | - | (5,045,930) | - | (5,045,930) |
| Total governmental activities | <u>214,850,098</u> | <u>3,453,872</u> | <u>146,455,864</u> | <u>888,346</u> | <u>(64,052,016)</u> | <u>-</u> | <u>(64,052,016)</u> |
| Business-type activities: | | | | | | | |
| School food service | 12,206,698 | 2,502,947 | 9,333,046 | 26,782 | - | (343,923) | (343,923) |
| Child care | 1,140,159 | 1,295,268 | - | - | - | 155,109 | 155,109 |
| Total business-type activities | <u>13,346,857</u> | <u>3,798,215</u> | <u>9,333,046</u> | <u>26,782</u> | <u>-</u> | <u>(188,814)</u> | <u>(188,814)</u> |
| Total primary government | <u>\$ 228,196,955</u> | <u>\$ 7,252,087</u> | <u>\$ 155,788,910</u> | <u>\$ 915,128</u> | <u>(64,052,016)</u> | <u>(188,814)</u> | <u>(64,240,830)</u> |
| | | | General revenues: | | | | |
| | | | Unrestricted county appropriations - operating | | 40,681,907 | - | 40,681,907 |
| | | | Unrestricted county appropriations - capital | | 1,046,636 | - | 1,046,636 |
| | | | Unrestricted State appropriations - operating | | 4,027,091 | - | 4,027,091 |
| | | | Unrestricted State appropriations - capital | | 1,118,648 | - | 1,118,648 |
| | | | Investment earnings, unrestricted | | 99,033 | 21,483 | 120,516 |
| | | | Miscellaneous, unrestricted | | 3,980,179 | (5,246) | 3,974,933 |
| | | | Transfers | | (58,982) | 58,982 | - |
| | | | Total general revenues and transfers | | <u>50,894,512</u> | <u>75,219</u> | <u>50,969,731</u> |
| | | | Change in net position | | <u>(13,157,504)</u> | <u>(113,595)</u> | <u>(13,271,099)</u> |
| | | | Net position - beginning | | 53,392,144 | 5,830,657 | 59,222,801 |
| | | | Restatement | | (319,388,613) | (9,202,861) | (328,591,474) |
| | | | Net position - beginning, as restated | | <u>(265,996,469)</u> | <u>(3,372,204)</u> | <u>(269,368,673)</u> |
| | | | Net position - ending | | <u>\$ (279,153,973)</u> | <u>\$ (3,485,799)</u> | <u>\$ (282,639,772)</u> |

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 3

| | Major Funds | | | | Non-major Fund | | Total Governmental Funds |
|--|---------------------|------------------------|-------------------|--------------------------|---------------------|-----------------------|--------------------------------|
| | General | State Public School | Federal Grants | Other Special Revenue | Capital Outlay | Individual Schools | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 5,213,663 | \$ - | \$ - | 3,023,328 | \$ 1,763,424 | \$ 1,490,902 | \$ 11,491,317 |
| Due from other governments | 61,216 | 5,339,363 | 378,257 | 199,670 | 21,129 | - | 5,999,635 |
| Accounts receivable | 45,736 | - | - | 494,158 | 11,106 | - | 551,000 |
| Prepaid expenditures | 87,798 | - | - | - | - | - | 87,798 |
| Total assets | <u>\$ 5,408,413</u> | <u>\$ 5,339,363</u> | <u>\$ 378,257</u> | <u>\$ 3,717,156</u> | <u>\$ 1,795,659</u> | <u>\$ 1,490,902</u> | <u>\$ 18,129,750</u> |
| Liabilities and fund balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,066,263 | \$ - | \$ - | \$ 222,269 | \$ 169,727 | \$ - | \$ 1,458,259 |
| Accrued salaries and wages payable | 569,869 | 5,339,363 | 378,257 | 137,011 | - | - | 6,424,500 |
| Total liabilities | <u>1,636,132</u> | <u>5,339,363</u> | <u>378,257</u> | <u>359,280</u> | <u>169,727</u> | <u>-</u> | <u>7,882,759</u> |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid expenditures | 87,798 | - | - | - | - | - | 87,798 |
| Restricted: | | | | | | | |
| Stabilization by State statute | 106,952 | - | - | 693,828 | 32,235 | - | 833,015 |
| School capital outlay | - | - | - | - | 1,593,697 | - | 1,593,697 |
| Instructional services | - | - | - | 666,224 | - | - | 666,224 |
| Individual schools | - | - | - | - | - | 1,490,902 | 1,490,902 |
| Assigned: | | | | | | | |
| Subsequent year's expenditures | - | - | - | - | - | - | - |
| Special revenues | - | - | - | 1,997,824 | - | - | 1,997,824 |
| Unassigned | <u>3,577,531</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,577,531</u> |
| Total fund balances | <u>3,772,281</u> | <u>-</u> | <u>-</u> | <u>3,357,876</u> | <u>1,625,932</u> | <u>1,490,902</u> | <u>10,246,991</u> |
| Total liabilities and fund balances | <u>\$ 5,408,413</u> | <u>\$ 5,339,363</u> | <u>\$ 378,257</u> | <u>\$ 3,717,156</u> | <u>\$ 1,795,659</u> | <u>\$ 1,490,902</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. | 84,845,038 |
| Net OPEB asset | 449,316 |
| Deferred outflows of resources related to pensions | 33,235,114 |
| Deferred outflows of resources related to OPEB | 11,511,789 |
| 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 | (11,861,587) |
| Net pension liability | (65,651,825) |
| Net OPEB liability | (250,682,148) |
| Deferred inflows of resources related to OPEB | (87,109,766) |
| Deferred inflows of resources related to pensions | (4,136,895) |
| Net position of governmental activities | <u>\$ (279,153,973)</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit 4

| | Major Funds | | | | Non-major Fund | Total Governmental Funds | |
|---|-------------------|---------------------|-------------------|-----------------------|------------------|--------------------------|--------------------|
| | General | State Public School | Federal Grants | Other Special Revenue | Capital Outlay | | Individual Schools |
| Revenues: | | | | | | | |
| State of North Carolina | \$ - | \$ 134,143,105 | \$ - | \$ 80,512 | \$ 2,006,994 | \$ - | \$ 136,230,611 |
| Alamance County | 40,681,907 | - | - | - | 1,046,636 | - | 41,728,543 |
| U.S. Government | - | - | 12,672,669 | 166,465 | - | - | 12,839,134 |
| Other | 926,446 | - | - | 6,014,368 | 938,306 | 3,338,314 | 11,217,434 |
| Total revenues | 41,608,353 | 134,143,105 | 12,672,669 | 6,261,345 | 3,991,936 | 3,338,314 | 202,015,722 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Instructional services: | | | | | | | |
| Regular instructional | 13,829,886 | 82,274,412 | 635,336 | 1,624,051 | - | - | 98,363,685 |
| Special populations | 1,579,425 | 21,021,169 | 4,633,329 | 781,333 | - | - | 28,015,256 |
| Alternative programs | 331,902 | 4,348,433 | 6,706,834 | 1,644,465 | - | - | 13,031,634 |
| School leadership | 3,744,770 | 7,745,414 | - | - | - | - | 11,490,184 |
| Co-curricular | 754,609 | 2,252 | - | 6,964 | - | 3,330,170 | 4,093,995 |
| School-based support | 1,452,893 | 10,122,440 | 182,729 | 229,971 | - | - | 11,988,033 |
| System-wide support services: | | | | | | | |
| Support and development | 710,518 | 1,126,065 | 30,434 | 7,378 | - | - | 1,874,395 |
| Special population support and development | 341,712 | 51,564 | 133,603 | 219,348 | - | - | 746,227 |
| Alternative programs and services support and development | 1,200 | - | 59,476 | - | - | - | 60,676 |
| Technology support | 886,040 | 74,856 | - | - | - | - | 960,896 |
| Operational support | 12,100,704 | 5,841,811 | - | 491,911 | 710,657 | - | 19,145,083 |
| Financial and human resource services | 1,533,671 | 910,095 | - | - | - | - | 2,443,766 |
| Accountability | 72,470 | - | - | - | - | - | 72,470 |
| System-wide pupil support | 132,540 | - | - | - | - | - | 132,540 |
| Policy, leadership and public relations | 1,317,133 | 555,612 | - | 104,687 | - | - | 1,977,432 |
| Ancillary services | - | - | 26,782 | 130,764 | - | - | 157,546 |
| Non-programmed charges | 2,566,917 | - | 264,146 | 3,777 | - | - | 2,834,840 |
| Debt service: | | | | | | | |
| Principal retirement | - | - | - | - | 888,346 | - | 888,346 |
| Capital outlay | - | - | - | - | 2,225,209 | - | 2,225,209 |
| Total expenditures | 41,356,390 | 134,074,123 | 12,672,669 | 5,244,649 | 3,824,212 | 3,330,170 | 200,502,213 |
| Revenues over (under) expenditures | 251,963 | 68,982 | - | 1,016,696 | 167,724 | 8,144 | 1,513,509 |
| Other financing sources (uses): | | | | | | | |
| Transfers from other funds | - | - | - | - | - | 10,000 | 10,000 |
| Transfers to other funds | - | (68,982) | - | - | - | - | (68,982) |
| Installment purchase obligations issued | - | - | - | - | 701,237 | - | 701,237 |
| Total other financing sources (uses) | - | (68,982) | - | - | 701,237 | 10,000 | 642,255 |
| Net change in fund balance | 251,963 | - | - | 1,016,696 | 868,961 | 18,144 | 2,155,764 |
| Fund balances: | | | | | | | |
| Beginning of year | 3,520,318 | - | - | 2,341,180 | 756,971 | 1,472,758 | 8,091,227 |
| End of year | \$ 3,772,281 | \$ - | \$ - | \$ 3,357,876 | \$ 1,625,932 | \$ 1,490,902 | \$ 10,246,991 |

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, 2018

Exhibit 5

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

| | |
|--|------------------------|
| Net changes in fund balances - total governmental funds | \$ 2,155,764 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (4,093,023) |
| Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities. | 12,308,367 |
| Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities. | 7,067,604 |
| 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. | 187,109 |
| 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 | (16,925,822) |
| Net OPEB expense | (13,509,800) |
| Compensated absences | <u>(347,703)</u> |
| Total changes in net position of governmental activities | <u>\$ (13,157,504)</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION **Exhibit 6**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

| | General Fund | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Alamance County | 40,681,907 | 40,681,907 | 40,681,907 | - |
| U.S. Government | - | - | - | - |
| Other | 900,000 | 1,028,430 | 926,446 | (101,984) |
| Total revenues | <u>41,581,907</u> | <u>41,710,337</u> | <u>41,608,353</u> | <u>(101,984)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 14,482,940 | 13,907,381 | 13,829,886 | 77,495 |
| Special populations | 1,033,033 | 1,579,425 | 1,579,425 | - |
| Alternative programs | 371,918 | 333,758 | 331,902 | 1,856 |
| School leadership | 3,948,011 | 3,749,005 | 3,744,770 | 4,235 |
| Co-curricular | 782,956 | 782,957 | 754,609 | 28,348 |
| School-based support | 1,545,368 | 1,460,516 | 1,452,893 | 7,623 |
| Total instructional services | <u>22,164,226</u> | <u>21,813,042</u> | <u>21,693,485</u> | <u>119,557</u> |
| System-wide support services: | | | | |
| Support and development | 802,246 | 749,851 | 710,518 | 39,333 |
| Special population support and development | 375,337 | 379,966 | 341,712 | 38,254 |
| Alternative programs and services support and development | 1,200 | 1,200 | 1,200 | - |
| Technology support | 915,129 | 915,129 | 886,040 | 29,089 |
| Operational support | 11,805,959 | 12,100,704 | 12,100,704 | - |
| Financial and human resource services | 1,648,038 | 1,639,948 | 1,533,671 | 106,277 |
| Accountability | 51,750 | 73,313 | 72,470 | 843 |
| System-wide pupil support | 133,989 | 132,989 | 132,540 | 449 |
| Policy, leadership and public relations | 1,260,905 | 1,317,134 | 1,317,133 | 1 |
| Total system-wide support services | <u>16,994,553</u> | <u>17,310,234</u> | <u>17,095,988</u> | <u>214,246</u> |
| Ancillary services: | | | | |
| Community | - | - | - | - |
| Nutrition | - | - | - | - |
| Total ancillary services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Nonprogrammed charges | 2,423,128 | 2,587,061 | 2,566,917 | 20,144 |
| Total expenditures | <u>41,581,907</u> | <u>41,710,337</u> | <u>41,356,390</u> | <u>353,947</u> |
| Revenues over (under) expenditures | - | - | 251,963 | 251,963 |
| Other financing uses: | | | | |
| Transfers to other funds | - | - | - | - |
| Fund balance appropriated | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 251,963 | <u>\$ 251,963</u> |
| Fund balances: | | | | |
| Beginning of year | | | 3,520,318 | |
| End of year | | | <u>\$ 3,772,281</u> | |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit 6 (continued)

| | State Public School Fund | | | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------|--------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ 133,182,963 | \$ 135,806,437 | \$ 134,143,105 | \$ (1,663,332) |
| Alamance County | - | - | - | - |
| U.S. Government | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | <u>133,182,963</u> | <u>135,806,437</u> | <u>134,143,105</u> | <u>(1,663,332)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 82,546,520 | 82,720,013 | 82,274,412 | 445,601 |
| Special populations | 20,275,969 | 21,120,819 | 21,021,169 | 99,650 |
| Alternative programs | 4,025,153 | 4,627,561 | 4,348,433 | 279,128 |
| School leadership | 7,672,405 | 7,811,602 | 7,745,414 | 66,188 |
| Co-curricular | 2,195 | 2,253 | 2,252 | 1 |
| School-based support | 10,236,619 | 10,711,052 | 10,122,440 | 588,612 |
| Total instructional services | <u>124,758,861</u> | <u>126,993,300</u> | <u>125,514,120</u> | <u>1,479,180</u> |
| System-wide support services: | | | | |
| Support and development | 1,156,486 | 1,147,222 | 1,126,065 | 21,157 |
| Special population support and development | 16,600 | 53,520 | 51,564 | 1,956 |
| Alternative programs and services support and development | - | - | - | - |
| Technology support | 35,000 | 93,823 | 74,856 | 18,967 |
| Operational support | 5,584,804 | 5,895,660 | 5,841,811 | 53,849 |
| Financial and human resource services | 982,493 | 974,389 | 910,095 | 64,294 |
| Accountability | - | - | - | - |
| System-wide pupil support | - | - | - | - |
| Policy, leadership and public relations | 535,810 | 555,613 | 555,612 | 1 |
| Total system-wide support services | <u>8,311,193</u> | <u>8,720,227</u> | <u>8,560,003</u> | <u>160,224</u> |
| Ancillary services: | | | | |
| Community | - | - | - | - |
| Nutrition | - | - | - | - |
| Total ancillary services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Nonprogrammed charges | - | - | - | - |
| Total expenditures | <u>133,070,054</u> | <u>135,713,527</u> | <u>134,074,123</u> | <u>1,639,404</u> |
| Revenues over (under) expenditures | 112,909 | 92,910 | 68,982 | (23,928) |
| Other financing uses: | | | | |
| Transfers to other funds | (112,909) | (92,910) | (68,982) | 23,928 |
| 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 ANNUALY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

| | Federal Grants Fund | | | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|-------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Alamance County | - | - | - | - |
| U.S. Government | 15,505,681 | 16,655,447 | 12,672,669 | (3,982,778) |
| Other | - | - | - | - |
| Total revenues | <u>15,505,681</u> | <u>16,655,447</u> | <u>12,672,669</u> | <u>(3,982,778)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 725,465 | 798,247 | 635,336 | 162,911 |
| Special populations | 5,217,457 | 5,876,336 | 4,633,329 | 1,243,007 |
| Alternative programs | 8,008,538 | 8,079,394 | 6,706,834 | 1,372,560 |
| School leadership | - | - | - | - |
| Co-curricular | - | - | - | - |
| School-based support | <u>277,894</u> | <u>272,782</u> | <u>182,729</u> | <u>90,053</u> |
| Total instructional services | <u>14,229,354</u> | <u>15,026,759</u> | <u>12,158,228</u> | <u>2,868,531</u> |
| System-wide support services: | | | | |
| Support and development | 171,740 | 170,574 | 30,434 | 140,140 |
| Special population support and development | 75,172 | 194,249 | 133,603 | 60,646 |
| Alternative programs and services support and development | 59,476 | 59,476 | 59,476 | - |
| 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>306,388</u> | <u>424,299</u> | <u>223,513</u> | <u>200,786</u> |
| Ancillary services: | | | | |
| Community | - | - | - | - |
| Nutrition | <u>26,782</u> | <u>26,782</u> | <u>26,782</u> | <u>-</u> |
| Total ancillary services | <u>26,782</u> | <u>26,782</u> | <u>26,782</u> | <u>-</u> |
| Nonprogrammed charges | <u>943,157</u> | <u>1,177,607</u> | <u>264,146</u> | <u>913,461</u> |
| Total expenditures | <u>15,505,681</u> | <u>16,655,447</u> | <u>12,672,669</u> | <u>3,982,778</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, 2018

| | Other Special Revenue Fund | | | Variance with Final Budget Positive (Negative) |
|--|----------------------------|------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ 87,749 | \$ 80,102 | \$ 80,512 | \$ 410 |
| Alamance County | - | - | - | - |
| U.S. Government | 247,736 | 271,082 | 166,465 | (104,617) |
| Other | <u>5,564,169</u> | <u>6,796,912</u> | <u>6,014,368</u> | <u>(782,544)</u> |
| Total revenues | <u>5,899,654</u> | <u>7,148,096</u> | <u>6,261,345</u> | <u>(886,751)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 3,612,525 | 4,037,412 | 1,624,051 | 2,413,361 |
| Special populations | 1,210,361 | 1,238,786 | 781,333 | 457,453 |
| Alternative programs | 1,591,634 | 1,704,594 | 1,644,465 | 60,129 |
| School leadership | - | - | - | - |
| Co-curricular | 5,661 | 7,729 | 6,964 | 765 |
| School-based support | <u>250,672</u> | <u>233,858</u> | <u>229,971</u> | <u>3,887</u> |
| Total instructional services | <u>6,670,853</u> | <u>7,222,379</u> | <u>4,286,784</u> | <u>2,935,595</u> |
| System-wide support services: | | | | |
| Support and development | 7,396 | 7,394 | 7,378 | 16 |
| Special population support and development | 120,200 | 222,668 | 219,348 | 3,320 |
| Alternative programs and services support and development | - | - | - | - |
| Technology support | 9,000 | 9,000 | - | 9,000 |
| Operational support | 70,000 | 530,537 | 491,911 | 38,626 |
| Financial and human resource services | 20,000 | 10,000 | - | 10,000 |
| Accountability | - | - | - | - |
| System-wide pupil support | - | - | - | - |
| Policy, leadership and public relations | <u>108,141</u> | <u>108,141</u> | <u>104,687</u> | <u>3,454</u> |
| Total system-wide support services | <u>334,737</u> | <u>887,740</u> | <u>823,324</u> | <u>64,416</u> |
| Ancillary services: | | | | |
| Community | - | - | - | - |
| Nutrition | - | 133,765 | 130,764 | 3,001 |
| Total ancillary services | <u>-</u> | <u>133,765</u> | <u>130,764</u> | <u>3,001</u> |
| Nonprogrammed charges | <u>29,860</u> | <u>29,860</u> | <u>3,777</u> | <u>26,083</u> |
| Total expenditures | <u>7,035,450</u> | <u>8,273,744</u> | <u>5,244,649</u> | <u>3,029,095</u> |
| Revenues over (under) expenditures | (1,135,796) | (1,125,648) | 1,016,696 | 2,142,344 |
| Other financing uses: | | | | |
| Transfers to other funds | - | - | - | - |
| Fund balance appropriated | <u>1,135,796</u> | <u>1,125,648</u> | - | <u>1,125,648</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 1,016,696 | <u>\$ 1,016,696</u> |
| Fund balances: | | | | |
| Beginning of year | | | <u>2,341,180</u> | |
| End of year | | | <u>\$ 3,357,876</u> | |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2018

Exhibit 7

| | Enterprise | | Totals |
|--|------------------------|-------------------|-----------------------|
| | Major Fund | Non-major Fund | |
| | School Food Service | Child Care | |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 4,336,714 | \$ 858,018 | \$ 5,194,732 |
| Due from other governments | 340,789 | - | 340,789 |
| Receivables | 61,514 | - | 61,514 |
| OPEB asset | 11,977 | 970 | 12,947 |
| Inventories | 186,331 | - | 186,331 |
| Total current assets | <u>4,937,325</u> | <u>858,988</u> | <u>5,796,313</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Furniture and equipment, net | 1,474,949 | 57,570 | 1,532,519 |
| Total assets | <u>6,412,274</u> | <u>916,558</u> | <u>7,328,832</u> |
| Deferred Outflows of Resources | <u>1,192,705</u> | <u>96,631</u> | <u>1,289,336</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 13,993 | 1,695 | 15,688 |
| Accrued salaries and wages payable | 44,715 | 1,914 | 46,629 |
| Compensated absences | 115,945 | 9,195 | 125,140 |
| Unearned revenue | 91,018 | - | 91,018 |
| Total current liabilities | <u>265,671</u> | <u>12,804</u> | <u>278,475</u> |
| Noncurrent liabilities: | | | |
| Net pension liability | 1,749,917 | 141,774 | 1,891,691 |
| Net OPEB liability | 6,681,811 | 541,343 | 7,223,154 |
| Compensated absences | 75,480 | 5,986 | 81,466 |
| Total liabilities | <u>8,772,879</u> | <u>701,907</u> | <u>9,474,786</u> |
| Deferred Inflows of Resources | <u>2,432,136</u> | <u>197,045</u> | <u>2,629,181</u> |
| Net position | | | |
| Net investment in capital assets | 1,474,949 | 57,570 | 1,532,519 |
| DIPNC OPEB plan | 11,977 | 970 | 12,947 |
| Unrestricted | <u>(5,086,962)</u> | <u>55,697</u> | <u>(5,031,265)</u> |
| Total net position | <u>\$ (3,600,036)</u> | <u>\$ 114,237</u> | <u>\$ (3,498,746)</u> |

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

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, 2018

Exhibit 8

| | Enterprise | | Totals |
|--|--------------------------------------|---------------------------------|-----------------------|
| | Major Fund School Food Service | Non-major Fund Child Care | |
| Operating revenues: | | | |
| Food sales | \$ 2,502,947 | \$ - | \$ 2,502,947 |
| Child care fees | - | 1,295,268 | 1,295,268 |
| Total operating revenues | <u>2,502,947</u> | <u>1,295,268</u> | <u>3,798,215</u> |
| Operating expenses: | | | |
| Food cost: | | | |
| Purchase of food | 4,279,433 | 43,317 | 4,322,750 |
| Donated commodities | 756,738 | - | 756,738 |
| Salaries and benefits | 5,574,302 | 786,506 | 6,360,808 |
| Indirect costs | 380,515 | 29,253 | 409,768 |
| Materials and supplies | 443,710 | 191,752 | 635,462 |
| Repairs and maintenance | 155,853 | 52 | 155,905 |
| Depreciation | 403,449 | 8,717 | 412,166 |
| Non-capitalized equipment | 139,598 | 36,319 | 175,917 |
| Contracted services | - | 371 | 371 |
| Other | 73,100 | 43,872 | 116,972 |
| Total operating expenses | <u>12,206,698</u> | <u>1,140,159</u> | <u>13,346,857</u> |
| Operating income (loss) | <u>(9,703,751)</u> | <u>155,109</u> | <u>(9,548,642)</u> |
| Nonoperating revenues: | | | |
| Federal reimbursements | 8,563,498 | - | 8,563,498 |
| Federal commodities | 756,738 | - | 756,738 |
| State reimbursements | 12,810 | - | 12,810 |
| Loss on disposition of capital assets | (5,246) | - | (5,246) |
| Interest earned | 20,000 | 1,483 | 21,483 |
| Total nonoperating revenues | <u>9,347,800</u> | <u>1,483</u> | <u>9,349,283</u> |
| Income (loss) before transfers and contributed capital | (355,951) | 156,592 | (199,359) |
| Transfers to other funds | - | (10,000) | (10,000) |
| Transfers from other funds | 68,982 | - | 68,982 |
| Capital contributions | 26,782 | - | 26,782 |
| Change in net position | (260,187) | 146,592 | (113,595) |
| Net position, beginning, as restated | <u>(3,339,849)</u> | <u>(32,355)</u> | <u>(3,372,204)</u> |
| Net position, end of year | <u>\$ (3,600,036)</u> | <u>\$ 114,237</u> | <u>\$ (3,485,799)</u> |

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2018**

Exhibit 9

| | Enterprise | | Totals |
|---|--------------------------------------|---------------------------------|-----------------------|
| | Major Fund School Food Service | Non-major Fund Child Care | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 2,446,424 | \$ 1,295,268 | \$ 3,741,692 |
| Cash paid for goods and services | (5,427,660) | (350,836) | (5,778,496) |
| Cash paid to employees for services | (5,247,372) | (772,778) | (6,020,150) |
| Net cash provided (used) by operating activities | <u>(8,228,608)</u> | <u>171,654</u> | <u>(8,056,954)</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers to other funds | - | (10,000) | (10,000) |
| Due to/from other funds | (22,134) | - | (22,134) |
| Federal and State reimbursements | 8,620,373 | - | 8,620,373 |
| Net cash provided (used) by noncapital financing activities | <u>8,598,239</u> | <u>(10,000)</u> | <u>8,588,239</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | (24,216) | - | (24,216) |
| Cash flows from investing activities: | | | |
| Interest earned on investments | 20,000 | 1,483 | 21,483 |
| Net increase (decrease) in cash and cash equivalents | 365,415 | 163,137 | 528,552 |
| Cash and cash equivalents, beginning of year | 3,971,299 | 694,881 | 4,666,180 |
| Cash and cash equivalents, end of year | <u>\$ 4,336,714</u> | <u>\$ 858,018</u> | <u>\$ 5,194,732</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (9,703,751) | \$ 155,109 | \$ (9,548,642) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 403,449 | 8,717 | 412,166 |
| Donated commodities | 756,738 | - | 756,738 |
| Salaries paid by special revenue fund | 68,982 | - | 68,982 |
| Changes in assets, deferred outflows of resources and liabilities: | | | |
| (Increase) decrease in accounts receivable | (56,380) | - | (56,380) |
| (Increase) decrease in net OPEB asset | (11,977) | (970) | (12,947) |
| (Increase) decrease in inventories | 35,447 | - | 35,447 |
| Increase (decrease) in accounts payable and accrued liabilities | 9,102 | (5,900) | 3,202 |
| (Increase) decrease in deferred outflows | 232,377 | 19,908 | 252,285 |
| Increase (decrease) in net pension liability | (443,547) | (37,609) | (481,156) |
| Increase (decrease) in net OPEB liability | (1,831,337) | (148,370) | (1,979,707) |
| Increase (decrease) in deferred inflows | 2,310,676 | 187,112 | 2,497,788 |
| Increase (decrease) in accrued salaries and wages payable | (1,071) | (1,843) | (2,914) |
| Increase (decrease) in unavailable revenue | (143) | - | (143) |
| Increase (decrease) in compensated absences payable | 2,827 | (4,500) | (1,673) |
| Total adjustments | <u>1,475,143</u> | <u>16,545</u> | <u>1,491,688</u> |
| Net cash provided (used) by operating activities | <u>\$ (8,228,608)</u> | <u>\$ 171,654</u> | <u>\$ (8,056,954)</u> |

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$756,738 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 \$68,982 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.

School Food Service capital assets with a value of \$26,782 were purchased by the Federal Grants Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018

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, 2018

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. The Board has authorized the Superintendent to transfer appropriations within a fund under the following conditions:

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

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

(2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at 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-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

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 outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. 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 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 and OPEB 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, 2018 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.

ALAMANCE-BURLINGTON BOARD OF EDUCATION
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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.

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.

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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.

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 \$(289,400,964) 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) | \$ 229,249,114 |
| Less Accumulated Depreciation | <u>(144,404,076)</u> |
| Net capital assets | 84,845,038 |
| | |
| Net OPEB asset | 449,316 |
| | |
| Pension related deferred outflows of resources | 33,235,114 |
| OPEB related deferred outflows of resources | 11,511,789 |
| | |
| 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 | (65,651,825) |
| Net OPEB liability | (250,682,148) |
| Installment purchases | (1,392,937) |
| Compensated absences | (10,468,650) |
| Deferred inflows of resources related to pensions | (4,136,895) |
| Deferred inflows of resources related to OPEB | <u>(87,109,766)</u> |
| Total adjustment | <u>\$ (289,400,964)</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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 \$(15,313,268) as follows:

| Description | Amount |
|--|------------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities. | \$ 1,191,795 |
| 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. | (5,284,818) |
| Contributions to the pension plan in the current fiscal year are not included on the statement of activities | 12,308,367 |
| Contributions to the pension plan in the current fiscal year are not included on the statement of activities | 7,067,604 |
| 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 | (701,237) |
| 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. | 888,346 |
| 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 | (16,925,822) |
| Net OPEB expense | (13,509,800) |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources. | <u>(347,703)</u> |
| Total adjustment | <u>\$ (15,313,268)</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, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$12,248,251 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$12,567,274 and \$585,198, respectively. Of these balances, \$1,749,108 was covered by federal depository insurance and \$11,403,364 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2018, the Board had \$8,121 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 \$4,429,677 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2018. 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, 2018 are as follows:

| | Due from other Governments | Other | Total |
|--------------------------------|----------------------------------|-------------------|---------------------|
| Governmental activities: | | | |
| General Fund | \$ 61,216 | \$ 45,736 | \$ 106,952 |
| Other governmental funds | <u>5,938,419</u> | <u>505,264</u> | <u>6,443,683</u> |
| Total governmental activities | <u>\$ 5,999,635</u> | <u>\$ 551,000</u> | <u>\$ 6,550,635</u> |
| Business-type activities: | | | |
| School Food Service Fund | \$ 340,789 | \$ 61,514 | \$ 402,303 |
| Child Care Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>\$ 340,789</u> | <u>\$ 61,514</u> | <u>\$ 402,303</u> |

Due from other governments consists of the following:

| | | |
|----------------------------|---------------------|-------------------------------|
| Governmental activities: | | |
| General Fund | \$ 61,216 | Amounts due from County |
| State Public School Fund | 5,339,363 | Operating funds from DPI |
| Federal Grants Fund | 378,257 | Federal grant funds |
| Capital Outlay Fund | 21,129 | Amounts due from County |
| Other Special Revenue Fund | <u>199,670</u> | State and federal grant funds |
| Total | <u>\$ 5,999,635</u> | |
| Business-type activities: | | |
| School Food Service Fund | <u>\$ 340,789</u> | Federal grant funds |

All of the accounts receivable balances as of June 30, 2018 are expected to be collected within the following year.

ALAMANCE-BURLINGTON BOARD OF EDUCATION
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4. Capital Assets

Capital asset activity for the year ended June 30, 2018 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 | - | 320,159 | - | 320,159 |
| Total capital assets not being depreciated | <u>5,281,330</u> | <u>320,159</u> | <u>-</u> | <u>5,601,489</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 135,007,335 | - | - | 135,007,335 |
| Improvements to land and buildings | 61,319,661 | 131,872 | - | 61,451,533 |
| Equipment and furniture | 8,678,843 | - | - | 8,678,843 |
| Vehicles | 17,770,150 | 739,764 | - | 18,509,914 |
| Total capital assets being depreciated | <u>222,775,989</u> | <u>871,636</u> | <u>-</u> | <u>223,647,625</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 82,412,448 | 2,630,362 | - | 85,042,810 |
| Improvements to land and buildings | 35,655,621 | 1,594,304 | - | 37,249,925 |
| Equipment and furniture | 7,350,310 | 238,888 | - | 7,589,198 |
| Vehicles | 13,700,879 | 821,264 | - | 14,522,143 |
| Total accumulated depreciation | <u>139,119,258</u> | <u>5,284,818</u> | <u>-</u> | <u>144,404,076</u> |
| Total capital assets being depreciated, net | <u>83,656,731</u> | | | <u>79,243,549</u> |
| Governmental activity capital assets, net | <u>\$ 88,938,061</u> | | | <u>\$ 84,845,038</u> |
| | | | | |
| | Beginning Balances | Increases | Decreases | Ending Balances |
| Business-type activities: | | | | |
| School Food Service Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment and furniture | \$ 8,673,759 | \$ 50,998 | \$ 54,597 | \$ 8,670,160 |
| Less accumulated depreciation for: | | | | |
| Equipment and furniture | 6,841,113 | 403,449 | 49,351 | 7,195,211 |
| School Food Service capital assets, net | <u>1,832,646</u> | | | <u>1,474,949</u> |
| Child Care Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment and furniture | 108,265 | - | - | 108,265 |
| Less accumulated depreciation for: | | | | |
| Equipment and furniture | 41,978 | 8,717 | - | 50,695 |
| Child Care Fund capital assets, net | <u>66,287</u> | | | <u>57,570</u> |
| Business-type activities capital assets, net | <u>\$ 1,898,933</u> | | | <u>\$ 1,532,519</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
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Depreciation was charged to governmental functions as follows:

| | |
|------------------------------|---------------------|
| System-wide support services | \$ 238,888 |
| Unallocated depreciation | <u>5,045,930</u> |
| Total | <u>\$ 5,284,818</u> |

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.

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, 2018, was 10.78% 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 \$12,663,019 for the year ended June 30, 2018.

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, 2018, the Board reported a liability of \$67,543,516 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017 and at June 30, 2016, the Board's proportion was .85% and .88%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$17,371,111. At June 30, 2018, 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 |
|---|-----------------------------------|----------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ 1,464,218 | \$ 2,209,701 |
| Changes of assumptions | 10,670,857 | - |
| Net difference between projected and actual earnings on pension plan investments | 9,140,929 | - |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 253,727 | 2,046,395 |
| Board contributions subsequent to the measurement date | <u>12,663,019</u> | <u>-</u> |
| Total | <u>\$ 34,192,750</u> | <u>\$ 4,256,096</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
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\$12,663,019 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|----------------------|
| 2019 | \$ 2,962,225 |
| 2020 | 12,348,669 |
| 2021 | 5,621,040 |
| 2022 | (3,658,299) |
| 2023 | -- |
| Thereafter | -- |
| Total | <u>\$ 17,273,635</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2016 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 | 7.20%, 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, 2016 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, 2017 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 2017 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 7.20%. 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | <u>1% Decrease (6.20%)</u> | <u>Discounted Rate (7.20%)</u> | <u>1% Increase (8.20%)</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Board's proportionate share of the net pension liability (asset) | \$ 139,032,515 | \$ 67,543,516 | \$ 7,644,847 |

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 Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is

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established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

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

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

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

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

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled

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employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$7,106,796.

At June 30, 2018, Board reported a liability of \$257,905,302 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Boards proportion was 0.79% and 0.77%, respectively. \$7,106,796 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

| | |
|------------|------------------------|
| 2019 | \$ (17,058,774) |
| 2020 | (17,058,774) |
| 2021 | (17,058,774) |
| 2022 | (17,058,774) |
| 2023 | (17,034,811) |
| Thereafter | -- |
| Total | <u>\$ (85,269,907)</u> |

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

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | 3.5% to 8.10%, including a 3.5% inflation and productivity factor |
| Investment rate of return | 7.20%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rate – medical | 5.00% - 6.50% |
| Healthcare cost trend rate – prescription drug | 5.00% - 7.25% |
| Healthcare cost trend rate – Medicare advantage | 4.00% - 5.00% |
| Healthcare cost trend rate – administrative | 3.00% |

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate

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that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

| | <u>1% Decrease (2.58%)</u> | <u>Discounted Rate (3.58%)</u> | <u>1% Increase (4.58%)</u> |
|--------------------|--------------------------------|------------------------------------|--------------------------------|
| Net OPEB liability | \$ 307,667,218 | \$ 257,905,302 | \$ 218,438,553 |

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

| | <u>1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)</u> | <u>Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)</u> | <u>1% Increase (Medical- 6.00-7.50%, Pharmacy- 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)</u> |
|--------------------|---|--|---|
| Net OPEB liability | \$ 210,685,569 | \$ 257,905,302 | \$ 320,668,328 |

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

Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of

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the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$164,455 for the year ended June 30, 2018.

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

At June 30, 2018, Board reported an OPEB asset of \$462,263 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Boards proportion was .76% and .79%, respectively.

\$164,455 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

| | | | |
|------------|-------|----|-------------------|
| 2019 | | \$ | 65,703 |
| 2020 | | | 65,703 |
| 2021 | | | 65,680 |
| 2022 | | | 25,313 |
| 2023 | | | -- |
| Thereafter | | | -- |
| | Total | | <u>\$ 222,399</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Salary increases | 3.5% to 8.10%, including a 3.5% inflation and productivity factor |
| Investment rate of return | 3.75%, net of OPEB plan investment expense, including inflation |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
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Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

| | <u>1% Decrease (2.75%)</u> | <u>Discounted Rate (3.75%)</u> | <u>1% Increase (4.75%)</u> |
|----------------|--------------------------------|------------------------------------|--------------------------------|
| Net OPEB asset | \$ 392,991 | \$ 462,263 | \$ 531,593 |

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and pension expense:

| | <u>RHBF</u> | <u>DIPNC</u> | <u>Total</u> |
|--|---------------|--------------|---------------|
| OPEB expense | \$ 13,655,363 | \$ 243,710 | \$ 13,899,073 |
| OPEB liability (asset) | 257,905,302 | (462,263) | 257,443,039 |
| Proportionate share of the net OPEB liability (asset) | 0.787% | 0.756% | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | - | 126,744 | 126,744 |
| Changes of assumptions | - | - | - |
| Net difference between projected and actual earnings on plan investments | - | 101,324 | 101,324 |
| Changes in proportion and deferrals between Board contributions and proportionate share of contributions | 4,344,170 | - | 4,344,170 |
| Board contributions subsequent to the measurement date | 7,106,796 | 164,455 | 7,271,251 |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | 18,492,285 | - | 18,492,285 |
| Changes of assumptions | 71,025,943 | - | 71,025,943 |
| Changes in proportion and deferrals between Board contributions and proportionate share of contributions | - | 5,669 | 5,669 |
| Net difference between projected and actual earnings on plan investments | 95,849 | - | 95,849 |

2. Accounts Payable

Accounts payable as of June 30, 2018 are as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Total</u> |
|---------------------------------------|---------------------|------------------------------|---------------------|
| Governmental activities: | | | |
| General Fund | \$ 1,066,263 | \$ 569,869 | \$ 1,636,132 |
| Other governmental activities | 391,996 | 5,854,631 | 6,246,627 |
| Total governmental activities | \$ 1,458,259 | \$ 6,424,500 | \$ 7,882,759 |
| Business-type activities: | | | |
| School Food Service Fund | \$ 13,993 | \$ 44,715 | \$ 58,708 |
| Child Care Fund | 1,695 | 1,914 | 3,609 |
| Total business-type activities | \$ 15,688 | \$ 46,629 | \$ 62,317 |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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>\$ 91,018</u> |
|---|------------------|

4. Deferred Inflows of resources

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Change in proportion and difference between employer contributions and proportionate share of contributions | \$ 4,597,897 | \$ 2,052,064 |
| Changes of assumptions | 10,670,857 | 71,025,943 |
| Board contributions subsequent to the measurement date | 19,934,270 | - |
| Difference between projected and actual earnings on plan investments | 9,242,253 | 95,849 |
| Difference between expected and actual experience | 1,590,962 | 20,701,986 |
| Totals | \$ 46,036,239 | \$ 93,875,842 |

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.

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 \$932,645, \$1,267,695 and \$701,237. The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> <u>Principal</u> |
|-----------------------------|--|
| 2019 | \$ 233,162 |
| 2020 | 633,647 |
| 2021 | <u>525,928</u> |
| Total | <u>\$ 1,392,937</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, 2018:

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

| | <u>July 1, 2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2018</u> | <u>Current Portion</u> |
|--------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Installment purchases | \$ 1,580,046 | \$ 701,237 | \$ 888,346 | \$ 1,392,937 | \$ 550,086 |
| Net pension liability | 78,722,394 | - | 13,070,569 | 65,651,825 | - |
| Net OPEB liability | 326,290,572 | - | 75,608,424 | 250,682,148 | - |
| Compensated absences | <u>10,120,947</u> | <u>9,776,536</u> | <u>9,428,833</u> | <u>10,468,650</u> | <u>4,960,786</u> |
| Total governmental activities | <u>\$ 416,713,959</u> | <u>\$ 10,477,773</u> | <u>\$ 98,996,172</u> | <u>\$ 328,195,560</u> | <u>\$ 5,510,872</u> |
| Business-type activities: | | | | | |
| Net pension liability | \$ 2,372,847 | \$ - | \$ 481,156 | \$ 1,891,691 | \$ - |
| Net OPEB liability | 9,401,735 | - | 2,178,581 | 7,223,154 | - |
| Compensated absences | <u>208,279</u> | <u>315,697</u> | <u>317,370</u> | <u>206,606</u> | <u>125,140</u> |
| Total business-type activities | <u>\$ 11,982,861</u> | <u>\$ 315,697</u> | <u>\$ 2,977,107</u> | <u>\$ 9,321,451</u> | <u>\$ 125,140</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, 2018 consist of the following:

| | |
|---|------------------|
| From the State Public School Fund to the School Food Service Fund to pay salaries | <u>\$ 68,982</u> |
| From the Child Care Fund to the Individual Schools Fund for co-curricular costs | <u>\$ 10,000</u> |

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 | \$ 3,772,281 |
| Less: | |
| Prepaid expenditures | (87,798) |
| Stabilization by State statute | <u>(106,952)</u> |
| Remaining fund balance | <u>\$ 3,577,531</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2018 in the Other Special Revenue Fund consists of the following:

| | | |
|----------------------------------|----|------------------|
| Medicaid reimbursement program | \$ | 1,525,645 |
| Other reimbursements and refunds | | 1,506,462 |
| Indirect costs allocated | | 703,252 |
| Interest income | | 13,720 |
| Activity bus revenue | | 284,187 |
| Private grants and programs | | 1,576,065 |
| Rental of school property | | 115,558 |
| Tuition and fees | | 32,961 |
| Other | | <u>256,518</u> |
| Total other revenues | \$ | <u>6,014,368</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.

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$319,388,613 and \$9,202,861, respectively.

**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 Five Fiscal Years***

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Board's proportion of the net pension liability (asset) | 0.851% | 0.882% | 0.858% | 0.842% | 0.861% |
| Board's proportionate share of the net pension liability (asset) | \$ 67,543,516 | \$ 81,095,241 | \$ 31,609,417 | \$ 9,868,150 | \$ 52,259,332 |
| Board's covered-employee payroll | \$ 114,561,390 | \$ 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 | 58.96% | 73.22% | 28.55% | 9.30% | 48.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 89.51% | 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 Five Fiscal Years**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| Contractually required contribution | \$ 12,663,019 | \$ 11,433,227 | \$ 10,134,560 | \$ 10,131,975 | \$ 9,222,949 |
| Contributions in relation to the contractually required contribution | <u>12,663,019</u> | <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> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 117,467,706 | \$ 114,561,390 | \$ 110,760,219 | \$ 110,731,966 | \$ 106,132,900 |
| Contributions as a percentage of covered-employee payroll | 10.78% | 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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
Last Two Fiscal Years***

| | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|
| Board's proportion of the net OPEB liability (asset) | 0.787% | 0.773% |
| Board's proportionate share of the net OPEB liability (asset) | \$ 257,905,302 | \$ 336,184,984 |
| Board's covered-employee payroll | \$ 114,561,390 | \$ 110,760,219 |
| Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 225.12% | 303.53% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 3.52% | 2.41% |

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

This schedule is required supplementary information.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 7,106,796 | \$ 6,656,017 | \$ 6,202,572 | \$ 6,079,185 | \$ 5,731,177 |
| Contributions in relation to the contractually required contribution | <u>7,106,796</u> | <u>6,656,017</u> | <u>6,202,572</u> | <u>6,079,185</u> | <u>5,731,177</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 117,467,706 | \$ 114,561,390 | \$ 110,760,219 | \$ 110,731,966 | \$ 106,132,900 |
| Contributions as a percentage of covered-employee payroll | 6.05% | 5.81% | 5.60% | 5.49% | 5.40% |

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 5,707,237 | \$ 5,262,406 | \$ 5,225,840 | \$ 4,855,326 | \$ 4,634,590 |
| Contributions in relation to the contractually required contribution | <u>5,707,237</u> | <u>5,262,406</u> | <u>5,225,840</u> | <u>4,855,326</u> | <u>4,634,590</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 107,683,717 | \$ 105,248,120 | \$ 106,649,796 | \$ 107,896,133 | \$ 113,038,780 |
| Contributions as a percentage of covered-employee payroll | 5.30% | 5.00% | 4.90% | 4.50% | 4.10% |

This schedule is required supplementary information.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Two Fiscal Years***

| | <u>2018</u> | <u>2017</u> |
|--|----------------|----------------|
| Board's proportion of the net OPEB asset | 0.756% | 0.793% |
| Board's proportionate share of the net OPEB asset | \$ 462,263 | \$ 492,677 |
| Board's covered-employee payroll | \$ 114,561,390 | \$ 110,760,219 |
| Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll | 0.40% | 0.44% |
| Plan fiduciary net position as a percentage of the total OPEB asset | 116.23% | 116.06% |

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

This schedule is required supplementary information.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 164,455 | \$ 435,333 | \$ 454,117 | \$ 454,001 | \$ 466,072 |
| Contributions in relation to the contractually required contribution | <u>164,455</u> | <u>435,333</u> | <u>454,117</u> | <u>454,001</u> | <u>466,072</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 117,467,706 | \$ 114,561,390 | \$ 110,760,219 | \$ 110,731,966 | \$ 106,132,900 |
| Contributions as a percentage of covered-employee payroll | 0.14% | 0.38% | 0.41% | 0.41% | 0.44% |

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 473,808 | \$ 547,290 | \$ 554,579 | \$ 561,060 | \$ 587,802 |
| Contributions in relation to the contractually required contribution | <u>473,808</u> | <u>547,290</u> | <u>554,579</u> | <u>561,060</u> | <u>587,802</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 107,683,717 | \$ 105,248,120 | \$ 106,649,796 | \$ 107,896,133 | \$ 113,038,780 |
| Contributions as a percentage of covered-employee payroll | 0.44% | 0.52% | 0.52% | 0.52% | 0.52% |

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, 2018

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------------------------|
| Revenues: | | | |
| Alamance County: | | | |
| County appropriation | \$ 40,681,907 | \$ 40,681,907 | \$ - |
| Other: | | | |
| Fines and forfeitures | 900,000 | 756,120 | (143,880) |
| Interest earned | - | 41,896 | 41,896 |
| Sales and use tax refund | 128,430 | 128,430 | - |
| Total other | <u>1,028,430</u> | <u>926,446</u> | <u>(101,984)</u> |
| Total revenues | <u>41,710,337</u> | <u>41,608,353</u> | <u>(101,984)</u> |
| Expenditures: | | | |
| Current: | | | |
| Instructional services: | | | |
| Regular instructional | 13,907,381 | 13,829,886 | 77,495 |
| Special populations | 1,579,425 | 1,579,425 | - |
| Alternative programs | 333,758 | 331,902 | 1,856 |
| School leadership | 3,749,005 | 3,744,770 | 4,235 |
| Co-curricular | 782,957 | 754,609 | 28,348 |
| School-based support | 1,460,516 | 1,452,893 | 7,623 |
| Total instructional services | <u>21,813,042</u> | <u>21,693,485</u> | <u>119,557</u> |
| System-wide support services: | | | |
| Support and development | 749,851 | 710,518 | 39,333 |
| Special population support and development | 379,966 | 341,712 | 38,254 |
| Alternative programs and services support and development | 1,200 | 1,200 | - |
| Technology support | 915,129 | 886,040 | 29,089 |
| Operational support | 12,100,704 | 12,100,704 | - |
| Financial and human resource services | 1,639,948 | 1,533,671 | 106,277 |
| Accountability | 73,313 | 72,470 | 843 |
| System-wide pupil support | 132,989 | 132,540 | 449 |
| Policy, leadership and public relations | 1,317,134 | 1,317,133 | 1 |
| Total system-wide support services | <u>17,310,234</u> | <u>17,095,988</u> | <u>214,246</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, 2018

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-------------------------|---------------------|---|
| Expenditures (Continued): | | | |
| Current: | | | |
| Non-programmed charges: | | | |
| Payments to other governments | <u>2,587,061</u> | <u>2,566,917</u> | <u>20,144</u> |
| Total expenditures | <u>41,710,337</u> | <u>41,356,390</u> | <u>353,947</u> |
| Revenues over (under) expenditures | - | 251,963 | 251,963 |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | 251,963 | <u>\$ 251,963</u> |
| Fund balance: | | | |
| Beginning of year | | <u>3,520,318</u> | |
| End of year | | <u>\$ 3,772,281</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, 2018

| | Revenues and Transfers in | Expenditures | Net change in fund balance | Fund balances 6/30/2017 | Fund balances 6/30/2018 |
|--------------------------------|------------------------------|---------------------|----------------------------------|----------------------------|----------------------------|
| Alexander Wilson Elementary | \$ 91,594 | \$ 102,845 | \$ (11,251) | \$ 122,638 | \$ 111,387 |
| Altamahaw Ossipee Elementary | 119,121 | 110,437 | 8,684 | 15,998 | 24,682 |
| R. Homer Andrews Elementary | 24,234 | 23,232 | 1,002 | 19,243 | 20,245 |
| Eastlawn Elementary | 11,019 | 13,469 | (2,450) | 10,081 | 7,631 |
| Elon Elementary | 77,765 | 79,524 | (1,759) | 34,818 | 33,059 |
| Garrett Elementary | 81,391 | 79,003 | 2,388 | 47,671 | 50,059 |
| Grove Park Elementary | 33,930 | 35,074 | (1,144) | 23,000 | 21,856 |
| Haw River Elementary | 10,858 | 8,159 | 2,699 | 992 | 3,691 |
| Highland Elementary | 71,419 | 62,395 | 9,024 | 16,288 | 25,312 |
| Hillcrest Elementary | 29,563 | 38,686 | (9,123) | 30,540 | 21,417 |
| E.M. Holt Elementary | 99,938 | 118,989 | (19,051) | 95,820 | 76,769 |
| B. Everett Jordan Elementary | 35,498 | 83,055 | (47,557) | 177,721 | 130,164 |
| Newlin Elementary | 43,804 | 42,799 | 1,005 | 6,744 | 7,749 |
| North Graham Elementary | 23,852 | 22,894 | 958 | 23,628 | 24,586 |
| Pleasant Grove Elementary | 33,500 | 29,170 | 4,330 | 13,856 | 18,186 |
| Marvin B. Smith Elementary | 44,599 | 42,563 | 2,036 | 29,602 | 31,638 |
| South Graham Elementary | 35,077 | 35,125 | (48) | 5,756 | 5,708 |
| South Mebane Elementary | 78,519 | 76,484 | 2,035 | 11,258 | 13,293 |
| Sylvan Elementary | 71,171 | 49,908 | 21,263 | 20,727 | 41,990 |
| E.M. Yoder Elementary | 62,204 | 56,332 | 5,872 | 31,971 | 37,843 |
| Broadview Middle | 55,589 | 64,064 | (8,475) | 20,587 | 12,112 |
| Graham Middle | 90,499 | 98,133 | (7,634) | 36,832 | 29,198 |
| Hawfields Middle | 77,217 | 83,450 | (6,233) | 34,700 | 28,467 |
| Southern Middle | 62,885 | 56,240 | 6,645 | 34,545 | 41,190 |
| Turrentine Middle | 61,617 | 62,272 | (655) | 19,217 | 18,562 |
| Western Middle | 194,451 | 190,414 | 4,037 | 47,557 | 51,594 |
| Woodlawn Middle | 89,177 | 75,331 | 13,846 | 20,714 | 34,560 |
| Cummings High | 147,066 | 145,050 | 2,016 | 52,332 | 54,348 |
| Eastern Alamance High | 332,225 | 328,749 | 3,476 | 85,499 | 88,975 |
| Graham High | 128,361 | 114,743 | 13,618 | 16,565 | 30,183 |
| Southern Alamance High | 361,619 | 356,018 | 5,601 | 139,899 | 145,500 |
| Western Alamance High | 389,352 | 420,136 | (30,784) | 136,887 | 106,103 |
| Walter Williams High | 236,154 | 191,806 | 44,348 | 73,503 | 117,851 |
| Burlington Middle College | 10,110 | 7,602 | 2,508 | 2,367 | 4,875 |
| Ray Street Academy | 3,224 | 1,917 | 1,307 | 2,065 | 3,372 |
| Career and Technical Ed Center | 29,712 | 24,102 | 5,610 | 11,137 | 16,747 |
| Totals | <u>\$ 3,348,314</u> | <u>\$ 3,330,170</u> | <u>\$ 18,144</u> | <u>\$ 1,472,758</u> | <u>\$ 1,490,902</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, 2018

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------|---------------------|------------------------------------|
| Revenues: | | | |
| State of North Carolina: | | | |
| Public School Capital Fund - Lottery | \$ 2,919,956 | \$ 1,118,648 | \$ (1,801,308) |
| State appropriations - buses | <u>1,426,074</u> | <u>888,346</u> | <u>(537,728)</u> |
| Total State of North Carolina | <u>4,346,030</u> | <u>2,006,994</u> | <u>(2,339,036)</u> |
| Alamance County: | | | |
| Local bond revenues | | 46,636 | |
| General county appropriations | | <u>1,000,000</u> | |
| Total Alamance County | <u>1,303,263</u> | <u>1,046,636</u> | <u>(256,627)</u> |
| Other: | | | |
| Interest earned on investments | | 1,797 | |
| Insurance proceeds | | 925,281 | |
| Miscellaneous | | <u>11,228</u> | |
| Total other | <u>938,009</u> | <u>938,306</u> | <u>297</u> |
| Total revenues | <u>6,587,302</u> | <u>3,991,936</u> | <u>(2,595,366)</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | <u>1,426,074</u> | <u>888,346</u> | <u>537,728</u> |
| Current: | | | |
| System-wide support services: | | | |
| Operational support | 759,766 | 710,657 | 49,109 |
| System-wide pupil support | <u>20,000</u> | <u>-</u> | <u>20,000</u> |
| Total System-wide support services | <u>779,766</u> | <u>710,657</u> | <u>69,109</u> |
| Capital outlay: | <u>5,098,463</u> | <u>2,225,209</u> | <u>2,873,254</u> |
| Total expenditures | <u>7,304,303</u> | <u>3,824,212</u> | <u>3,480,091</u> |
| Revenues over (under) expenditures | (717,001) | 167,724 | 884,725 |
| Other financing sources: | | | |
| Installment purchase obligations issued | 717,001 | 701,237 | (15,764) |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | 868,961 | <u>\$ 868,961</u> |
| Fund balance: | | | |
| Beginning of year | | <u>756,971</u> | |
| End of year | | <u>\$ 1,625,932</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, 2018

| | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|---------------------|------------------------------------|
| Operating revenues - food sales | \$ 2,632,900 | \$ 2,502,947 | \$ (129,953) |
| Operating expenditures: | | | |
| Business support services: | | | |
| Purchase of food | - | 4,243,986 | - |
| Donated commodities | - | 756,738 | - |
| Salaries and benefits | - | 5,315,283 | - |
| Indirect costs | - | 380,515 | - |
| Materials and supplies | - | 443,710 | - |
| Repairs and maintenance | - | 155,853 | - |
| Non-capitalized equipment | - | 139,598 | - |
| Contracted services | - | - | - |
| Other | - | 73,100 | - |
| Capital outlay | - | 24,216 | - |
| Total operating expenditures | <u>12,605,417</u> | <u>11,532,999</u> | <u>1,072,418</u> |
| Operating loss | <u>(9,972,517)</u> | <u>(9,030,052)</u> | <u>942,465</u> |
| Nonoperating revenues: | | | |
| Federal reimbursements and grants | 8,725,000 | 8,563,498 | (161,502) |
| Federal commodities | 864,805 | 756,738 | (108,067) |
| State reimbursements | 15,000 | 12,810 | (2,190) |
| Interest earned | <u>5,000</u> | <u>20,000</u> | <u>15,000</u> |
| Total nonoperating revenues | <u>9,609,805</u> | <u>9,353,046</u> | <u>(256,759)</u> |
| Excess of revenues over (under) expenditures before other financing sources | (362,712) | 322,994 | 685,706 |
| Other financing sources: | | | |
| Transfers from other funds | - | 68,982 | 68,982 |
| Fund balance appropriated | <u>362,712</u> | <u>-</u> | <u>(362,712)</u> |
| Net change in fund balance | <u>\$ -</u> | 391,976 | <u>\$ 391,976</u> |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Reconciling items: | | | |
| Depreciation | | (403,449) | |
| Capital contributions | | 26,782 | |
| Equipment purchases | | 24,216 | |
| Loss on disposal of capital assets | | (5,246) | |
| Net OPEB asset | | 11,977 | |
| Net pension liability | | 443,547 | |
| Net OPEB liability | | 1,831,337 | |
| Deferred outflows | | (232,377) | |
| Deferred inflows | | (2,310,676) | |
| Compensated absences payable | | (2,827) | |
| Inventory | | <u>(35,447)</u> | |
| Change in net position (full accrual) | | <u>\$ (260,187)</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, 2018

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------|-------------------|------------------------------------|
| Operating revenues: | | | |
| Child care fees | \$ 1,110,000 | \$ 1,295,268 | \$ 185,268 |
| Operating expenditures: | | | |
| Regular community services: | | | |
| Purchase of food | - | 43,317 | - |
| Salaries and benefits | - | 769,965 | - |
| Indirect costs | - | 29,253 | - |
| Materials and supplies | - | 191,752 | - |
| Repairs and maintenance | - | 52 | - |
| Non-capitalized equipment | - | 36,319 | - |
| Contracted services | - | 371 | - |
| Other | - | 43,872 | - |
| Total operating expenditures | <u>1,786,948</u> | <u>1,114,901</u> | <u>672,047</u> |
| Operating income | (676,948) | 180,367 | 857,315 |
| Nonoperating revenues: | | | |
| Interest earned | <u>1,000</u> | <u>1,483</u> | <u>483</u> |
| Excess of revenues over expenditures before other financing uses | (675,948) | 181,850 | 857,798 |
| Other financing uses: | | | |
| Transfers to other funds | - | (10,000) | (10,000) |
| Fund balance appropriated | <u>675,948</u> | <u>-</u> | <u>(675,948)</u> |
| Net change in fund balance | <u>\$ -</u> | 171,850 | <u>\$ 171,850</u> |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Reconciling items: | | | |
| Depreciation | | (8,717) | |
| Compensated absences payable | | 4,500 | |
| Net pension liability | | 37,609 | |
| Net OPEB liability | | 148,370 | |
| Deferred outflows - pension | | (19,908) | |
| Deferred inflows - pension | | <u>(187,112)</u> | |
| Change in net position (full accrual) | | <u>\$ 146,592</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, 2018, 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 10, 2018.

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 10, 2018
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, 2018. 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, 2018.

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 10, 2018
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 County 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 County Board of Education's major state programs for the year ended June 30, 2018. The Alamance-Burlington County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Alamance-Burlington County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of 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 County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Alamance-Burlington County 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, 2018.

Report on Internal Control over Compliance

Management of the Alamance-Burlington County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alamance-Burlington County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance 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 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 10, 2018
Statesville, North Carolina

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2018**

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:

| CFDA Numbers | Names of Federal Program or Cluster |
|---------------------|--|
| | Child Nutrition Cluster |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.559 | Summer Food Service Program |
| 10.579 | Child Nutrition Equipment |
| 10.582 | Fresh Fruit and Vegetable Program |

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, 2018**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act *Yes*

Identification of major State programs:

Program Name

State Public School Fund
State appropriations – buses (noncash)
Vocational Education – State Months of Employment
Vocation Education – Program Support Funds
School Technology Fund

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2018**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018**

Finding 17-01 – Corrected

**ALAMANCE-BURLINGTON BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2018**

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| Federal Grants: | | |
| <u>U.S. Department of Agriculture</u> | | |
| Passed-through the N.C. Department of Public Instruction: | | |
| Child Nutrition Cluster: | | |
| Noncash Assistance (Commodities): | | |
| National School Lunch Program | 10.555 | \$ <u>756,738</u> |
| Cash Assistance: | | |
| School Breakfast Program | 10.553 | 1,901,734 |
| National School Lunch Program | 10.555 | 6,225,828 |
| After School Snack Program | 10.555 | 40,237 |
| Summer Food Service Program for Children | 10.559 | <u>305,812</u> |
| Cash Assistance Subtotal | | <u>8,473,611</u> |
| Total Child Nutrition Cluster | | 9,230,349 |
| Child Nutrition Equipment | 10.579 | 26,782 |
| Fresh Fruit and Vegetable Program | 10.582 | <u>89,887</u> |
| Total School Nutrition Program (Note 3): | | <u>9,347,018</u> |
| Total U.S. Department of Agriculture | | <u>9,347,018</u> |
| <u>U.S. Department of Education</u> | | |
| Office of Elementary and Secondary Education: | | |
| Passed-through the N.C. Department of Public Instruction: | | |
| Title I, Grants to Local Educational Agencies | 84.010 | 6,747,128 |
| School Improvement Grant | 84.010 | 79,173 |
| Migrant Education | 84.011 | 24,871 |
| Supporting Effective Instruction State Grant | 84.367 | 351,803 |
| Language Acquisition Grant | 84.365 | 293,258 |
| Student Support and Academic Enrichment Program | 84.424 | 29,100 |
| Education for Homeless Children and Youth | 84.196 | 56,119 |
| 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 | 4,602,177 |
| Special Education - Preschool Grants | 84.173 | <u>78,239</u> |
| Total Special Education Cluster | | <u>4,680,416</u> |
| Title VI-B, Education of the Handicapped | 84.323 | 34,523 |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2018

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>Expenditures</u> |
|--|--|---|
| Office of Vocational and Adult Education: Passed-through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States Program Development | 84.048 | <u>349,496</u> |
| Passed-through University of North Carolina at Chapel Hill: Gear Up NC Grant | 84.334 | <u>74,618</u> |
| Mathematics and Science Partnership Passed-through North Carolina State University Passed-through Mount Airy City Schools | 84.366 | <u>44,492</u> <u>12,123</u> <u>56,615</u> |
| Total U.S. Department of Education | | <u>12,777,120</u> |
| <u>U.S. Department of Defense</u> Direct Program: JROTC | None | <u>35,232</u> |
| Total Federal Assistance | | <u>\$ 22,159,370</u> |
| State Grants: | | |
| <u>N.C. Department of Public Instruction</u> | | |
| State Public School Fund | | \$ 126,053,907 |
| Vocational Education: | | |
| State Months of Employment | | 6,750,602 |
| Program Support Funds | | 459,482 |
| Driver Training | | 264,000 |
| School Technology Fund | | 582,866 |
| State appropriations - buses (noncash) | | 888,346 |
| Textbooks (noncash) | | 32,248 |
| Passed-through Alamance County: Public School Capital Fund - Lottery | | <u>1,118,648</u> |
| Total NC Department of Public Instruction | | <u>136,150,099</u> |
| <u>N.C. Department of Public Safety</u> | | |
| Passed-through Alamance County Sustaining Education and Learning Team Grant | | <u>80,512</u> |
| <u>N.C. Department of Agriculture</u> | | |
| State Reduced Breakfast Program | | <u>12,810</u> |

ALAMANCE-BURLINGTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2018

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>Expenditures</u> |
|---|--|------------------------------|
| Total State Assistance | | <u>136,243,421</u> |
| Total Federal and State Assistance | | <u>\$ 158,402,791</u> |

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (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, 2018. 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