

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

*Financial Statements  
For the Fiscal Year Ended  
June 30, 2020*

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# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **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, 2020 and the related notes to the basic financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alamance-Burlington Board of Education as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Other Special Revenue funds for the year then ended in accordance 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 Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 49 through 54, 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 schedule and budgetary schedules, as well as 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 schedule, 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 schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alamance-Burlington Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

October 29, 2020  
Rockingham, North Carolina  
(910) 997-1418

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

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This section of the Alamance-Burlington Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2020. This information should be read in conjunction with the audited financial statements included in this report.

### ***Impact of Coronavirus on District***

During the fiscal year, the State and nation were affected by the spread of a coronavirus. The Board's response to the virus included the closure of school educational facilities in mid-March. From this time until the end of the year, educational services were provided remotely to all students. The Board incurred additional expenses as a result of the coronavirus, including the purchase of personal protective equipment and delivery expenses attributable to the delivery of lunches to students when the educational facilities were closed.

### ***Financial Highlights***

- For the fiscal year ended June 30, 2020, the Board's total government-wide net position increased by \$2.5 million. Governmental activities net position increased by \$3.0 million and business-type activities net position decreased by \$478,000.
- Financial reporting awards were received from the Association of School Business Officials International and the Government Finance Officers Association for the ninth consecutive year.

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

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions.*
- *Supplementary section that presents budgetary 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, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds 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

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

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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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

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

### **Fund Financial Statements**

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

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

Alamance-Burlington Board of Education has three types of funds:

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

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

and the Individual Schools 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.

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

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$251.1 million as of June 30, 2020 as compared to \$253.7 million as of June 30, 2019, an improvement of \$2.5 million.

Following is a summary of the Statement of Net Position at June 30, 2020 and 2019:

**Table 1  
Condensed Statement of Net Position  
As of June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current assets	\$ 26,568,680	\$ 24,444,601	\$ 6,042,229	\$ 5,856,223	\$ 32,610,909	\$ 30,300,824
Capital assets	110,747,446	110,261,311	1,172,985	1,385,861	111,920,431	111,647,172
Total assets	137,316,126	134,705,912	7,215,214	7,242,084	144,531,340	141,947,996
Deferred outflows of resources	55,656,346	56,513,022	1,553,123	1,516,008	57,209,469	58,029,030
Current liabilities	17,484,266	16,556,345	350,180	276,106	17,834,446	16,832,451
Long-term liabilities	325,591,613	305,740,658	8,805,299	7,905,492	334,396,912	313,646,150
Total liabilities	343,075,879	322,297,003	9,155,479	8,181,598	352,231,358	330,478,601
Deferred inflows of resources	97,936,578	119,971,992	2,732,977	3,218,349	100,669,555	123,190,341
Net investment in capital assets	102,249,483	101,082,587	1,172,985	1,385,861	103,422,468	102,468,448
Restricted net position	7,606,869	7,531,523	22,473	26,344	7,629,342	7,557,867
Unrestricted net position (deficit)	(357,896,337)	(359,664,171)	(4,315,577)	(4,054,060)	(362,211,914)	(363,718,231)
Total net position (deficit)	\$ (248,039,985)	\$ (251,050,061)	\$ (3,120,119)	\$ (2,641,855)	\$ (251,160,104)	\$ (253,691,916)

Net position is an indicator of the fiscal health of the Board. The net position of the Board's governmental activities increased \$3.0 million during the year, from \$(251.1) million at June 30, 2019 to \$(248.0) million at June 30, 2020, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$75,000, or 1.0%, while unrestricted net position increased \$1.8 million over the prior year. Net investment in capital assets increased \$1.2 million due to an excess of capital additions over depreciation expense for the year.

Net position of the Board's business-type activities decreased \$478,000 during the year. This decrease is the combined net loss incurred by our school food service and child care operations during the 2020 fiscal year.

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

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

**Table 2  
Condensed Statement of Activities  
For the Fiscal Years Ended June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 2,528,988	\$ 3,305,111	\$ 3,122,502	\$ 3,842,214	\$ 5,651,490	\$ 7,147,325
Operating grants and contributions	159,594,466	154,768,183	10,437,294	9,484,291	170,031,760	164,252,474
Capital grants and contributions	668,108	20,083,197	-	-	668,108	20,083,197
General revenues:						
County appropriations	50,418,514	45,200,400	-	-	50,418,514	45,200,400
State appropriations	5,018,640	6,508,192	-	-	5,018,640	6,508,192
Other revenues	<u>3,029,002</u>	<u>3,476,672</u>	<u>70,545</u>	<u>33,039</u>	<u>3,099,547</u>	<u>3,509,711</u>
Total revenues	<u>221,257,718</u>	<u>233,341,755</u>	<u>13,630,341</u>	<u>13,359,544</u>	<u>234,888,059</u>	<u>246,701,299</u>
Expenses:						
Governmental activities:						
Instructional services	179,516,316	169,759,338	-	-	179,516,316	169,759,338
System-wide support services	30,351,575	28,216,233	-	-	30,351,575	28,216,233
Ancillary services	258,065	-	-	-	258,065	-
Payments to other governments	2,759,047	2,730,373	-	-	2,759,047	2,730,373
Interest on long-term debt	318,672	108,899	-	-	318,672	108,899
Unallocated depreciation	4,999,940	4,379,106	-	-	4,999,940	4,379,106
Business-type activities:						
School food service	-	-	12,714,514	11,323,952	12,714,514	11,323,952
Child care	-	-	<u>1,438,118</u>	<u>1,235,542</u>	<u>1,438,118</u>	<u>1,235,542</u>
Total expenses	<u>218,203,615</u>	<u>205,193,949</u>	<u>14,152,632</u>	<u>12,559,494</u>	<u>232,356,247</u>	<u>217,753,443</u>
Excess (deficiency) of revenues over expenses before transfers	3,054,103	28,147,806	(522,291)	800,050	2,531,812	28,947,856
Transfers in (out)	<u>(44,027)</u>	<u>(43,894)</u>	<u>44,027</u>	<u>43,894</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	3,010,076	28,103,912	(478,264)	843,944	2,531,812	28,947,856
Beginning net position (deficit)	<u>(251,050,061)</u>	<u>(279,153,973)</u>	<u>(2,641,855)</u>	<u>(3,485,799)</u>	<u>(253,691,916)</u>	<u>(282,639,772)</u>
Ending net position (deficit)	<u>\$ (248,039,985)</u>	<u>\$ (251,050,061)</u>	<u>\$ (3,120,119)</u>	<u>\$ (2,641,855)</u>	<u>\$ (251,160,104)</u>	<u>\$ (253,691,916)</u>

Total governmental activities generated revenues of \$221.3 million while expenses in this category totaled \$218.2 million for the year ended June 30, 2020, resulting in an increase in net position of \$3.0 million (including transfers to business-type activities of \$44,000). Comparatively, revenues were \$233.3 million, expenses totaled \$205.2 million and transfers out were \$44,000 for the year ended June 30, 2019, resulting in an increase in net position of \$28.1 million. In comparing the two years, revenues decreased \$12.1 million, or 5.2%, while expenses increased \$13.0 million, or 6.3%. Revenues in the State Public School Fund and Federal Grants Fund increased by a combined total of \$5.1 million, which accounted for the majority of the change in operating grants and contributions. The district was donated a new elementary school in 2019 valued at \$19.2 million. This revenue is reflected in capital grants and contributions and accounts for the majority of the decrease in revenues in that category. The overall increase in expenses is largely attributable to a \$7.7 million year-over-year increase in pension and OPEB expense. In addition, the \$5.1 million increase in funding in the SPSF and Federal Grants Fund was used for instructional, system-wide support and ancillary services expenses. See Note 2 for detailed information regarding pension and OPEB-related amounts and disclosures.

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

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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 66.4%, 22.7% and 7.0% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 82.3% of our total expenses during the most recent fiscal year. Of the remaining 17.7% of our total expenses, 13.9% was attributable to system-wide support services.

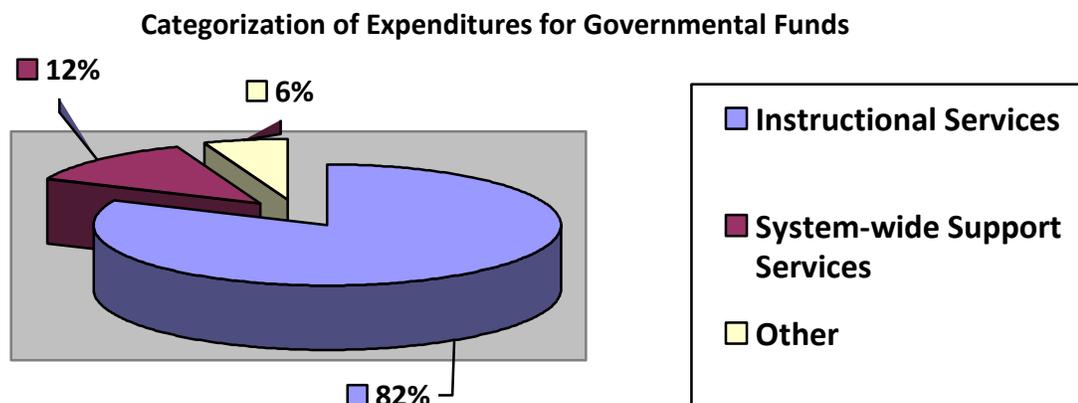
Our business-type activities generated revenues of \$13.6 million, expenses of \$14.1 million and reported transfers in from governmental activities of \$44,000 for the year ended June 30, 2020. For the year, net position decreased by \$478,000. Comparatively, revenues were \$13.4 million, expenses were \$12.6 million and transfers in from governmental activities totaled \$44,000 for the year ended June 30, 2019, resulting in an increase in net position of \$844,000. In comparing the two periods, revenues increased \$271,000 while expenses increased \$1.6 million. School closed in mid-March due to the Covid-19 pandemic. The Child Nutrition program continued to operate after school closure and delivered meals to students throughout the County. Due to various factors, the program was able to serve more meals after school closure which resulted in a significant increase in Federal reimbursement revenues for the program. As would be expected, revenue from lunch and supplemental sales and other food sales declined for the year as a result of the early school closure. The change in expenses was due primarily to a year-over-year increase of \$1.3 million in pension and OPEB expense. See the footnotes for detailed information regarding pension and OPEB-related amounts and disclosures.

### **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 \$14.3 million at June 30, 2020, an increase of \$1.3 million over the fund balance reported at June 30, 2019. The Board's General, Other Special Revenue and Individual Schools funds each reported increases in fund balance for the year of \$1.4 million, \$8,000 and \$58,000, respectively, while the Capital Outlay Fund reported a decrease of \$190,000. Governmental funds revenues totaled \$221.5 million for the year ended June 30, 2020, an increase of \$7.0 million, or 3.3%, over the 2019 year. Governmental funds expenditures totaled \$220.3 million for the year, unchanged from the amount reported for the 2019 year. The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received. Combined revenues in these two funds increased \$5.1 million, or 3.3%, over the prior year.

The following chart summarizes governmental fund expenditures:



Expenditures presented on modified accrual basis of accounting.

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

*Proprietary Funds:* The Board's business-type funds, the School Food Service and Child Care funds, reported a combined decrease in net position of \$478,000 for the current year compared to a combined increase of \$844,000 for the year ended June 30, 2019. See the section above *Financial Analysis of the Board as a Whole*, for more detailed discussion regarding School Food Service and Child Care program operating results for the year.

**General Fund Budgetary Highlights**

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. However, during the year ended June 30, 2020, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year.

For the year, the Board's General Fund reported an increase in fund balance of \$1.4 million compared to an increase of \$1.1 million in the prior year. Due to the timing of some revenues and expenditures being less predictable than others, differences sometimes exist between the final budgeted and actual amounts. Variances between actual expenditures and final budget amounts relate to conservative budgeting practices and cost containment strategies.

**Capital Assets**

Total primary government capital assets were \$111.9 million at June 30, 2020 compared to \$111.6 million at June 30, 2019, a slight increase of 0.2%. This increase was due an excess of capital additions over depreciation expense for the year. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2020 and 2019:

**Table 3  
Summary of Capital Assets  
As of June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Land	\$ 7,647,048	\$ 5,402,612	\$ -	\$ -	\$ 7,647,048	\$ 5,402,612
Construction in progress	1,906,897	7,127,390	-	-	1,906,897	7,127,390
Buildings	63,774,413	66,661,192	-	-	63,774,413	66,661,192
Improvements to land and buildings	32,105,231	25,657,366	-	-	32,105,231	25,657,366
Equipment and furniture	1,898,245	1,452,720	1,172,985	1,385,861	3,071,230	2,838,581
Vehicles	3,415,612	3,960,031	-	-	3,415,612	3,960,031
Total	<u>\$ 110,747,446</u>	<u>\$ 110,261,311</u>	<u>\$ 1,172,985</u>	<u>\$ 1,385,861</u>	<u>\$ 111,920,431</u>	<u>\$ 111,647,172</u>

**Debt Outstanding**

During the year, the Board's long-term debt decreased from \$9.2 million at June 30, 2019 to \$8.5 million at June 30, 2020. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

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

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***Economic Factors***

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, 2020, Alamance County experienced an unemployment rate of 7.7% as compared to an unemployment rate of 4.5% at June 30, 2019. The unemployment for North Carolina at June 30, 2020 was also 7.7%.
- 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, 2020**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 17,425,262	\$ 2,268,786	\$ 19,694,048
Investments	1,589,889	2,596,227	4,186,116
Due from other governments	6,400,406	882,926	7,283,332
Receivables	511,496	6,018	517,514
Internal balances	68,391	(68,391)	-
Net OPEB asset	313,605	8,751	322,356
Inventories	-	347,912	347,912
Prepaid expenses	259,631	-	259,631
Capital assets:			
Land and construction in progress	9,553,945	-	9,553,945
Other capital assets, net of depreciation	<u>101,193,501</u>	<u>1,172,985</u>	<u>102,366,486</u>
Total capital assets	<u>110,747,446</u>	<u>1,172,985</u>	<u>111,920,431</u>
 Total assets	 <u>137,316,126</u>	 <u>7,215,214</u>	 <u>144,531,340</u>
 <b>Deferred Outflows of Resources</b>	 <u>55,656,346</u>	 <u>1,553,123</u>	 <u>57,209,469</u>
 <b>Liabilities</b>			
Accounts payable and accrued expenses	4,865,477	17,099	4,882,576
Accrued salaries and wages payable	7,069,483	56,586	7,126,069
Unearned revenue	-	160,240	160,240
Accrued interest payable	22,981	-	22,981
Long-term liabilities:			
Due within one year	5,526,325	116,255	5,642,580
Due in more than one year	<u>325,591,613</u>	<u>8,805,299</u>	<u>334,396,912</u>
 Total liabilities	 <u>343,075,879</u>	 <u>9,155,479</u>	 <u>352,231,358</u>
 <b>Deferred Inflows of Resources</b>	 <u>97,936,578</u>	 <u>2,732,977</u>	 <u>100,669,555</u>
 <b>Net position</b>			
Net investment in capital assets	102,249,483	1,172,985	103,422,468
Restricted for:			
Stabilization by State statute	774,407	-	774,407
School capital outlay	2,686,035	-	2,686,035
Instructional services	1,874,159	-	1,874,159
Individual schools activities	1,466,915	-	1,466,915
DIPNC OPEB plan	805,353	22,473	827,826
Unrestricted (deficit)	<u>(357,896,337)</u>	<u>(4,315,577)</u>	<u>(362,211,914)</u>
 Total net position (deficit)	 <u>\$ (248,039,985)</u>	 <u>\$ (3,120,119)</u>	 <u>\$ (251,160,104)</u>

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



**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit 3**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
<b>Assets</b>							
Cash and cash equivalents	\$ 9,206,101	\$ -	\$ -	\$ 3,639,240	\$ 3,113,006	\$ 1,466,915	\$ 17,425,262
Investments	1,589,889	-	-	-	-	-	1,589,889
Due from other governments	23,257	5,830,075	473,197	7,161	66,716	-	6,400,406
Accounts receivable	101,800	-	-	409,696	-	-	511,496
Due from other funds	-	-	-	68,391	-	-	68,391
Prepaid expenditures	177,131	-	-	82,500	-	-	259,631
Total assets	<u>\$ 11,098,178</u>	<u>\$ 5,830,075</u>	<u>\$ 473,197</u>	<u>\$ 4,206,988</u>	<u>\$ 3,179,722</u>	<u>\$ 1,466,915</u>	<u>\$ 26,255,075</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 4,208,874	\$ -	\$ -	\$ 162,916	\$ 493,687	\$ -	\$ 4,865,477
Accrued salaries and wages payable	676,125	5,830,075	473,197	90,086	-	-	7,069,483
Total liabilities	<u>4,884,999</u>	<u>5,830,075</u>	<u>473,197</u>	<u>253,002</u>	<u>493,687</u>	<u>-</u>	<u>11,934,960</u>
Fund balances:							
Nonspendable:							
Prepaid expenditures	177,131	-	-	-	-	-	177,131
Restricted:							
Stabilization by State statute	268,368	-	-	506,039	-	-	774,407
School capital outlay	-	-	-	-	2,686,035	-	2,686,035
Instructional services	-	-	-	1,874,159	-	-	1,874,159
Individual schools	-	-	-	-	-	1,466,915	1,466,915
Assigned:							
Subsequent year's expenditures	2,354,052	-	-	-	-	-	2,354,052
Special revenues	-	-	-	1,573,788	-	-	1,573,788
Unassigned	3,413,628	-	-	-	-	-	3,413,628
Total fund balances	<u>6,213,179</u>	<u>-</u>	<u>-</u>	<u>3,953,986</u>	<u>2,686,035</u>	<u>1,466,915</u>	<u>14,320,115</u>
Total liabilities and fund balances	<u>\$ 11,098,178</u>	<u>\$ 5,830,075</u>	<u>\$ 473,197</u>	<u>\$ 4,206,988</u>	<u>\$ 3,179,722</u>	<u>\$ 1,466,915</u>	<u>\$ 26,255,075</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit 3 (continued)**

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

Total fund balances of governmental funds	\$ 14,320,115
Net OPEB asset	313,605
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	110,747,446
Deferred outflows of resources related to pensions	33,638,600
Deferred outflows of resources related to OPEB	22,017,746
Some liabilities, including those for compensated absences, installment purchases and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	(19,791,470)
Net pension liability	(84,812,121)
Net OPEB liability	(226,537,328)
Deferred inflows of resources related to pensions	(1,979,717)
Deferred inflows of resources related to OPEB	<u>(95,956,861)</u>
Net position (deficit) of governmental activities	<u>\$ (248,039,985)</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 4**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
<b>Revenues:</b>							
State of North Carolina	\$ -	\$ 145,581,588	\$ -	\$ 77,053	\$ 1,394,255	\$ -	\$ 147,052,896
Alamance County:							
Local current expense	42,463,142	-	-	-	-	-	42,463,142
Other	-	-	-	-	7,762,017	-	7,762,017
U.S. Government	-	221,479	15,200,897	123,319	-	-	15,545,695
Other	897,197	-	-	5,330,297	36,203	2,419,378	8,683,075
Total revenues	<u>43,360,339</u>	<u>145,803,067</u>	<u>15,200,897</u>	<u>5,530,669</u>	<u>9,192,475</u>	<u>2,419,378</u>	<u>221,506,825</u>
<b>Expenditures:</b>							
Current:							
Instructional services:							
Regular instructional	12,987,914	89,148,026	1,386,658	1,391,463	-	-	104,914,061
Special populations	1,725,557	22,645,703	5,465,868	1,308,356	-	-	31,145,484
Alternative programs	647,112	4,915,670	7,479,972	1,654,198	-	-	14,696,952
School leadership	4,224,203	8,267,370	-	-	-	-	12,491,573
Co-curricular	643,579	-	-	75	-	2,367,782	3,011,436
School-based support	2,011,139	11,248,154	171,599	255,577	-	-	13,686,469
System-wide support services:							
Support and development	779,510	1,216,302	18,223	3,884	-	-	2,017,919
Special population support and development	281,814	120,083	169,130	117,406	-	-	688,433
Alternative programs and services support and development	3,497	-	257,862	-	-	-	261,359
Technology support	977,278	114,361	-	55,643	-	-	1,147,282
Operational support	11,030,444	6,439,549	-	731,246	192,496	-	18,393,735
Financial and human resource services	1,805,374	936,605	-	-	-	-	2,741,979
Accountability	26,296	-	-	-	-	-	26,296
System-wide pupil support	180,442	-	-	-	-	-	180,442
Policy, leadership and public relations	1,309,037	514,465	-	-	-	-	1,823,502
Ancillary services	65,011	191,779	-	1,275	-	-	258,065
Non-programmed charges	2,755,047	-	245,940	4,000	-	-	3,004,987
Debt service:							
Principal retirement	115,814	-	-	-	668,108	-	783,922
Interest and fees	404,590	-	-	-	-	-	404,590
Capital outlay	-	-	-	-	8,625,459	-	8,625,459
Total expenditures	<u>41,973,658</u>	<u>145,758,067</u>	<u>15,195,252</u>	<u>5,523,123</u>	<u>9,486,063</u>	<u>2,367,782</u>	<u>220,303,945</u>
Revenues over (under) expenditures	<u>1,386,681</u>	<u>45,000</u>	<u>5,645</u>	<u>7,546</u>	<u>(293,588)</u>	<u>51,596</u>	<u>1,202,880</u>
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	-	6,618	6,618
Transfers to other funds	-	(45,000)	(5,645)	-	-	-	(50,645)
Installment purchase obligations issued	-	-	-	-	103,161	-	103,161
Total other financing sources (uses)	-	(45,000)	(5,645)	-	103,161	6,618	59,134
Net change in fund balance	1,386,681	-	-	7,546	(190,427)	58,214	1,262,014
Fund balances:							
Beginning of year	4,826,498	-	-	3,946,440	2,876,462	1,408,701	13,058,101
End of year	<u>\$ 6,213,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,953,986</u>	<u>\$ 2,686,035</u>	<u>\$ 1,466,915</u>	<u>\$ 14,320,115</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 1,262,014
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	486,135
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	15,847,986
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	8,027,855
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	680,761
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:	
Difference in accrued interest payable and interest expensed on fund statements	85,918
Pension (expense) benefit	(29,475,476)
OPEB (expense) benefit	6,277,664
Compensated absences	<u>(182,781)</u>
Total changes in net position of governmental activities	<u>\$ 3,010,076</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**

**Exhibit 6**

**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, 2020**

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	42,463,142	42,463,142	42,463,142	-
U.S. Government	-	-	-	-
Other	1,100,000	1,100,000	897,197	(202,803)
Total revenues	<u>43,563,142</u>	<u>43,563,142</u>	<u>43,360,339</u>	<u>(202,803)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instructional services:</b>				
Regular instructional	13,664,611	13,475,897	12,987,914	487,983
Special populations	2,203,144	1,836,035	1,725,557	110,478
Alternative programs	629,114	744,281	647,112	97,169
School leadership	4,676,518	4,362,345	4,224,203	138,142
Co-curricular	689,783	688,801	643,579	45,222
School-based support	2,027,745	2,164,306	2,011,139	153,167
Total instructional services	<u>23,890,915</u>	<u>23,271,665</u>	<u>22,239,504</u>	<u>1,032,161</u>
<b>System-wide support services:</b>				
Support and development	917,782	852,698	779,510	73,188
Special population support and development	296,733	296,733	281,814	14,919
Alternative programs and services support and development	14,193	16,893	3,497	13,396
Technology support	932,576	980,885	977,278	3,607
Operational support	15,234,153	14,578,840	11,030,444	3,548,396
Financial and human resource services	1,839,426	1,895,694	1,805,374	90,320
Accountability	30,407	33,543	26,296	7,247
System-wide pupil support	186,284	183,148	180,442	2,706
Policy, leadership and public relations	1,332,147	1,331,543	1,309,037	22,506
Total system-wide support services	<u>20,783,701</u>	<u>20,169,977</u>	<u>16,393,692</u>	<u>3,776,285</u>
<b>Ancillary services:</b>				
Nutrition	-	66,000	65,011	989
Nonprogrammed charges	2,835,753	2,835,753	2,755,047	80,706
Total expenditures	<u>47,510,369</u>	<u>47,510,369</u>	<u>41,973,658</u>	<u>5,536,711</u>
Revenues over (under) expenditures	<u>(3,947,227)</u>	<u>(3,947,227)</u>	<u>1,386,681</u>	<u>5,333,908</u>
<b>Other financing uses:</b>				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	2,947,227	2,947,227	-	(2,947,227)
Total other financing sources (uses)	<u>2,947,227</u>	<u>2,947,227</u>	<u>-</u>	<u>(2,947,227)</u>
Fund balance appropriated	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,386,681</u>	<u>\$ 1,386,681</u>
<b>Fund balances:</b>				
Beginning of year			<u>4,826,498</u>	
End of year			<u>\$ 6,213,179</u>	

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

**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, 2020**

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 143,944,533	\$ 146,597,022	\$ 145,581,588	\$ (1,015,434)
Alamance County	-	-	-	-
U.S. Government	-	1,961,469	221,479	(1,739,990)
Other	-	-	-	-
Total revenues	<u>143,944,533</u>	<u>148,558,491</u>	<u>145,803,067</u>	<u>(2,755,424)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	90,828,317	89,678,900	89,148,026	530,874
Special populations	21,223,712	22,795,290	22,645,703	149,587
Alternative programs	4,622,486	5,031,002	4,915,670	115,332
School leadership	7,942,809	8,267,370	8,267,370	-
Co-curricular	-	-	-	-
School-based support	10,446,978	11,974,330	11,248,154	726,176
Total instructional services	<u>135,064,302</u>	<u>137,746,892</u>	<u>136,224,923</u>	<u>1,521,969</u>
System-wide support services:				
Support and development	1,152,430	1,244,948	1,216,302	28,646
Special population support and development	74,668	123,624	120,083	3,541
Alternative programs and services support and development	-	-	-	-
Technology support	133,005	133,005	114,361	18,644
Operational support	5,959,700	6,510,381	6,439,549	70,832
Financial and human resource services	994,215	953,266	936,605	16,661
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	520,004	524,021	514,465	9,556
Total system-wide support services	<u>8,834,022</u>	<u>9,489,245</u>	<u>9,341,365</u>	<u>147,880</u>
Ancillary services:				
Nutrition	-	1,272,849	191,779	1,081,070
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>143,898,324</u>	<u>148,508,986</u>	<u>145,758,067</u>	<u>2,750,919</u>
Revenues over (under) expenditures	<u>46,209</u>	<u>49,505</u>	<u>45,000</u>	<u>(4,505)</u>
Other financing uses:				
Transfers to other funds	(46,209)	(49,505)	(45,000)	4,505
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	<u>(46,209)</u>	<u>(49,505)</u>	<u>(45,000)</u>	<u>4,505</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

**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, 2020**

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Alamance County	-	-	-	-
U.S. Government	17,771,810	25,616,160	15,200,897	(10,415,263)
Other	-	-	-	-
Total revenues	<u>17,771,810</u>	<u>25,616,160</u>	<u>15,200,897</u>	<u>(10,415,263)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,447,861	2,956,774	1,386,658	1,570,116
Special populations	5,408,949	6,580,182	5,465,868	1,114,314
Alternative programs	9,127,003	11,041,539	7,479,972	3,561,567
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	306,316	867,461	171,599	695,862
Total instructional services	<u>16,290,129</u>	<u>21,445,956</u>	<u>14,504,097</u>	<u>6,941,859</u>
System-wide support services:				
Support and development	140,528	135,792	18,223	117,569
Special population support and development	205,942	208,858	169,130	39,728
Alternative programs and services support and development	483,689	459,351	257,862	201,489
Technology support	-	-	-	-
Operational support	2,500	1,981,489	-	1,981,489
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>832,659</u>	<u>2,785,490</u>	<u>445,215</u>	<u>2,340,275</u>
Ancillary services:				
Nutrition	-	-	-	-
Nonprogrammed charges	649,022	1,379,069	245,940	1,133,129
Total expenditures	<u>17,771,810</u>	<u>25,610,515</u>	<u>15,195,252</u>	<u>10,415,263</u>
Revenues over (under) expenditures	-	5,645	5,645	-
Other financing uses:				
Transfers to other funds	-	(5,645)	(5,645)	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	-	<u>(5,645)</u>	<u>(5,645)</u>	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

**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, 2020**

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 82,486	\$ 82,486	\$ 77,053	\$ (5,433)
Alamance County	-	-	-	-
U.S. Government	106,673	163,695	123,319	(40,376)
Other	5,501,388	5,769,043	5,330,297	(438,746)
Total revenues	<u>5,690,547</u>	<u>6,015,224</u>	<u>5,530,669</u>	<u>(484,555)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	2,174,964	2,493,834	1,391,463	1,102,371
Special populations	2,435,583	2,445,583	1,308,356	1,137,227
Alternative programs	1,801,660	1,858,123	1,654,198	203,925
School leadership	-	-	-	-
Co-curricular	324	325	75	250
School-based support	293,794	376,827	255,577	121,250
Total instructional services	<u>6,706,325</u>	<u>7,174,692</u>	<u>4,609,669</u>	<u>2,565,023</u>
System-wide support services:				
Support and development	3,024	5,703	3,884	1,819
Special population support and development	54,612	210,846	117,406	93,440
Alternative programs and services support and development	-	-	-	-
Technology support	50,000	56,000	55,643	357
Operational support	1,800,449	1,734,916	731,246	1,003,670
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>1,908,085</u>	<u>2,007,465</u>	<u>908,179</u>	<u>1,099,286</u>
Ancillary services:				
Nutrition	3,000	95,500	1,275	94,225
Nonprogrammed charges	23,896	23,896	4,000	19,896
Total expenditures	<u>8,641,306</u>	<u>9,301,553</u>	<u>5,523,123</u>	<u>3,778,430</u>
Revenues over (under) expenditures	<u>(2,950,759)</u>	<u>(3,286,329)</u>	<u>7,546</u>	<u>3,293,875</u>
Other financing uses:				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>2,950,759</u>	<u>3,286,329</u>	<u>-</u>	<u>(3,286,329)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>7,546</u>	<u>\$ 7,546</u>
Fund balances:				
Beginning of year			<u>3,946,440</u>	
End of year			<u>\$ 3,953,986</u>	

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPES**  
**June 30, 2020**

**Exhibit 7**

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,509,099	\$ 759,687	\$ 2,268,786
Investments	2,338,696	257,531	2,596,227
Due from other governments	882,926	-	882,926
Receivables	6,018	-	6,018
Net OPEB asset	7,842	909	8,751
Inventories	347,912	-	347,912
Total current assets	<u>5,092,493</u>	<u>1,018,127</u>	<u>6,110,620</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	1,114,154	58,831	1,172,985
Total assets	<u>6,206,647</u>	<u>1,076,958</u>	<u>7,283,605</u>
<b>Deferred Outflows of Resources</b>	<u>1,391,793</u>	<u>161,330</u>	<u>1,553,123</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	17,099	-	17,099
Accrued salaries and wages payable	45,291	11,295	56,586
Due to other funds	68,391	-	68,391
Compensated absences	107,911	8,344	116,255
Unearned revenue	160,240	-	160,240
Total current liabilities	<u>398,932</u>	<u>19,639</u>	<u>418,571</u>
Noncurrent liabilities:			
Net pension liability	2,120,887	245,844	2,366,731
Net OPEB liability	5,664,994	656,662	6,321,656
Compensated absences	110,059	6,853	116,912
Total noncurrent liabilities	<u>7,895,940</u>	<u>909,359</u>	<u>8,805,299</u>
Total liabilities	<u>8,294,872</u>	<u>928,998</u>	<u>9,223,870</u>
<b>Deferred Inflows of Resources</b>	<u>2,449,090</u>	<u>283,887</u>	<u>2,732,977</u>
<b>Net position</b>			
Investment in capital assets	1,114,154	58,831	1,172,985
Restricted for DIPNC OPEB plan	20,138	2,335	22,473
Unrestricted (deficit)	<u>(4,279,814)</u>	<u>(35,763)</u>	<u>(4,315,577)</u>
Total net position (deficit)	<u>\$ (3,145,522)</u>	<u>\$ 25,403</u>	<u>\$ (3,120,119)</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 8**

	Enterprise		
	Major Funds		Totals
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 1,909,239	\$ -	\$ 1,909,239
Child care fees	-	1,213,263	1,213,263
Other	17,825	-	17,825
Total operating revenues	<u>1,927,064</u>	<u>1,213,263</u>	<u>3,140,327</u>
Operating expenses:			
Food cost:			
Purchase of food	4,310,944	13,536	4,324,480
Donated commodities	820,845	-	820,845
Salaries and benefits	5,761,256	1,154,230	6,915,486
Indirect costs	455,533	23,652	479,185
Materials and supplies	728,748	165,630	894,378
Repairs and maintenance	183,742	-	183,742
Depreciation	311,723	10,398	322,121
Non-capitalized equipment	28,310	28,089	56,399
Other	114,332	42,583	156,915
Total operating expenses	<u>12,715,433</u>	<u>1,438,118</u>	<u>14,153,551</u>
Operating loss	<u>(10,788,369)</u>	<u>(224,855)</u>	<u>(11,013,224)</u>
Nonoperating revenues:			
Federal reimbursements	9,601,553	-	9,601,553
Federal commodities	820,845	-	820,845
State reimbursements	10,946	-	10,946
Indirect costs not paid	919	-	919
Interest earned	46,071	6,649	52,720
Contributions and donations	3,950	-	3,950
Total nonoperating revenues	<u>10,484,284</u>	<u>6,649</u>	<u>10,490,933</u>
Loss before transfers	(304,085)	(218,206)	(522,291)
Transfers to other funds	-	(6,618)	(6,618)
Transfers from other funds	50,645	-	50,645
Change in net position	(253,440)	(224,824)	(478,264)
Net position (deficit), beginning of year	<u>(2,892,082)</u>	<u>250,227</u>	<u>(2,641,855)</u>
Net position (deficit), end of year	<u>\$ (3,145,522)</u>	<u>\$ 25,403</u>	<u>\$ (3,120,119)</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 9**

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,978,136	\$ 1,213,263	\$ 3,191,399
Cash paid for goods and services	(5,876,795)	(278,608)	(6,155,403)
Cash paid to employees for services	(5,542,907)	(936,461)	(6,479,368)
Other operating revenue	17,825	-	17,825
Net cash used by operating activities	<u>(9,423,741)</u>	<u>(1,806)</u>	<u>(9,425,547)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(6,618)	(6,618)
Due to other funds	38,158	-	38,158
Federal and State reimbursements	9,103,899	-	9,103,899
Contributions and donations	3,950	-	3,950
Net cash provided (used) by noncapital financing activities	<u>9,146,007</u>	<u>(6,618)</u>	<u>9,139,389</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(109,245)</u>	<u>-</u>	<u>(109,245)</u>
Cash flows from investing activities:			
Purchase of investments	(44,573)	(4,908)	(49,481)
Interest earned on investments	46,071	6,649	52,720
Net cash provided by investing activities	<u>1,498</u>	<u>1,741</u>	<u>3,239</u>
Net decrease in cash and cash equivalents	(385,481)	(6,683)	(392,164)
Cash and cash equivalents, beginning of year	1,894,580	766,370	2,660,950
Cash and cash equivalents, end of year	<u>\$ 1,509,099</u>	<u>\$ 759,687</u>	<u>\$ 2,268,786</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (10,788,369)	\$ (224,855)	\$ (11,013,224)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	311,723	10,398	322,121
Donated commodities	820,845	-	820,845
Noncapitalized equipment purchased by the Federal Grants Fund	5,645	-	5,645
Salaries paid by special revenue fund	45,000	-	45,000
Indirect costs not paid	919	-	919
Changes in assets and liabilities:			
Decrease in accounts receivable	8,301	-	8,301
Increase in net OPEB asset	(2,424)	(399)	(2,823)
Increase in inventories	(63,725)	-	(63,725)
Increase (decrease) in accounts payable and accrued liabilities	1,975	(5,118)	(3,143)
Increase in accrued salaries and wages payable	6,676	7,375	14,051
Increase in unearned revenue	60,596	-	60,596
Increase in net pension liability	126,438	58,160	184,598
Increase in net OPEB liability	530,525	173,491	704,016
Increase in deferred outflows	(6,174)	(30,941)	(37,115)
Increase (decrease) in deferred inflows	(492,449)	7,077	(485,372)
Increase in compensated absences payable	10,757	3,006	13,763
Total adjustments	<u>1,364,628</u>	<u>223,049</u>	<u>1,587,677</u>
Net cash used by operating activities	<u>\$ (9,423,741)</u>	<u>\$ (1,806)</u>	<u>\$ (9,425,547)</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2020**

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*Exhibit 9 (continued)*

The School Food Service Fund received donated commodities with a value of \$820,845 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 \$45,000 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 noncapitalized assets with a value of \$5,645 were purchased by the Federal Grants Fund during the year. The purchase of these assets is reflected as a transfer in and an operating expense on Exhibit 8.

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Board's funds. 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. Interfund services provided and used are not eliminated in the process of consolidation.

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

The Board reports the following major governmental funds:

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

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

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

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise funds:

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

*Child Care Fund.* The Child Care Fund is used to account for the afterschool 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.

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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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 between sub-functions and objects of expenditures within a function without limitations and without a report to the Board being required.
- b. Amounts may be transferred between functions of the same fund with a report on such transfers being made at the next meeting of the Board of Education.
- c. Amounts may not be transferred between funds nor from any contingency appropriation within a fund 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, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

1. Deposits and Investments

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

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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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 with original maturities of three months or less 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

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

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

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

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

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 so will not be

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

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, 2020 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

*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 – North Carolina G.S. 115C-425(a) prohibits boards of education from budgeting or spending a portion of their fund balance. Restricted by State statute (RSS) is calculated at the end of each fiscal year. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS.

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

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

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

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

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

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

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

The Board 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.

10. 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 \$(262,360,100) consists of several elements as follows:

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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)	\$ 260,929,456
Less accumulated depreciation	<u>(150,182,010)</u>
Net capital assets	110,747,446
Net OPEB asset	313,605
Deferred outflows of resources related to pensions	33,638,600
Deferred outflows of resources related to OPEB	22,017,746
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(8,497,963)
Compensated absences	(11,270,526)
Accrued interest payable	(22,981)
Net pension liability	(84,812,121)
Net OPEB liability	(226,537,328)
Deferred inflows of resources related to pensions	(1,979,717)
Deferred inflows of resources related to OPEB	<u>(95,956,861)</u>
Total adjustment	<u>\$ (262,360,100)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,748,062 as follows:

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Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 6,302,138
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(5,816,003)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(103,161)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	783,922
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	15,847,986
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	8,027,855
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(29,475,476)
OPEB (expense) benefit	6,277,664
Difference in interest expense between fund statements and government-wide statements	85,918
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(182,781)
Total adjustment	<u>\$ 1,748,062</u>

11. Defined Benefit Pension Plans

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

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

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method,

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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, 2020, the Board had deposits with banks and savings and loans with a carrying amount of \$19,694,048 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$21,022,411 and \$1,579,792, respectively. Of these balances, \$1,997,626 was covered by federal depository insurance and \$20,604,577 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2020, the Board had the following investments and maturities:

Investment Type	Rating	Valuation Measurement Method	Fair Value	Less Than		
				6 Months	6-12 Months	1-3 Years
U.S. Treasuries	AAA	Fair Value - Level 1	\$ 1,638,223	\$ 1,187,476	\$ 450,747	\$ -
U.S. Government Agencies	AA+	Fair Value - Level 2	1,361,941	1,109,278	252,663	-
N.C. Municipal Debt	AAA	Fair Value - Level 2	1,171,123	156,492	822,102	192,529
N.C. Capital Management Trust - Government Portfolio	AAA	Fair Value - Level 1	8,403	8,403	-	-
Dept. of State Treasurer Short Term Investment Fund (STIF)	Unrated	Fair Value - Level 2	<u>6,426</u>	<u>-</u>	<u>-</u>	<u>6,426</u>
		Totals	<u>\$ 4,186,116</u>	<u>\$ 2,461,649</u>	<u>\$ 1,525,512</u>	<u>\$ 198,955</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* The Department of State Treasurer Short Term Investment Fund (STIF) is unrated and has a weighted average maturity of 1.3 years as of June 30, 2020. The Board has a policy to minimize interest rate risk by doing the following: 1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; 2) and investing funds needed to meet operating expenditures and capital project needs primarily in shorter-term securities, money market mutual funds or similar investment pools.

*Credit Risk.* The Board's investments in U.S. Government Agency debt consists of Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage and Federal Home Loan Mortgage bonds. These bonds were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The

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Board's N.C. municipal debt consists of various municipal bonds with ratings ranging from AA to AAA by Standard and Poor's and Aa1 to Aaa by Moody's Investors Service. The Board's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard and Poor's as of June 30, 2020. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has a policy to minimize credit risk by doing the following: 1) Limiting investments to the safest types of securities; 2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Board will do business; 3) and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

*Concentration of Credit Risk.* The Board places no limit on the amount the Board may invest with any one issuer. More than 5 percent of the Board's investments are in the following securities:

<u>Issuer</u>	<u>Amount</u>	<u>%</u>
Federal Farm Credit Bank	\$ 657,429	15.70%
Federal National Mortgage Assoc.	302,247	7.22%
North Carolina State University	285,696	6.82%
Wilmington N.C. General Obligation	253,060	6.05%
Federal Home Loan Bank	251,300	6.00%

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2020 are as follows:

	<u>Internal Balances</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ -	\$ 23,257	\$ 101,800	\$ 125,057
Other governmental activities	68,391	6,377,149	409,696	6,855,236
Total governmental activities	<u>\$ 68,391</u>	<u>\$ 6,400,406</u>	<u>\$ 511,496</u>	<u>\$ 6,980,293</u>
Business-type activities:				
School Food Service Fund	<u>\$ (68,391)</u>	<u>\$ 882,926</u>	<u>\$ 6,018</u>	<u>\$ 820,553</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 23,257	Amounts due from the County
State Public School Fund	5,830,075	Operating funds from DPI
Federal Grants Fund	473,197	Federal grant funds
Capital Outlay Fund	66,716	Amounts due from County
Other Special Revenue Fund	7,161	Federal grant funds
Total	<u>\$ 6,400,406</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 882,926</u>	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,402,612	\$ 2,244,436	\$ -	\$ 7,647,048
Construction in progress	<u>7,127,390</u>	<u>2,840,432</u>	<u>8,060,925</u>	<u>1,906,897</u>
Total capital assets not being depreciated	<u>12,530,002</u>	<u>5,084,868</u>	<u>8,060,925</u>	<u>9,553,945</u>
Capital assets being depreciated:				
Buildings	154,321,300	-	550,110	153,771,190
Improvements to land and buildings	64,439,674	8,289,840	-	72,729,514
Equipment and furniture	9,271,343	716,711	23,783	9,964,271
Vehicles	<u>19,237,167</u>	<u>271,644</u>	<u>4,598,275</u>	<u>14,910,536</u>
Total capital assets being depreciated	<u>247,269,484</u>	<u>9,278,195</u>	<u>5,172,168</u>	<u>251,375,511</u>
Less accumulated depreciation for:				
Buildings	87,660,108	2,886,779	550,110	89,996,777
Improvements to land and buildings	38,782,308	1,841,975	-	40,624,283
Equipment and furniture	7,818,623	271,186	23,783	8,066,026
Vehicles	<u>15,277,136</u>	<u>816,063</u>	<u>4,598,275</u>	<u>11,494,924</u>
Total accumulated depreciation	<u>149,538,175</u>	<u>5,816,003</u>	<u>5,172,168</u>	<u>150,182,010</u>
Total capital assets being depreciated, net	<u>97,731,309</u>			<u>101,193,501</u>
Governmental activity capital assets, net	<u>\$ 110,261,311</u>			<u>\$ 110,747,446</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 8,738,429	\$ 109,245	\$ -	\$ 8,847,674
Less accumulated depreciation for:				
Equipment and furniture	<u>7,421,797</u>	<u>311,723</u>	<u>-</u>	<u>7,733,520</u>
School Food Service capital assets, net	<u>1,316,632</u>			<u>1,114,154</u>
Child Care Fund:				
Capital assets being depreciated:				
Equipment and furniture	130,322	-	-	130,322
Less accumulated depreciation for:				
Equipment and furniture	<u>61,093</u>	<u>10,398</u>	<u>-</u>	<u>71,491</u>
Child Care Fund capital assets, net	<u>69,229</u>			<u>58,831</u>
Business-type activities capital assets, net	<u>\$ 1,385,861</u>			<u>\$ 1,172,985</u>

Depreciation was charged to governmental functions as follows:

Operational support services	\$ 816,063
Unallocated depreciation	<u>4,999,940</u>
Total	<u>\$ 5,816,003</u>

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5. Construction and Other Significant Commitments

As of June 30, 2020, the Board had several construction and renovation projects in progress throughout the district. At year-end, the Board's commitments with contractors for the remaining portion of the contracts related to these projects totaled approximately \$73.9 million. In addition, subsequent to year-end, the district entered into a renovation contract totaling \$6.4 million.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

*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

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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, 2020, was 12.97% 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 \$16,290,232 for the year ended June 30, 2020.

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

At June 30, 2020, the Board reported a liability of \$87,178,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 and 2018, the Board's proportion was 0.8409% and 0.8390%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of \$30,340,679. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,292,410	\$ 174,527
Changes of assumptions	9,289,249	-
Net difference between projected and actual earnings on pension plan investments	1,671,096	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	34,318	1,860,435
Board contributions subsequent to the measurement date	<u>16,290,232</u>	-
Total	<u>\$ 34,577,305</u>	<u>\$ 2,034,962</u>

\$16,290,232 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 11,722,344
2022	2,562,404
2023	1,382,774
2024	<u>584,589</u>
Total	<u>\$ 16,252,111</u>

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*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rates used to measure the total pension liability reported at June 30, 2020 and 2019 was 7.00% for both years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that

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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 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 165,925,605	\$ 87,178,852	\$ 21,120,361

*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

1. Healthcare Benefits

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

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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 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 6.47% of covered payroll which amounted to \$8,126,276.

At June 30, 2020, the Board reported a liability of \$232,858,984 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 and 2018, the Board's proportion was 0.7360% and 0.7548%, respectively.

\$8,126,276 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:

2021	\$ (25,293,032)
2022	(25,293,032)
2023	(25,270,613)
2024	(9,410,877)
2025	<u>633,379</u>
Total	<u>\$ (84,634,175)</u>

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

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-9.50%
Healthcare cost trend rate -Medicare advantage	5.00-6.50%
Healthcare cost trend rate - administrative	3.00%

*Discount rate.* The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2020 and 2019 were 3.50% and 3.87%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	1% decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 276,722,336	\$ 232,858,984	\$ 197,739,910

*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 healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
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	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00-5.50%, Administrative - 2.00%)	(Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00- 6.50%, Administrative - 3.00%)	1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 10.50%, Medicare Advantage - 6.00-7.50%, Administrative - 4.00%)
Net OPEB liability	\$ 191,742,918	\$ 232,858,984	\$ 286,923,432

*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.

**2. Disability Benefits**

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

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

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's 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 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, 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$125,599 for the year ended June 30, 2020.

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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, 2020, the Board reported an asset of \$322,356 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and 2018, the Board's proportion was 0.7471% and 0.7470%, respectively.

\$125,599 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 130,957
2022	91,108
2023	66,119
2024	40,704
2025	56,895
Thereafter	<u>(5,909)</u>
Total	<u>\$ 379,874</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%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 273,028	\$ 322,356	\$ 370,287

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 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, 2019. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2020:

	RHBF	DIPNC	Total
OPEB expense (benefit)	\$ (6,419,486)	\$ 306,189	\$ (6,113,297)
OPEB liability (asset)	232,858,984	(322,356)	232,536,628
Proportionate share of the net OPEB liability (asset)	0.7360%	0.7471%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 329,312	\$ 329,312
Changes of assumptions	11,192,299	35,709	11,228,008
Net difference between projected and actual earnings on plan investments	155,066	61,401	216,467
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,606,502	-	2,606,502
Board contributions subsequent to the measurement date	8,126,276	125,599	8,251,875
Total deferred outflows of resources	<u>\$ 22,080,143</u>	<u>\$ 552,021</u>	<u>\$ 22,632,164</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 11,739,026	\$ -	\$ 11,739,026
Changes of assumptions	70,007,616	33,072	70,040,688
Changes in proportion and differences between Board contributions and proportionate share of contributions	16,841,400	13,479	16,854,879
Total deferred inflows of resources	<u>\$ 98,588,042</u>	<u>\$ 46,551</u>	<u>\$ 98,634,593</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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2. Accounts Payable

Accounts payable as of June 30, 2020 are as follows:

	Vendors and Other	Salaries and benefits	Total
Governmental activities:			
General Fund	\$ 4,208,874	\$ 676,125	\$ 4,884,999
Other governmental activities	656,603	6,393,358	7,049,961
Total governmental activities	<u>\$ 4,865,477</u>	<u>\$ 7,069,483</u>	<u>\$ 11,934,960</u>
Business-type activities:			
School Food Service Fund	\$ 17,099	\$ 45,291	\$ 62,390
Child Care Fund	-	11,295	11,295
Total business-type activities	<u>\$ 17,099</u>	<u>\$ 56,586</u>	<u>\$ 73,685</u>

3. Unearned Revenues

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

Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 160,240</u>

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,621,722	\$ 11,913,553
Changes of assumptions	20,517,257	70,040,688
Net difference between projected and actual earnings on pension and OPEB plan investments	1,887,563	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,640,820	18,715,314
Board contributions subsequent to the measurement date	<u>24,542,107</u>	-
Total	<u>\$ 57,209,469</u>	<u>\$ 100,669,555</u>

5. Risk Management

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
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**For the Fiscal Year Ended June 30, 2020**

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coverage period aggregate. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage.

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

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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

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

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

#### 6. Contingent Liabilities

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

#### 7. Long-Term Obligations

##### a. Direct Placement Installment Purchases

The Board is authorized by State law [G.S.115C-47(28a)] to enter into direct placement installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In December 2018, the Board entered into such a contract to reduce energy costs throughout the district. The property is pledged as collateral for the debt while the debt is outstanding. The contract amount totaled \$8,060,925 and requires principal and interest payments for fifteen years beginning in the fiscal year 2019-2020 with an interest rate of 3.471 percent.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third-party direct placement financing arrangements. During the current and prior fiscal years, the Board entered into several such contracts for the purchase of school

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

buses. The buses are pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contracts totaled \$1,404,739. The contracts each require four equal principal-only payments with the first payment due within ten days of receipt of the buses and the following three payments due on each of the three subsequent November 15<sup>th</sup> dates.

The future minimum payments of the installment purchases as of June 30, 2020, including \$2,150,450 of interest, are as follows:

Years Ending June 30:	Governmental Activities	
	Principal	Interest
2021	\$ 786,781	\$ 268,916
2022	627,703	253,527
2023	493,362	237,596
2024	483,866	221,109
2025	500,731	204,048
2026 - 2030	2,778,013	742,768
2031 - 2035	2,827,507	222,486
Totals	<u>\$ 8,497,963</u>	<u>\$ 2,150,450</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, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion
Governmental activities:					
Direct placement installment purchases	\$ 9,178,724	\$ 103,161	\$ 783,922	\$ 8,497,963	\$ 786,781
Net pension liability	81,344,476	3,467,645	-	84,812,121	-
Net OPEB liability	209,411,631	17,125,697	-	226,537,328	-
Compensated absences	11,087,745	8,361,819	8,179,038	11,270,526	4,739,544
Total	<u>\$ 311,022,576</u>	<u>\$ 29,058,322</u>	<u>\$ 8,962,960</u>	<u>\$ 331,117,938</u>	<u>\$ 5,526,325</u>
Business-type activities:					
Net pension liability	\$ 2,182,133	\$ 184,598	\$ -	\$ 2,366,731	\$ -
Net OPEB liability	5,617,640	704,016	-	6,321,656	-
Compensated absences	219,404	245,980	232,217	233,167	116,255
Total	<u>\$ 8,019,177</u>	<u>\$ 1,134,594</u>	<u>\$ 232,217</u>	<u>\$ 8,921,554</u>	<u>\$ 116,255</u>

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Special Revenue Fund	School Food Service Fund	<u>\$ 68,391</u>

The balance above represents an interfund balance created in the normal operating cycle of the Board. This amount is expected to be paid prior to June 30, 2021.

2. Transfers to/from other Funds

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

The State Public School Fund transferred \$45,000 to the School Food Service Fund. This transfer was made at the request of the State of North Carolina to ensure that the State was in compliance with State matching requirements contained within the National School Lunch Program grant agreement.

The Federal Grants Fund purchased \$5,645 of noncapitalized equipment for the School Food Service Fund utilizing special federal grant funding received through the N.C. Department of Public Instruction.

The Child Care Fund transferred \$6,618 to the Individual Schools Fund during the year for co-curricular costs.

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	\$ 6,213,179
Less:	
Prepaid expenditures	(177,131)
Stabilization by State statute	(125,057)
Appropriated fund balance in the 2020-2021 budget	<u>(2,354,052)</u>
Remaining fund balance	<u>\$ 3,556,939</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2020 are as follows:

	<u>Encumbrances</u>
General Fund	\$ 143,311
Capital Outlay Fund	699,193
Other Special Revenue Fund	20,791

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES**

Other revenues for the fiscal year ended June 30, 2020 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	\$	1,873,307
Other reimbursements and refunds		1,376,154
Indirect costs allocated		768,935
Interest income		13,418
Activity bus revenue		178,535
Private grants and programs		709,316
Rental of school property		90,859
Tuition and fees		18,751
Other		<u>301,022</u>
Total other revenues	\$	<u>5,330,297</u>

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Board's proportion of the net pension liability (asset)	0.841%	0.839%	0.851%	0.882%	0.858%
Board's proportionate share of the net pension liability (asset)	\$ 87,178,852	\$ 83,526,609	\$ 67,543,516	\$ 81,095,241	\$ 31,609,417
Board's covered payroll	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219	\$ 110,731,966
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.99%	71.11%	58.96%	73.22%	28.55%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%
	<u>2015</u>	<u>2014</u>			
Board's proportion of the net pension liability (asset)	0.842%	0.861%			
Board's proportionate share of the net pension liability (asset)	\$ 9,868,150	\$ 52,259,332			
Board's covered payroll	\$ 106,132,900	\$ 107,475,854			
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9.30%	48.62%			
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%			

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only seven years of data presented.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 16,290,232	\$ 15,091,875	\$ 12,663,019	\$ 11,433,227	\$ 10,134,560
Contributions in relation to the contractually required contribution	<u>16,290,232</u>	<u>15,091,875</u>	<u>12,663,019</u>	<u>11,433,227</u>	<u>10,134,560</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 125,599,322	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 10,131,975	\$ 9,222,949	\$ 8,970,054	\$ 7,830,460	\$ 5,257,835
Contributions in relation to the contractually required contribution	<u>10,131,975</u>	<u>9,222,949</u>	<u>8,970,054</u>	<u>7,830,460</u>	<u>5,257,835</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 110,731,966	\$ 106,132,900	\$ 107,683,717	\$ 105,248,120	\$ 106,649,796
Contributions as a percentage of covered payroll	9.15%	8.69%	8.33%	7.44%	4.93%

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
RETIREE HEALTH BENEFIT FUND  
LAST FOUR FISCAL YEARS\***

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.736%	0.755%	0.787%	0.773%
Board's proportionate share of the net OPEB liability (asset)	\$ 232,858,984	\$ 215,029,271	\$ 257,905,302	\$ 336,184,984
Board's covered payroll	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	189.63%	183.05%	225.12%	303.53%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
RETIREE HEALTH BENEFIT FUND  
LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 8,126,276	\$ 7,699,435	\$ 7,106,796	\$ 6,656,017	\$ 6,202,572
Contributions in relation to the contractually required contribution	<u>8,126,276</u>	<u>7,699,435</u>	<u>7,106,796</u>	<u>6,656,017</u>	<u>6,202,572</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 125,599,322	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 6,079,185	\$ 5,731,177	\$ 5,707,237	\$ 5,262,406	\$ 5,225,840
Contributions in relation to the contractually required contribution	<u>6,079,185</u>	<u>5,731,177</u>	<u>5,707,237</u>	<u>5,262,406</u>	<u>5,225,840</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 110,731,966	\$ 106,132,900	\$ 107,683,717	\$ 105,248,120	\$ 106,649,796
Contributions as a percentage of covered payroll	5.49%	5.40%	5.30%	5.00%	4.90%

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET  
DISABILITY INCOME PLAN OF NORTH CAROLINA  
LAST FOUR FISCAL YEARS\***

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	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.747%	0.747%	0.756%	0.793%
Board's proportionate share of the net OPEB asset	\$ 322,356	\$ 226,900	\$ 462,263	\$ 492,677
Board's covered payroll	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.26%	0.19%	0.40%	0.44%
Plan fiduciary net position as a percentage of the total OPEB asset	113.00%	108.47%	116.23%	116.06%

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

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

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
DISABILITY INCOME PLAN OF NORTH CAROLINA  
LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 125,599	\$ 171,917	\$ 164,455	\$ 435,333	\$ 454,117
Contributions in relation to the contractually required contribution	125,599	171,917	164,455	435,333	454,117
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 125,599,322	\$ 122,798,007	\$ 117,467,706	\$ 114,561,390	\$ 110,760,219
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 454,001	\$ 466,072	\$ 473,808	\$ 547,290	\$ 554,579
Contributions in relation to the contractually required contribution	454,001	466,072	473,808	547,290	554,579
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 110,731,966	\$ 106,132,900	\$ 107,683,717	\$ 105,248,120	\$ 106,649,796
Contributions as a percentage of covered payroll	0.41%	0.44%	0.44%	0.52%	0.52%

**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, 2020**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Alamance County:			
County appropriation	\$ 42,463,142	\$ 42,463,142	\$ -
Other:			
Fines and forfeitures	900,000	651,408	(248,592)
Local sales tax	75,000	163,590	88,590
Interest earned on investment	125,000	82,199	(42,801)
Total other	<u>1,100,000</u>	<u>897,197</u>	<u>(202,803)</u>
Total revenues	<u>43,563,142</u>	<u>43,360,339</u>	<u>(202,803)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	13,475,897	12,987,914	487,983
Special populations	1,836,035	1,725,557	110,478
Alternative programs	744,281	647,112	97,169
School leadership	4,362,345	4,224,203	138,142
Co-curricular	688,801	643,579	45,222
School-based support	2,164,306	2,011,139	153,167
Total instructional services	<u>23,271,665</u>	<u>22,239,504</u>	<u>1,032,161</u>
System-wide support services:			
Support and development	852,698	779,510	73,188
Special population support and development	296,733	281,814	14,919
Alternative programs and services support and development	16,893	3,497	13,396
Technology support	980,885	977,278	3,607
Operational support	14,578,840	11,030,444	3,548,396
Financial and human resource services	1,895,694	1,805,374	90,320
Accountability	33,543	26,296	7,247
System-wide pupil support	183,148	180,442	2,706
Policy, leadership and public relations	1,331,543	1,309,037	22,506
Total system-wide support services	<u>20,169,977</u>	<u>16,393,692</u>	<u>3,776,285</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, 2020**

	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued):			
Current:			
Ancillary services:			
Nutrition	66,000	65,011	989
Non-programmed charges:			
Payments to other governments	2,835,753	2,755,047	80,706
Debt service:			
Principal retirement	755,712	115,814	639,898
Interest and fees	411,262	404,590	6,672
Total debt service	1,166,974	520,404	646,570
Total expenditures	47,510,369	41,973,658	5,536,711
Revenues over (under) expenditures	(3,947,227)	1,386,681	5,333,908
Other financing sources:			
Installment purchase obligations issued	2,947,227	-	(2,947,227)
Fund balance appropriated	1,000,000	-	(1,000,000)
Net change in fund balance	\$ -	1,386,681	\$ 1,386,681
Fund balance:			
Beginning of year		4,826,498	
End of year		\$ 6,213,179	

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**INDIVIDUAL SCHOOLS FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Revenues and Transfers in	Expenditures	Net change in fund balance	Fund balances 6/30/2019	Fund balances 6/30/2020
Alexander Wilson Elementary	\$ 96,403	\$ 109,069	\$ (12,666)	\$ 137,758	\$ 125,092
Altamahaw Ossipee Elementary	72,297	64,417	7,880	15,391	23,271
R. Homer Andrews Elementary	27,045	21,073	5,972	17,429	23,401
Eastlawn Elementary	11,221	5,525	5,696	8,116	13,812
Elon Elementary	65,483	56,856	8,627	31,072	39,699
Garrett Elementary	28,703	29,777	(1,074)	50,291	49,217
Grove Park Elementary	18,058	15,100	2,958	24,110	27,068
Haw River Elementary	5,634	7,749	(2,115)	4,636	2,521
Highland Elementary	45,712	33,211	12,501	29,110	41,611
Hillcrest Elementary	18,322	18,835	(513)	19,790	19,277
E.M. Holt Elementary	99,474	108,619	(9,145)	57,458	48,313
B. Everett Jordan Elementary	50,838	56,316	(5,478)	109,257	103,779
Newlin Elementary	20,143	17,254	2,889	3,393	6,282
North Graham Elementary	11,746	13,458	(1,712)	25,105	23,393
Pleasant Grove Elementary	16,807	20,565	(3,758)	14,660	10,902
Marvin B. Smith Elementary	40,487	40,978	(491)	35,560	35,069
South Graham Elementary	16,902	14,222	2,680	6,521	9,201
South Mebane Elementary	63,786	62,555	1,231	11,813	13,044
Sylvan Elementary	49,671	40,035	9,636	18,743	28,379
E.M. Yoder Elementary	67,194	47,948	19,246	33,585	52,831
Broadview Middle	32,424	30,023	2,401	15,820	18,221
Graham Middle	37,024	32,362	4,662	21,119	25,781
Hawfields Middle	94,747	83,654	11,093	15,359	26,452
Southern Middle	42,663	30,557	12,106	32,390	44,496
Turrentine Middle	46,541	47,000	(459)	15,894	15,435
Western Middle	105,802	107,092	(1,290)	73,026	71,736
Woodlawn Middle	48,497	30,620	17,877	40,917	58,794
Cummings High	82,577	88,151	(5,574)	53,902	48,328
Eastern Alamance High	288,529	294,233	(5,704)	90,194	84,490
Graham High	104,007	90,337	13,670	18,103	31,773
Southern Alamance High	296,440	296,026	414	135,180	135,594
Western Alamance High	229,130	260,905	(31,775)	105,077	73,302
Walter Williams High	160,111	156,927	3,184	110,812	113,996
Burlington Middle College	16,126	13,513	2,613	4,370	6,983
Ray Street Academy	2,940	2,413	527	4,808	5,335
Career and Technical Ed Center	12,512	20,407	(7,895)	17,932	10,037
<b>Totals</b>	<b>\$ 2,425,996</b>	<b>\$ 2,367,782</b>	<b>\$ 58,214</b>	<b>\$ 1,408,701</b>	<b>\$ 1,466,915</b>

**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, 2020**

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 1,818,451	\$ 726,147	\$ (1,092,304)
State appropriations - buses	<u>669,108</u>	<u>668,108</u>	<u>(1,000)</u>
Total State of North Carolina	<u>2,487,559</u>	<u>1,394,255</u>	<u>(1,093,304)</u>
Alamance County:			
Local bond revenues	150,111,155	4,186,269	(145,924,886)
General county appropriations	3,300,000	3,300,000	-
Restricted sales tax	<u>1,648,468</u>	<u>275,748</u>	<u>(1,372,720)</u>
Total Alamance County	<u>155,059,623</u>	<u>7,762,017</u>	<u>(147,297,606)</u>
Other:			
Local sales tax	29,765	29,765	-
Interest earned on investments	<u>6,000</u>	<u>6,438</u>	<u>438</u>
Total other	<u>35,765</u>	<u>36,203</u>	<u>438</u>
Total revenues	<u>157,582,947</u>	<u>9,192,475</u>	<u>(148,390,472)</u>
Expenditures:			
Current:			
System-wide support services:			
Operational support	677,167	192,496	484,671
Debt service:			
Principal retirement	669,108	668,108	1,000
Capital outlay	<u>161,285,072</u>	<u>8,625,459</u>	<u>152,659,613</u>
Total expenditures	<u>162,631,347</u>	<u>9,486,063</u>	<u>153,145,284</u>
Revenues under expenditures	(5,048,400)	(293,588)	4,754,812
Other financing sources:			
Installment purchase obligations issued	3,982,602	103,161	(3,879,441)
Fund balance appropriated	<u>1,065,798</u>	<u>-</u>	<u>(1,065,798)</u>
Net change in fund balance	<u>\$ -</u>	<u>(190,427)</u>	<u>\$ (190,427)</u>
Fund balance:			
Beginning of year		<u>2,876,462</u>	
End of year		<u>\$ 2,686,035</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, 2020**

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	\$ 2,558,400	\$ 1,909,239	\$ (649,161)
Other	9,700	17,825	8,125
Total operating expenditures	<u>2,568,100</u>	<u>1,927,064</u>	<u>(641,036)</u>
Operating expenditures:			
Business support services:			
Purchase of food		4,374,669	
Donated commodities		820,845	
Salaries and benefits		5,594,583	
Indirect costs		455,533	
Materials and supplies		728,748	
Repairs and maintenance		183,742	
Non-capitalized equipment		28,310	
Other		114,332	
Capital outlay		109,245	
Total operating expenditures	<u>14,422,949</u>	<u>12,410,007</u>	<u>2,012,942</u>
Operating loss	<u>(11,854,849)</u>	<u>(10,482,943)</u>	<u>1,371,906</u>
Nonoperating revenues:			
Federal reimbursements	8,760,000	9,601,553	841,553
Federal commodities	780,000	820,845	40,845
State reimbursements	12,000	10,946	(1,054)
Indirect costs not paid	-	919	919
Interest earned	20,000	46,071	26,071
Contributions and donations	-	3,950	3,950
Total nonoperating revenues	<u>9,572,000</u>	<u>10,484,284</u>	<u>912,284</u>
Excess (deficiency) of revenues over expenditures before other financing sources and fund balance appropriated	(2,282,849)	1,341	2,284,190
Other financing sources:			
Transfers from other funds	-	50,645	50,645
Fund balance appropriated	<u>2,282,849</u>	<u>-</u>	<u>(2,282,849)</u>
Net change in fund balance	<u>\$ -</u>	<u>51,986</u>	<u>\$ 51,986</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(311,723)	
Equipment purchases		109,245	
Net OPEB asset		2,424	
Net pension liability		(126,438)	
Net OPEB liability		(530,525)	
Deferred outflows - pension and OPEB		6,174	
Deferred inflows - pension and OPEB		492,449	
Increase in compensated absences payable		(10,757)	
Increase in inventory		63,725	
Change in net position (full accrual)		<u>\$ (253,440)</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, 2020**

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	\$ 1,450,000	\$ 1,213,263	\$ (236,737)
Operating expenditures:			
Regular community services:			
Purchase of food		13,536	
Salaries and benefits		943,836	
Indirect costs		23,652	
Materials and supplies		165,630	
Non-capitalized equipment		28,089	
Other		42,583	
Total operating expenditures	2,399,547	1,217,326	1,182,221
Operating loss	(949,547)	(4,063)	945,484
Nonoperating revenues:			
Interest earned	3,500	6,649	3,149
Excess (deficiency) of revenues over expenditures before other financing uses and fund balance appropriated	(946,047)	2,586	948,633
Other financing uses:			
Transfers to other funds	(50,000)	(6,618)	43,382
Fund balance appropriated	996,047	-	(996,047)
Net change in fund balance	\$ -	(4,032)	\$ (4,032)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(10,398)	
Net OPEB asset		399	
Net pension liability		(58,160)	
Net OPEB liability		(173,491)	
Deferred outflows - pension and OPEB		30,941	
Deferred inflows - pension and OPEB		(7,077)	
Increase in compensated absences payable		(3,006)	
Change in net position (full accrual)		\$ (224,824)	



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alamance-Burlington Board of Education, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprises the Alamance-Burlington Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 29, 2020.

### ***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. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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 29, 2020  
Rockingham, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Report On Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

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

### **Report on Compliance for Each Major Federal Program**

We have audited Alamance-Burlington Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. 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* (CFR) 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 on 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 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, 2020.

### ***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, we considered the Alamance-Burlington Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Alamance-Burlington Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 29, 2020  
Rockingham, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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

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

### **Report on Compliance for Each Major State Program**

We have audited Alamance-Burlington Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2020. The Alamance-Burlington Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Alamance-Burlington Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Alamance-Burlington Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major State Program**

In our opinion, the Alamance-Burlington Board of Education complied, in all material respects, with the 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, 2020.

### ***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 29, 2020  
Rockingham, North Carolina*

**ALAMANCE-BURLINGTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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

***Financial Statements***

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? *No*

***Federal Awards***

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
84.010	Title I, Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grant
	Special Education Cluster:
84.027	Grants to States - IDEA, part B (611)
84.027	Coordinated Early Intervening Services
84.027	Special Needs Targeted Assistance
84.027	Risk Pool
84.173	Preschool Targeted Assistance
84.173	Preschool Grants - IDEA, Part B (619)

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 779,043*

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, 2020**

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

**State Awards**

Internal control over major State programs:

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

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

*Unmodified*

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

*No*

Identification of major State programs:

Program Name

State Public School Fund  
Public School Capital Fund – Lottery  
State COVID-19 Supplemental Funds

**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, 2020**

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There were no findings reported in the prior year.

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2020**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 820,845
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	1,502,788
National School Lunch Program	10.555	PRC 035	4,633,922
Summer Food Service Program for Children	10.559	PRC 035	3,351,209
Cash assistance subtotal			<u>9,487,919</u>
Total Child Nutrition Cluster			<u>10,308,764</u>
Child Nutrition Discretionary Funds	10.579	PRC 053	5,645
Fresh Fruit and Vegetable Grant	10.582	PRC 035	113,634
Total School Nutrition Cluster (Note 3)			<u>10,428,043</u>
Total U.S. Department of Agriculture			<u>10,428,043</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund	21.019		
Student Computers and Devices		PRC 124	29,700
School Nutrition		PRC 125	191,779
Total Coronavirus Relief Fund			<u>221,479</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105	7,753,335
Migrant Education (Title I of IASA)	84.011	PRC 051	62,592
Supporting Effective Instruction State Grant	84.367	PRC 103	860,113
Language Acquisition Grant	84.365	PRC 104	267,891
Education for Homeless Children and Youth	84.196	PRC 026	28,744
Student Support and Academic Enrichment Program	84.424	PRC 108	253,340
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	4,940,539
Coordinated Early Intervening Services	84.027	PRC 070	152,754
Risk Pool	84.027	PRC 114	303,847
Special Needs Targeted Assistance	84.027	PRC 118	142,307
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	141,821
Preschool Targeted Assistance	84.173	PRC 119	5,733
Total Special Education Cluster			<u>5,687,001</u>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Special Education - State Personnel Development	84.323	PRC 082	8,450
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>273,786</u>
Passed-through UNC - Chapel Hill: Gear Up NC Grant	84.334		<u>2,149</u>
Passed-through N.C. State University: Title II, Math and Science Partnership	84.366		<u>54,873</u>
Total U.S. Department of Education			<u>15,252,274</u>
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	12.000		<u>66,297</u>
<b>Total Federal Assistance</b>			<b><u>25,968,093</u></b>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund		Various	136,348,927
Career and Technical Education:			
State Months of Employment		PRC 013	6,997,803
Program Support Funds		PRC 014	423,069
Driver Training		PRC 012	434,583
School Technology Fund		PRC 015	491,612
State COVID-19 Supplemental Funds		PRC 154	861,165
Passed-through Alamance County: Public School Capital Fund - Lottery			<u>726,147</u>
Cash assistance subtotal			<u>146,283,306</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	668,108
Textbooks		PRC 130	<u>24,429</u>
Non-cash assistance subtotal			<u>692,537</u>
Total N.C. Department of Public Instruction			<u>146,975,843</u>
<u>N.C. Department of Agriculture:</u>			
State Reduced Breakfast Program			<u>10,946</u>
<u>N.C. Department of Public Safety:</u>			
Passed-through Alamance County: Sustaining Education & Learning Team Grant			<u>77,053</u>
<b>Total State Assistance</b>			<b><u>147,063,842</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$173,031,935</u></b>

**ALAMANCE-BURLINGTON BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2020**

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Alamance-Burlington Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of 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 School Nutrition Program is clustered by the N.C. Department of Public Instruction and is treated separately for state audit requirement purposes.