

# Wayne County Board of Education

## FINANCIAL REPORT

June 30, 2015



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Wayne County, North Carolina

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 Wayne County Board of Education, North Carolina as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Wayne County Board of Education's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Wayne County Board of Education, North Carolina, as of June 30, 2015, and the respective changes in financial position, and, cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund and Federal Grants Fund 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 the management's discussion and analysis on pages 4-9 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 47-48, 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 an opinions on the financial statements that collectively comprise the Wayne County Board of Education's basic financial statements. The individual fund financial schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, on our consideration of the Wayne County Board of Education, North Carolina'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 and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Board of Education, North Carolina's internal control over financial reporting and compliance.

*Car, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina  
January 7, 2016

# Wayne County Board of Education Management's Discussion and Analysis

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

## **Financial Highlights**

- WCPS reverted \$10,000 in Driver's Education funds to DPI.
- No reduction in local funding from the County of Wayne and WCPS received the second of \$131,734 in special funding.
- State Instructional Assistant funding decreased by \$1.1 million and Low Wealth funding decreased by \$145,000.
- Of the \$6 million in renovation projects, Carver Heights Elementary and Dillard Middle Schools were completed; Spring Creek Elementary was nearing completion and Goldsboro High School was started.
- The \$43 million dollar new construction projects at Grantham Middle and Spring Creek Middle Schools were nearing completion
- The \$6.6 million dollar renovation project at Charles B. Aycock made significant progress.

## **Overview of the Financial Statements**

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

- *Independent Auditor's Report*
- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Supplemental section that presents budgetary schedules*
- *Required supplemental section that presents budgetary statement for enterprise fund*

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, and fiduciary 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 and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit. The fund financial statements however, provide information on the financial resources of each of the Board's major funds.

## Wayne County Board of Education Management's Discussion and Analysis

**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 inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how they have changed. Net position shows the difference between the Board's assets, liabilities and deferred inflows. This is one way to measure the Board'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 Board'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 Board 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.

Wayne County Board of Education has three types of funds:

*Governmental Funds.* Most of the Board's basic services are included in the governmental funds, which generally focus on two things - how cash and other assets can readily be converted to cash flow in and out and 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 funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

*Proprietary Funds.* Services for which the Board charges a fee are generally reported in the proprietary fund. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Wayne County Board of Education has only one proprietary fund - an enterprise fund - the School Food Service Fund.

The Proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

## Wayne County Board of Education Management's Discussion and Analysis

*Fiduciary Fund.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Wayne County Board of Education has one fiduciary fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The Proprietary fund statements are shown as Exhibits 9 and 10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report includes supplementary information concerning the Board's individual fund statements and the progress in funding its obligation to provide pension benefits to its employees. This information can be found beginning on page 46 of this report.

### Interdependence with Other Entities

The Board depends on financial resources flowing from, or associated with, the Federal Government, the State of North Carolina and the County of Wayne. Because of the dependency, the Board is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal, State, and County appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by a foreign government(s) and other holders of publicly held U.S. Treasury Securities.

### Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$89,631,819 as of June 30, 2015. The largest component of net position is net investment in capital assets, of \$123,583,803. It comprises 138% of the total net position. This significant increase is due to the recording of the construction projects on the WCPS books.

Following is a summary of the Statement of Net Position:

**Table 1  
Condense Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14
Current assets	\$ 16,156,291	14,228,939	\$ 4,600,950	4,722,005	\$ 20,757,241	\$ 18,950,944
Capital assets	122,415,286	89,290,927	1,168,517	756,027	123,583,803	90,046,954
<b>Total assets</b>	<b>138,571,577</b>	<b>103,519,866</b>	<b>5,769,467</b>	<b>5,478,032</b>	<b>144,341,044</b>	<b>108,997,898</b>
Deferred outflows of resources	8,200,511	-	218,907	-	8,419,418	-
Current liabilities	10,083,424	10,058,692	222,766	258,755	10,306,190	10,317,447
Long-term liabilities	23,535,046	17,149,149	466,758	243,880	24,001,804	17,393,029
<b>Total liabilities</b>	<b>33,618,470</b>	<b>27,207,841</b>	<b>689,524</b>	<b>502,635</b>	<b>34,307,994</b>	<b>27,710,476</b>
Deferred inflows of resources	28,073,342	32,643,533	747,309	869,275	28,820,651	33,512,808
Net investment in capital assets	122,415,286	89,208,336	1,168,517	756,027	123,583,803	89,964,363
Restricted net position	2,549,725	2,440,974	-	-	2,549,725	2,440,974
Unrestricted net position	(39,884,735)	(47,980,818)	3,383,026	3,350,095	(36,501,709)	(44,630,723)
<b>Total net position</b>	<b>\$ 85,080,276</b>	<b>\$ 43,668,492</b>	<b>\$ 4,551,543</b>	<b>\$ 4,106,122</b>	<b>\$ 89,631,819</b>	<b>\$ 47,774,614</b>

## Wayne County Board of Education Management's Discussion and Analysis

Note that net position increased during the year, indicating a rise in the financial condition of the Board. The increase in the net position (87%) was due to an increase in both current assets and capital assets in the governmental activities. Unrestricted net position increased in the business-type activities primarily because of an increase in both current assets and capital assets in the School Food Service fund and the construction projects. Also note that the Board carries capital assets for which Wayne County carries the offsetting debt.

The following table shows the revenues and expenses for the Board for the current fiscal year as compared to the revenue and expenses for the prior year.

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14
<b>Revenues</b>						
Program revenues:						
Changes for services	\$ -	\$ -	\$ 967,974	1,333,724	\$ 967,974	\$ 1,333,724
Operating grants & contributions	130,677,089	125,450,226	7,682,392	7,090,092	138,359,481	132,540,318
Capital grants & contributions	82,591	1,281,428	-	-	82,591	1,281,428
General revenues:						
Other revenues	61,245,937	21,950,779	10,101	9,131	61,256,038	21,959,910
<b>Total revenues</b>	<b>192,005,617</b>	<b>148,682,433</b>	<b>8,660,467</b>	<b>8,432,947</b>	<b>200,666,084</b>	<b>157,115,380</b>
<b>Expenses</b>						
Governmental activities:						
Instructional programs	119,706,430	121,475,301	-	-	119,706,430	121,475,301
Ancillary	4,299	12,780	-	-	4,299	12,780
System wide support	24,810,748	26,392,408	-	-	24,810,748	26,392,408
Non-programmed charges	718,145	370,000	-	-	718,145	370,000
Interest on long-term debt	458,412	476,753	-	-	458,412	476,753
Repayment of County debt issuance	1,810,828	1,071,428	-	-	1,810,828	1,071,428
Unallocated depreciation	3,023,300	2,944,044	-	-	3,023,300	2,944,044
Business-type activities:						
Food service	-	-	8,276,717	8,119,414	8,276,717	8,119,414
<b>Total expenses</b>	<b>150,532,162</b>	<b>152,742,714</b>	<b>8,276,717</b>	<b>8,119,414</b>	<b>158,808,879</b>	<b>160,862,128</b>
Transfers in (out)	(61,671)	(59,133)	61,671	59,133	-	-
Increase(decrease) in net position	41,411,784	(4,119,414)	445,421	372,666	41,857,205	(3,746,748)
<b>Beginning net position previously reported</b>	<b>76,232,467</b>	<b>80,351,881</b>	<b>4,975,395</b>	<b>4,602,729</b>	<b>81,207,862</b>	<b>84,954,610</b>
<b>Beginning net position restated</b>	<b>43,668,492</b>	<b>80,351,881</b>	<b>4,106,122</b>	<b>4,602,729</b>	<b>47,774,614</b>	<b>84,954,610</b>
<b>Ending net position</b>	<b>\$ 85,080,276</b>	<b>\$ 76,232,467</b>	<b>\$ 4,551,543</b>	<b>\$ 4,975,395</b>	<b>\$ 89,631,819</b>	<b>\$ 81,207,862</b>

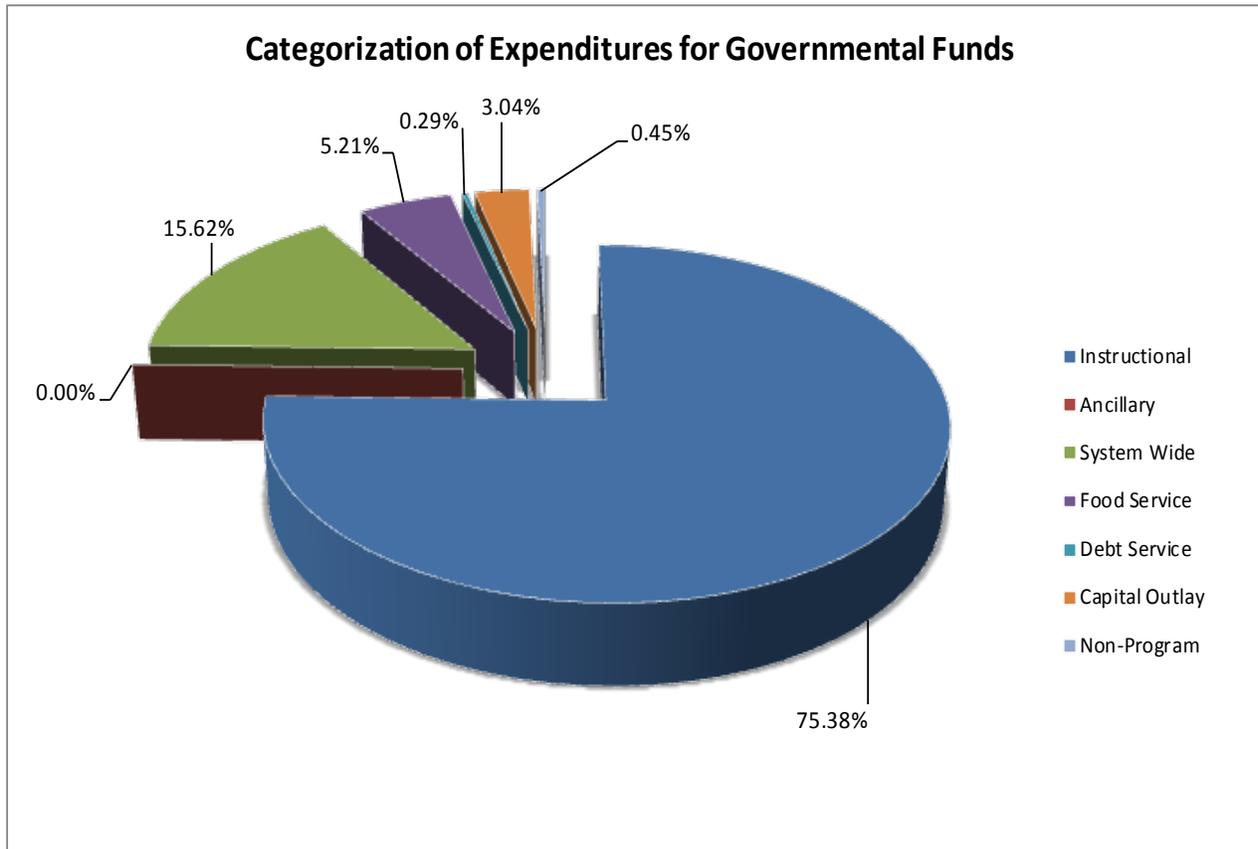
Total governmental activities generated revenues in excess of \$192 million while expenses in this activity totaled over \$150 million. Comparatively, revenues were over \$148 million and expenses totaled over \$152 million for the year ended June 30, 2014. After transfers to the business-type activities, the increase in governmental activities net position stands at approximately \$41.4 million at June 30, 2015, compared to a decrease of over \$4.1 million in 2014. Instructional services expenses comprised 80% of total governmental-type expenses while system-wide support services made up 16% of those expenses. County funding comprised 28% of total governmental revenue while unrestricted state funding added an additional 1% for 2015. In 2014, County funding was 14%. Much of the remaining 72% of total governmental revenue for 2015 consists of restricted state and federal funds. This revenue represented a slightly higher percentage of total revenue than in 2015 due to the receipt of local construction funds. Results for 2015 also include the funding reversion for Driver's Education. Business-type activities generated revenue of \$8.7 million and had expenses of \$8.3 million. Net position decreased in the business-type activities by over \$423,000 after the transfers in from the governmental activities of \$61,671 and the restatement of beginning net position due to the implementation of GASB 68 (see Note V).

## Wayne County Board of Education Management's Discussion and Analysis

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

**Governmental Funds.** The focus of Wayne County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of more than \$9.28 million, an increase of over \$1.59 million from last year.



Expenditures presented on modified accrual basis of accounting.

**Proprietary Fund.** The Board's business-type fund performed at a profit this past year. The School Food Service Fund reflects a 10.8% decrease in net position over last year due to the Restated Beginning Net Position. Total revenues increased by 2.7% while the cost of salaries and food increased by 2.7%.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to adjust appropriations in light of reduced revenue estimates due mainly to reduction in federal grants. With the reduction in revenues, the Board reduced expenditures, however there was still a deficit, which required the use of fund balance.

### **Capital Assets**

Capital assets increased by about \$33.5 million dollars (37.2%) from the previous year, primarily due to the recording of the construction of the new schools.

The following is a summary of the capital assets, net of depreciation at year-end.

## Wayne County Board of Education Management's Discussion and Analysis

**Table 3  
Summary of Capital Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14
Land	\$ 3,382,538	\$ 3,382,538	\$ -	\$ -	\$ 3,382,538	\$ 3,382,538
Buildings	78,320,196	80,643,338	-	-	78,320,196	80,643,338
Equipment & furniture	1,106,529	1,149,223	1,168,517	756,027	2,275,046	1,905,250
Vehicles	3,449,851	4,115,828	-	-	3,449,851	4,115,828
<b>Total capital assets</b>	<b>\$ 122,415,286</b>	<b>\$ 89,290,927</b>	<b>\$ 1,168,517</b>	<b>\$ 756,027</b>	<b>\$ 123,583,803</b>	<b>\$ 90,046,954</b>

### ***Debt Outstanding***

During the year the Board's outstanding debt increased by approximately \$6.1 million due mainly to a increase in the Net Cost of Pension Liability and Compensated Absences, which resulted from a change in accounting principle. The Board is limited by North Carolina General Statutes with regards to types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

### ***Economic Factors***

The Board anticipates enrollment to remain constant over the next several years. The County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the school district. The following factors have affected the economic outlook of Wayne County.

- The unemployment rate remained relevantly consistent - 6.5% as compared to 6.4% last year.
- The County is currently not rated by Moody's, Standard and Poor's nor Fitch Ratings.
- Tax rate remains unchanged.
- Sales tax revenues remained constant.

### ***Requests for Information***

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

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 Wayne County Board of Education  
 2001 Royall Avenue  
 Goldsboro, NC 27534



**Wayne County Board of Education, North Carolina  
Board of Education and Key Staff**

Board of Education

Don Christopher West, Chairman

Arnold L. Flowers, Vice Chairman

Patricia A. Burden

Dwight B. Cannon

Jennifer S. Strickland

Richard W. Pridgen

Edward L. Radford

Administrative and Financial Staff

Dr. Michael Dunsmore, Superintendent

Beverly Boltinhouse, Finance Officer

**Wayne County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**  
**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,133,616	\$ 3,979,613	\$ 14,113,229
Receivables (net)	4,922,446	445,267	5,367,713
Inventories	1,100,229	176,070	1,276,299
Capital assets (note 1):			
Land, improvements, and construction in progress	39,538,710	-	39,538,710
Other capital assets, net of depreciation	82,876,576	1,168,517	84,045,093
<b>Total capital assets</b>	<b>122,415,286</b>	<b>1,168,517</b>	<b>123,583,803</b>
<b>Total assets</b>	<b>138,571,577</b>	<b>5,769,467</b>	<b>144,341,044</b>
<b>Deferred outflows of resources</b>	<b>8,200,511</b>	<b>218,907</b>	<b>8,419,418</b>
<b>Liabilities</b>			
Accounts payable & accrued expenses	669,390	129,677	799,067
Accrued salaries and wages payable	6,124,499	40,952	6,165,451
Prepaid meals	-	52,137	52,137
Long-term liabilities:			
Net pension liability	7,395,189	197,409	7,592,598
Due within one year	3,289,535	67,338	3,356,873
Due in more than one year	16,139,857	202,011	16,341,868
<b>Total liabilities</b>	<b>33,618,470</b>	<b>689,524</b>	<b>34,307,994</b>
<b>Deferred inflows of resources</b>	<b>28,073,342</b>	<b>747,309</b>	<b>28,820,651</b>
<b>Net position</b>			
Net investment in capital assets	122,415,286	1,168,517	123,583,803
Restricted:			
Individual schools	1,147,943	-	1,147,943
Stabilization by state statue	357,199	-	357,199
School capital outlay	1,044,583	-	1,044,583
Unrestricted	(39,884,735)	3,383,026	(36,501,709)
<b>Total net position</b>	<b>\$ 85,080,276</b>	<b>\$ 4,551,543</b>	<b>\$ 89,631,819</b>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
Instructional programs:				
Regular instructional	\$ 70,022,877	\$ -	\$ 69,879,104	\$ -
Special populations	18,642,622	-	19,086,329	-
Alternative programs	12,152,564	-	12,237,100	-
School leadership	6,046,494	-	5,932,079	-
Co-curricular	4,060,256	-	3,259,208	-
School-based support	8,781,617	-	8,468,533	-
System-wide support services:				
Support and development	1,177,627	-	1,068,304	-
Special populations support and development	403,628	-	422,421	-
Alternative programs and services support	370,024	-	358,241	-
Technology support	582,448	-	504,343	-
Operational support	20,063,920	-	7,916,168	82,591
Financial and human resource accountability	923,169	-	798,373	-
System-Wide Pupil Support	8,051	-	-	-
Policy, leadership & public relations	1,281,881	-	486,154	-
Ancillary	4,299	-	66,134	-
Non-programmed charges	718,145	-	194,598	-
Interest on long-term debt	458,412	-	-	-
Repayment of county debt issuance	1,810,828	-	-	-
Unallocated depreciation	3,023,300	-	-	-
<b>Total governmental activities</b>	<b>150,532,162</b>	<b>-</b>	<b>130,677,089</b>	<b>82,591</b>
Business-type activities:				
School food service	8,276,717	967,974	7,682,392	-
<b>Total Primary government</b>	<b>\$ 158,808,879</b>	<b>\$ 967,974</b>	<b>\$ 138,359,481</b>	<b>\$ 82,591</b>

General revenues:

Unrestricted county appropriations - operating  
Unrestricted county appropriations - capital  
Unrestricted state appropriations - capital  
Unrestricted federal appropriations - operating  
Investment earnings, unrestricted  
Miscellaneous, unrestricted  
Gain on disposal of assets  
Transfers

Total general revenues and transfers

Total change in net position

Net position - beginning

Restatement

Net position - beginning, restated

Net position - ending

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (143,773)	\$ -	\$ (143,773)
443,707	-	443,707
84,536	-	84,536
(114,415)	-	(114,415)
(801,048)	-	(801,048)
(313,084)	-	(313,084)
(109,323)	-	(109,323)
18,793	-	18,793
(11,783)	-	(11,783)
(78,105)	-	(78,105)
(12,065,161)	-	(12,065,161)
(124,796)	-	(124,796)
(8,051)	-	(8,051)
(795,727)	-	(795,727)
61,835	-	61,835
(523,547)	-	(523,547)
(458,412)	-	(458,412)
(1,810,828)	-	(1,810,828)
(3,023,300)	-	(3,023,300)
<u>(19,772,482)</u>	<u>-</u>	<u>(19,772,482)</u>
-	373,649	373,649
<u>(19,772,482)</u>	<u>373,649</u>	<u>(19,398,833)</u>
19,039,728	-	19,039,728
34,866,813	-	34,866,813
5,100,488	-	5,100,488
517,600	-	517,600
17,417	9,994	27,411
1,703,891	-	1,703,891
-	107	107
(61,671)	61,671	-
<u>61,184,266</u>	<u>71,772</u>	<u>61,256,038</u>
41,411,784	445,421	41,857,205
76,232,467	4,975,395	81,207,862
<u>(32,563,975)</u>	<u>(869,273)</u>	<u>(33,433,248)</u>
<u>43,668,492</u>	<u>4,106,122</u>	<u>47,774,614</u>
<u>\$ 85,080,276</u>	<u>\$ 4,551,543</u>	<u>\$ 89,631,819</u>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Balance Sheet – Governmental Funds**  
**June 30, 2015**  
**Exhibit 3**

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
<b>Assets</b>						
Cash and investments	\$ 7,943,786	\$ -	\$ -	\$ 1,041,887	\$ 1,147,943	\$ 10,133,616
Accounts receivable	177,297	-	-	-	-	177,297
Due from other funds	-	9,336	41,744	-	27,178	78,258
Due from other governments	179,902	4,263,787	298,764	2,696	-	4,745,149
Inventories	1,100,229	-	-	-	-	1,100,229
<b>Total assets</b>	<b>\$ 9,401,214</b>	<b>\$ 4,273,123</b>	<b>\$ 340,508</b>	<b>\$ 1,044,583</b>	<b>\$ 1,175,121</b>	<b>\$ 16,234,549</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>						
Liabilities:						
Accounts payable	669,390	-	-	-	-	\$ 669,390
Accrued salaries & benefits	1,561,948	4,263,787	298,764	-	-	6,124,499
Due to other funds	78,258	-	-	-	-	78,258
<b>Total liabilities</b>	<b>2,309,596</b>	<b>4,263,787</b>	<b>298,764</b>	<b>-</b>	<b>-</b>	<b>6,872,147</b>
Deferred inflows of resources	-	9,336	41,744	-	27,178	78,258
Fund balances:						
Nonspendable						
Inventories	1,100,229	-	-	-	-	1,100,229
Restricted						
Stabilization by state statute	357,199	-	-	-	-	357,199
School capital outlay	-	-	-	1,044,583	-	1,044,583
Individual schools	-	-	-	-	1,147,943	1,147,943
Assigned						
Subsequent years expenditures	3,128,664	-	-	-	-	3,128,664
Unassigned	2,505,526	-	-	-	-	2,505,526
<b>Total fund balances</b>	<b>7,091,618</b>	<b>-</b>	<b>-</b>	<b>1,044,583</b>	<b>1,147,943</b>	<b>9,284,144</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,401,214</b>	<b>\$ 4,273,123</b>	<b>\$ 340,508</b>	<b>\$ 1,044,583</b>	<b>\$ 1,175,121</b>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	122,415,286
Deferred outflows of resources related to pensions	8,200,511
Some liabilities, including capital lease payable, compensated absences, and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(19,429,392)
Net pension liability	(7,395,189)
Deferred inflows of resources	(27,995,084)
<b>Net position of governmental activities</b>	<b>\$ 85,080,276</b>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 4**

	Major Funds					Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
<b>Revenues</b>						
State of North Carolina	\$ 943,089	\$ 111,569,039	\$ -	\$ 5,183,079	\$ -	\$ 117,695,207
Wayne County	19,149,728	-	-	34,866,813	-	54,016,541
U.S. Government	2,150,360	-	13,885,599	-	-	16,035,959
Other	1,516,214	-	-	97,743	3,259,208	4,873,165
<b>Total revenues</b>	<b>23,759,391</b>	<b>111,569,039</b>	<b>13,885,599</b>	<b>40,147,635</b>	<b>3,259,208</b>	<b>192,620,872</b>
<b>Expenditures</b>						
Current:						
Instructional services:						
Regular	4,779,947	67,358,137	1,779,356	-	-	73,917,440
Special population	1,169,268	14,187,046	4,003,859	-	-	19,360,173
Alternative programs	1,122,202	4,480,384	6,821,056	-	-	12,423,642
School leadership	437,250	5,932,079	-	-	-	6,369,329
Co-curricular	768,578	-	-	-	3,317,726	4,086,304
School-based support	671,216	8,174,760	293,773	-	-	9,139,749
System-wide support services:						
Support and development	168,563	1,068,304	-	-	-	1,236,867
Special population support & development	9,911	43,504	378,917	-	-	432,332
Alternative programs & services						
Support & development	21,774	129,667	228,574	-	-	380,015
Technology support	108,516	504,343	-	-	-	612,859
Operational support	10,337,180	8,360,364	165,256	-	-	18,862,800
Financial and human resources	155,280	778,163	20,210	-	-	953,653
System-wide Pupil Support	8,065	-	-	-	-	8,065
Policy, leadership, and public relations	800,919	486,154	-	-	-	1,287,073
Ancillary	6,364	4,463	-	-	-	10,827
Non-program charges	718,145	-	194,598	-	-	912,743
Debt service:						
Principal	464,008	-	-	82,591	-	546,599
Interest & other charges	458,412	-	-	-	-	458,412
Capital outlay:						
Real property	-	-	-	38,163,717	-	38,163,717
<b>Total expenditures</b>	<b>22,205,598</b>	<b>111,507,368</b>	<b>13,885,599</b>	<b>38,246,308</b>	<b>3,317,726</b>	<b>189,162,599</b>
Excess (deficiency) of revenues over expenditures	1,553,793	61,671	-	1,901,327	(58,518)	3,458,273
<b>Other financing sources (uses)</b>						
Transfers from (to) other funds	-	(61,671)	-	-	-	(61,671)
Transfers to County for debt	-	-	-	(1,810,828)	-	(1,810,828)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(61,671)</b>	<b>-</b>	<b>(1,810,828)</b>	<b>-</b>	<b>(1,872,499)</b>
<b>Net change in fund balance</b>	<b>1,553,793</b>	<b>-</b>	<b>-</b>	<b>90,499</b>	<b>(58,518)</b>	<b>1,585,774</b>
<b>Fund balances, beginning</b>	<b>5,537,825</b>	<b>-</b>	<b>-</b>	<b>954,084</b>	<b>1,206,461</b>	<b>7,698,370</b>
<b>Fund balances, ending</b>	<b>\$ 7,091,618</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,044,583</b>	<b>\$ 1,147,943</b>	<b>\$ 9,284,144</b>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 4**

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

Net change in fund balances - total governmental funds	\$	1,585,774
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 capital outlay exceeded depreciation in the current period.		
		33,127,008
Net book value of capital assets disposed of during the year, not recognized on modified accrual basis		
		(2,649)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
		8,200,511
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net affect of these differences in the treatment of long-term debt and related items.		
		546,599
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		(2,826,296)
Compensated absences		780,837
<hr/>		
Total changes in net position of governmental activities	\$	<u>41,411,784</u>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 5**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State of North Carolina	\$ 925,000	\$ 925,000	\$ 943,089	\$ 18,089
Wayne County	20,397,994	19,642,994	19,149,728	(493,266)
U.S. Government	1,122,000	1,527,748	2,150,360	622,612
Other	90,000	945,000	1,516,214	571,214
<b>Total revenues</b>	<b>22,534,994</b>	<b>23,040,742</b>	<b>23,759,391</b>	<b>718,649</b>
<b>Expenditures</b>				
Current:				
Instructional services:				
Regular	7,817,000	6,826,582	4,779,947	2,046,635
Special population	762,000	1,537,675	1,169,268	368,407
Alternative programs	964,746	1,146,346	1,122,202	24,144
School leadership	367,550	399,000	437,250	(38,250)
Co-curricular	812,000	812,000	768,578	43,422
School-based support	368,000	683,875	671,216	12,659
System-wide support services:				
Support and development	791,746	513,046	168,563	344,483
Special population support & development	-	9,950	9,911	39
Alternative programs and services support & development	-	21,900	21,774	126
Technology support	-	106,900	108,516	(1,616)
Operational support	12,077,474	11,488,370	10,337,180	1,151,190
Financial and human resources	123,000	193,600	155,280	38,320
System-wide Pupil Support	-	8,100	8,065	35
Policy, leadership, and public relations	744,142	816,242	800,919	15,323
Ancilliary	-	6,400	6,364	36
Non-program charges	836,000	836,000	718,145	117,855
Debt service:				
Principal	-	464,008	464,008	-
Interest & other charges	-	458,412	458,412	-
<b>Total expenditures</b>	<b>25,663,658</b>	<b>26,328,406</b>	<b>22,205,598</b>	<b>4,122,808</b>
<b>Revenues over (under) expenditures</b>	<b>(3,128,664)</b>	<b>(3,287,664)</b>	<b>1,553,793</b>	<b>4,841,457</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	-	-	-	-
Fund balance appropriated	3,128,664	3,287,664	-	(3,287,664)
<b>Total other financing sources (uses)</b>	<b>3,128,664</b>	<b>3,287,664</b>	<b>-</b>	<b>(3,287,664)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>1,553,793</b>	<b>1,553,793</b>
<b>Fund balances, beginning</b>	<b>-</b>	<b>-</b>	<b>5,537,825</b>	<b>5,537,825</b>
<b>Fund balances, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,091,618</b>	<b>\$ 7,091,618</b>

State Public School Fund				Federal Grants Fund			
Original	Final	Actual	Variance with Final Budget-Positive (Negative)	Original	Final	Actual	Variance with Final Budget-Positive (Negative)
\$ 113,606,000	\$ 116,872,633	\$ 111,569,039	\$ (5,303,594)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	15,793,455	18,890,688	13,885,599	(5,005,089)
-	-	-	-	-	-	-	-
113,606,000	116,872,633	111,569,039	(5,303,594)	15,793,455	18,890,688	13,885,599	(5,005,089)
68,672,038	68,939,751	67,358,137	1,581,614	1,430,964	1,996,480	1,779,356	217,124
13,317,833	14,280,554	14,187,046	93,508	3,650,246	4,827,501	4,003,859	823,642
5,295,863	5,475,785	4,480,384	995,401	8,122,628	9,524,761	6,821,056	2,703,705
6,024,415	6,067,454	5,932,079	135,375	-	-	-	-
-	-	-	-	-	-	-	-
8,588,034	8,754,376	8,174,760	579,616	347,667	456,084	293,773	162,311
1,151,687	1,151,686	1,068,304	83,382	-	-	-	-
42,324	42,324	43,504	(1,180)	599,951	555,265	378,917	176,348
136,113	136,113	129,667	6,446	257,596	311,774	228,574	83,200
417,899	523,405	504,343	19,062	-	-	-	-
8,578,081	10,115,473	8,360,364	1,755,109	809,351	546,596	165,256	381,340
820,986	820,985	778,163	42,822	41,323	167,432	20,210	147,222
-	-	-	-	-	-	-	-
498,479	498,479	486,154	12,325	-	-	-	-
-	4,463	4,463	-	-	-	-	-
-	-	-	-	533,729	504,795	194,598	310,197
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
113,543,752	116,810,848	111,507,368	5,303,480	15,793,455	18,890,688	13,885,599	5,005,089
62,248	61,785	61,671	(114)	-	-	-	-
(62,248)	(61,785)	(61,671)	114	-	-	-	-
-	-	-	-	-	-	-	-
(62,248)	(61,785)	(61,671)	114	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**Wayne County Board of Education, North Carolina**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2015**  
**Exhibit 6**

	Enterprise Fund
	Major Fund
	School Food Service
<hr/>	
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 3,979,613
Accounts receivable	95,767
Due from other governments	349,500
Inventories	176,070
<hr/>	
Total current assets	4,600,950
Noncurrent assets:	
Capital assets:	
Furniture and equipment, net	1,168,517
<hr/>	
Total assets	5,769,467
<b>Deferred Outflows of Resources</b>	218,907
<b>Liabilities</b>	
Current liabilities:	
Current portion of compensation absences	67,338
Accounts payable	129,677
Accrued salaries & benefits	40,952
Prepaid meals	52,137
<hr/>	
Total current liabilities	290,104
Noncurrent liabilities:	
Net pension liability	197,409
Compensated absences	202,011
<hr/>	
Total noncurrent liabilities	399,420
Total liabilities	689,524
<b>Deferred Inflows of Resources</b>	747,309
<b>Net position</b>	
Net investment in capital assets	1,168,517
Unrestricted	3,383,026
<hr/>	
<b>Total net position</b>	<b>\$ 4,551,543</b>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 7**

	Enterprise Fund Major Fund School Food Service	
<b>Operating revenues</b>		
Food sales	\$	960,832
Other operating revenues		7,142
<b>Total operating revenues</b>		<b>967,974</b>
 <b>Operating expenses</b>		
Food costs		
Purchased food		2,882,258
Donated commodities		576,674
Salaries and benefits		3,923,947
Indirect cost		418,009
Materials and supplies		341,322
Utilities		30,988
Repairs and maintenance		23,109
Depreciation		26,897
Contracted services		46,943
Other		6,570
<b>Total operating expenses</b>		<b>8,276,717</b>
<b>Operating loss</b>		<b>(7,308,743)</b>
 <b>Non-operating revenues (expenses)</b>		
Federal reimbursement		7,096,283
Federal commodities		576,674
State reimbursement		9,435
Interest earned on investments		9,994
<b>Total non-operating revenues</b>		<b>7,692,386</b>
<b>Income before transfers</b>		<b>383,643</b>
Gain on disposal of assets		107
Transfers from other funds		61,671
<b>Change in net position</b>		<b>445,421</b>
<b>Total net position - beginning</b>		<b>4,975,395</b>
<b>Restatement</b>		<b>(869,273)</b>
<b>Total net position - beginning, restated</b>		<b>4,106,122</b>
<b>Total net position - ending</b>	\$	<b>4,551,543</b>

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 8**

		Enterprise Fund Major Fund School Food Service
<b>Cash flows from operating activities</b>		
Cash received from customers	\$	1,041,287
Cash paid for goods and services		(3,664,565)
Cash paid to employees for services		(3,996,730)
Other operating revenues		(60,875)
Net cash used in operating activities		(6,680,883)
<b>Cash flows from noncapital and related financing activities</b>		
Federal reimbursements		6,993,618
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets		(439,497)
Proceeds from sale of capital assets		213
Net cash used in capital and related financing activities		(439,284)
<b>Cash flows from investing activities</b>		
Earned on investments		9,994
Net decrease in cash and cash equivalents		(116,555)
<b>Cash and cash equivalents at beginning of year</b>		<b>4,096,168</b>
<b>Cash and cash equivalents at end of year</b>	\$	<b>3,979,613</b>

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$	(7,308,743)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation		26,897
Pension expense		75,445
Donated commodities consumed		576,674
Gain on disposal of asset		
Salaries paid by special revenue funds		61,671
Change in assets and liabilities		
Decrease in accounts receivable		80,455
Decrease in inventories		36,145
Decrease in accounts payable		47,148
Increase in prepaid meals		1,341
Decrease in salaries & benefits		(59,009)
(Increase) in deferred outflows of resources for pension plan contributions in current fiscal year		(218,907)
Total adjustments		627,860
Net cash used in operating activities	\$	(6,680,883)

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 8**

**Non-cash capital and related financing activities**

The State Public School Fund paid salaries and benefits of \$61,671 to administrative personnel of the School Food Service Fund during the fiscal year. The payments are reflected as a transfer in and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$576,674 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$576,674 worth of donated commodities during the fiscal year as an operating expense. These transactions are recorded on Exhibit 7.

Capital assets with a cost of \$9,570 and a carrying value of \$108 were disposed of and removed from the School Food Service Fund records. A gain of \$107 resulted from this transaction.

**Wayne County Board of Education, North Carolina**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2015**  
**Exhibit 9**

	Private Purpose Trust
<b>Assets</b>	
Cash	\$ 456,829
Due from other government	28
<hr/>	
Total assets	456,857
<hr/>	
<b>Liabilities</b>	
Accounts payable	65
<hr/>	
<b>Net position</b>	
Assets held in trust for private purpose	\$ 456,792
<hr/>	

*The accompanying notes are an integral part of these financial statements.*

**Wayne County Board of Education, North Carolina**  
**Statement of Changes in Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Exhibit 10**

	Private Purpose Trust
<hr/>	
<b>Additions</b>	
Contributions and other revenue	5,298
<b>Deductions</b>	
Non-program charges-community service	16,959
<hr/>	
<b>Change in net position</b>	(11,661)
<b>Total net position - beginning</b>	468,453
<hr/>	
<b>Total net position - ending</b>	\$ 456,792
<hr/>	

*The accompanying notes are an integral part of these financial statements.*

## Wayne County Board of Education Notes to Financial Statements

### **NOTE I. Summary of Significant Accounting Policies**

The accounting policies of Wayne County Board of Education, North Carolina 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 Wayne County Board of Education, North Carolina (the 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 Wayne County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

#### **B. Basis of Presentation, Basis of Accounting**

*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. These statements distinguish between the governmental and business-type activities of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Board's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary fund is presented separately.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

*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.

*Federal Grants Fund.* The Federal Grants Fund is used to account for various programs and grants, which the federal government provided to the local administrative unit.

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

## Wayne County Board of Education Notes to Financial Statements

expenditures are for athletic events, club programs, activity buses, and instructional needs. The Individual Schools Fund is reported as a special revenue fund.

*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 Wayne County appropriations, restricted sales tax monies, proceeds of Wayne County bonds issued for public school construction, lottery proceeds, as well as certain Federal and State assistance.

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

*Administrative Fund.* The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district.

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 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 are 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. The Board has authorized the Superintendent to move monies from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. 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.

# Wayne County Board of Education

## Notes to Financial Statements

### **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 Super NOW 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. The STIF consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

#### **2. Cash and Cash Equivalents**

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

#### **3. Inventories**

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

#### **4. Capital Assets**

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 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 capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Wayne 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 give the school system full use of the facilities and full responsibility for maintenance of the facilities, and provide 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.

## Wayne County Board of Education Notes to Financial Statements

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

	Years
Buildings	50
Improvements	10
Equipment and furniture	5
Vehicles/Buses	6/10
Computers	3

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

### 5. Deferred Outflows and Inflows of Resources

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

### 6. Long-term Obligations

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

### 7. Compensated Absences

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

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.

### 8. Net Position/Fund Balances

#### **Net Position**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represent 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 five 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:

## Wayne County Board of Education Notes to Financial Statements

**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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Restricted for School Capital Outlay – portion of fund balance that can only be used for School Capital Outlay. (G.S. 159-18 through 22)

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to modify the appropriations by resource or appropriation within funds up to \$100,000.

**Unassigned fund balance** – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Wayne County Board of Education has a revenue spending policy 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.

## Wayne County Board of Education Notes to Financial Statements

### 9. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes 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 \$75,796,132 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 200,389,618
Less accumulated depreciation	(77,974,332)
Net capital assets	122,415,286
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	(1,285,664)
Contributions made to the pension plan in current fiscal year	8,200,511
 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:	
Leases and installment financing	(8,305,833)
Compensated absences	(11,123,559)
Net pension	(7,395,189)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(1,723,779)
Differences between projected and actual earnings on plan investments	(24,985,641)
	(46,619,154)
Total adjustment	\$ 75,796,132

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

## Wayne County Board of Education Notes to Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$39,826,010 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 36,792,017
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements	(3,665,009)
Net book value of capital assets disposed of during the year	(2,649)
Principal payments on the debt owed are recorded as a use of funds on the fund statements but affect only the Statement of Net Position in the government-wide statements	546,599
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	8,200,511
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	(2,826,296)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	780,837
Total adjustment	\$ 39,826,010

### 10. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, 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) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. 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. Investments are reported at fair value.

# Wayne County Board of Education

## Notes to Financial Statements

### **Note II. Stewardship, Compliance, and Accountability**

#### **A. Excess of Expenditures over Appropriations**

During the fiscal year ended June 30, 2015, the Board reported expenditures within the General Fund and School Food Service Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$39,866 (see Exhibit 5) and \$168,497(see Schedule 4), respectively. For the General Fund, the Board adopts a budget based on Purpose Code. Management will amend procedures to ensure compliance with budgeting requirements.

### **Note III. Detail Notes on All Funds**

#### **A. Assets**

##### **1. Deposits**

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The board has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Board complies with the provisions of G.S. 158-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$7,900,524 and with the State Treasurer a carrying amount of \$0. The bank balances with the financial institutions and the State Treasurer were \$8,508,022 and \$252,053, respectively. Of these balances, \$1,220,244 was covered by federal depository insurance and \$7,539,831 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

##### **2. Investments**

At June 30, 2015, the Board of Education had \$6,669,534 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 at June 30, 2015. The Board has no policy for managing interest rate risk or credit risk.

## Wayne County Board of Education Notes to Financial Statements

### 3. Accounts Receivable

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

	Due from other funds (internal balances)	Due from other governments	Other	Totals
Governmental activities:				
General fund	\$ (78,258)	\$ 179,902	\$ 177,297	\$ 278,941
Other governmental activities	78,258	4,565,247	-	4,643,505
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,745,149</b>	<b>\$ 177,297</b>	<b>\$ 4,922,446</b>
Business-type activities:				
School Food Service	\$ -	\$ 349,500	\$ 95,767	\$ 445,267

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 179,902	Miscellaneous sales tax revenue
State Public School Fund	4,254,451	Operating funds from DPI
State Public School Fund	9,336	Miscellaneous sales tax revenue
Capital Outlay Fund	2,696	Miscellaneous sales tax revenue
Federal Grants Fund	298,764	Federal grants funds
<b>Total</b>	<b>\$ 4,745,149</b>	
Business-type activities:		
School Food Service	\$ 7,598	Miscellaneous sales tax revenue
School Food Service	341,902	Federal reimbursements
<b>Total</b>	<b>\$ 349,500</b>	

## Wayne County Board of Education Notes to Financial Statements

### 4. Capital Assets

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

Description	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,382,538	\$ -	\$ -	\$ 3,382,538
Construction in progress	-	36,537,954	381,782	36,156,172
<b>Total capital assets not being depreciated</b>	<b>3,382,538</b>	<b>36,537,954</b>	<b>381,782</b>	<b>39,538,710</b>
<b>Capital assets being depreciated:</b>				
Buildings	141,481,777	381,782	-	141,863,559
Equipment and furniture	3,177,379	248,063	5,466	3,419,976
Vehicles	15,609,808	6,000	48,435	15,567,373
<b>Total capital assets being depreciated</b>	<b>160,268,964</b>	<b>635,845</b>	<b>53,901</b>	<b>160,850,908</b>
<b>Less accumulated depreciation for:</b>				
Buildings	60,838,439	2,704,924	-	63,543,363
Equipment and furniture	2,028,156	290,757	5,466	2,313,447
Vehicles	11,493,980	669,328	45,786	12,117,522
<b>Total accumulated depreciation</b>	<b>74,360,575</b>	<b>3,665,009</b>	<b>51,252</b>	<b>77,974,332</b>
<b>Total capital assets being depreciated, net</b>	<b>85,908,389</b>			<b>82,876,576</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 89,290,927</b>			<b>\$ 122,415,286</b>

Depreciation expense was charged to governmental functions as follows:

Unallocated depreciation	\$ 3,023,300
Regular instructional	51,459
Special instructional	13,478
Alternative programs	8,649
School leadership	4,434
Co-curricular	2,845
School-based programs	6,363
Support and development	28,835
Special population support	10,079
Alternative program support	8,859
Technology support	14,287
Operational support	439,744
Financial support	22,232
System wide	188
Policy and leadership support	30,005
Ancillary Services	252
<b>Total</b>	<b>\$ 3,665,009</b>

## Wayne County Board of Education Notes to Financial Statements

Description	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ -	\$ 390,302	\$ -	\$ 390,302
<b>Total capital assets not being depreciated</b>	<b>-</b>	<b>390,302</b>	<b>-</b>	<b>390,302</b>
<b>Capital assets being depreciated:</b>				
Furniture and office equipment	4,322,272	49,193	9,570	4,361,895
<b>Total capital assets being depreciated</b>	<b>4,322,272</b>	<b>49,193</b>	<b>9,570</b>	<b>4,361,895</b>
<b>Less accumulated depreciation for:</b>				
Furniture and office equipment	3,566,245	26,897	9,462	3,583,680
<b>Total accumulated depreciation</b>	<b>3,566,245</b>	<b>26,897</b>	<b>9,462</b>	<b>3,583,680</b>
<b>School Food Service capital assets, net</b>	<b>\$ 756,027</b>			<b>\$ 1,168,517</b>

### Construction Commitments

Wayne County has active construction projects as of June 30, 2015. The projects include the Grantham Middle and Spring Creek Middle school construction and Charles B. Aycock High, Goldsboro High, and Spring Creek Elementary school renovations. The school construction and renovation project are for the benefit of Wayne County Board of Education. At year-end, the County's commitments with contractors for school construction are as follows:

Project	Spent-to-date	Remaining Commitment
Grantham/Spring Creek Middle Schools Construction	\$ 32,715,861	\$ 10,866,061
Spring Creek Elementary Renovation/Addition	1,709,250	2,140,750
Charles B. Aycock High Renovation/Addition	1,619,464	4,980,536
Goldsboro High Renovation/Addition	111,597	1,584,623
<b>Total</b>	<b>\$ 36,156,172</b>	<b>\$ 19,571,970</b>

### Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Carolina County Board of Education has entered into an agreement to purchase 5 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the County Board of Education out of funds allocated to the County Board of Education. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2015, has been recorded.

## Wayne County Board of Education Notes to Financial Statements

The payments due in the fiscal year ended June 30, 2015 are as follows:

Total purchase price, 9 buses	\$ 721,860
Total payments due in fiscal year 2015-2016	\$ 481,240
Remaining payments in subsequent years	\$ 240,620

### B. Liabilities

#### 1. Pension Plan Obligations

##### a. Teachers' and State Employees' Retirement System

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

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

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

## Wayne County Board of Education Notes to Financial Statements

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$8,419,418 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$7,592,598 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .01%.

For the year ended June 30, 2015, the Board recognized pension expense of \$2,901,741. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,769,794
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	25,652,615
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	1,319,984
Board contributions subsequent to the measurement date	8,419,418	-
<b>Total</b>	<b>\$ 8,419,418</b>	<b>\$ 28,742,393</b>

\$8,419,418 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, 2016.

## Wayne County Board of Education Notes to Financial Statements

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 7,228,399
2017	7,228,399
2018	7,228,399
2019	7,057,196
2020	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the 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, 2014 are summarized in the following table:

## Wayne County Board of Education Notes to Financial Statements

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

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 54,504,929	\$ 7,592,598	\$ (32,018,032)

*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 Post-employment Benefits**

#### **Healthcare Benefits**

*Plan Description.* The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive

## Wayne County Board of Education Notes to Financial Statements

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,051,651, \$4,670,814, and \$4,719,592, respectively. These contributions represented 5.49%, 5.3%, and 5.0%, of covered payroll, respectively.

### **Long-term Disability Benefits**

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

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

*Funding Policy.* An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make

## Wayne County Board of Education Notes to Financial Statements

application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other post employment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$377,264, \$380,585, and \$391,815, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

### **Other-Employment Benefits**

In addition to providing pension and post employment healthcare benefits, the Board provides disability benefits and death benefits, in accordance with State statutes, to certain employees. Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his or her death. The Death Benefit will be at least \$25,000 and a maximum of \$50,000.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-

## Wayne County Board of Education Notes to Financial Statements

year term cost basis. Long-term disability benefits are payable from the Disability Income Plan 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.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for death payments of \$147,225, \$138,394, and \$142,478, respectively. These contributions represented 0.16% of covered payroll, respectively.

### 2. Accounts Payable

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

	Vendors	Salaries and benefits	Total
Governmental activities:			
General	\$ 669,390	\$ 1,561,948	\$ 2,231,338
State Public School	-	4,263,787	4,263,787
Federal Grants	-	298,764	298,764
<b>Total governmental activities</b>	<b>\$ 669,390</b>	<b>\$ 6,124,499</b>	<b>\$ 6,793,889</b>
Business-type activities:			
School food service	\$ 129,677	\$ 40,952	\$ 170,629
<b>Total business-type activities</b>	<b>\$ 129,677</b>	<b>\$ 40,952</b>	<b>\$ 170,629</b>

### 3. Deferred Outflows and Inflows of Resources

The balance in deferred outflows and inflow of resources at year-end is composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 1,319,984
Board contributions subsequent to the measurement date	8,419,418	-
Difference between projected and actual earnings on plan investments	-	25,652,615
Difference between expected and actual experience	-	1,769,794
Sales tax refunds receivable (State Public School Fund)	-	9,336
Sales tax refunds receivable (Federal Grants Fund)	-	41,744
Sales tax refunds receivable (Individual Schools)	-	27,178
	<b>\$ 8,419,418</b>	<b>\$ 28,820,651</b>

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

## Wayne County Board of Education Notes to Financial Statements

The Board owned facilities and properties are not located within a designated flood plan. Based upon this designation, the Board has not purchased flood insurance through the National Flood Insurance Plan.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$175,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

### **5. Contingent Liabilities**

At June 30, 2015, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

### **6. Long-Term Obligations**

#### **a. Installment Purchase**

The Board is authorized by State law [G.S.115C-47 (28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In July 2005, the Board entered into such contracts to reduce the energy costs associated with the various schools in the Wayne County school system. The financing contract requires annual principal payments for 13 years beginning in fiscal year 2007; with interest rate being 3.49%. Principal payments remaining are \$754,513. In September 2008, the Board entered into a contract to reduce the energy costs associated with various schools in the Wayne County School System. The financing contract requires annual principal payments for 13 years beginning in fiscal year 2010; with interest rate being 5.5133%. Principal payments remaining are \$7,551,320.

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 monies 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 a special third party financing arrangement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase price.

In June 2014, the Board received one bus on an installment purchase contract, which requires installment payments of \$20,892, with maturity in fiscal year 2015.

In August 2014, the Board received three buses on an installment purchase contract, which requires installment payments of \$61,700, with maturity in fiscal year 2015.

The financing arrangement requires an initial payment ten days following delivery then annually in November thereafter. Should delivery occur before November of the year, another payment shall be due in November of same year. Therefore in the initial year of the contract, two payments may be required.

## Wayne County Board of Education Notes to Financial Statements

The future minimum payments of the installment financing and energy savings contract as of June 30, 2015, including \$3,519,821 of interest, are as follows:

Guaranteed Energy Savings Contract			
Year Ended June 30,	Principal	Interest	
2016	\$ 508,645	\$	416,327
2017	553,802		403,895
2018	476,663		389,526
2019	339,240		373,070
2020	383,111		354,367
2021-2025	2,697,070		1,399,997
2026-2030	3,347,302		482,639
Principal payments	\$ 8,305,833	\$	3,819,821

### **b. Long-Term Obligation Activity**

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
<b>Governmental activities:</b>					
Installment purchases	\$ 82,591	\$ -	\$ 82,591	\$ -	\$ -
Energy savings contract	8,769,841	-	464,008	8,305,833	508,645
Net pension liability	32,563,982	-	25,168,793	7,395,189	-
Compensated absences	11,904,396	-	780,837	11,123,559	2,780,890
Total	\$ 53,320,810	\$ -	\$ 26,496,229	\$ 26,824,581	\$ 3,289,535
<b>Business-type activities:</b>					
Net pension liability	\$ 8,385,041	\$ -	\$ 8,187,632	\$ 197,409	\$ -
Compensated absences	325,174	-	55,825	269,349	67,338
Total	\$ 8,710,215	\$ -	\$ 8,243,457	\$ 466,758	\$ 67,338

Compensated absences are typically liquidated by the general and other governmental funds.

### **C. Interfund Balances and Activity**

#### *Transfers to/from other funds*

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

From the State Public School Fund to the School Food Service Fund for administrative costs	\$ 61,671

See Note III, A, 3 for interfund balances.

## Wayne County Board of Education Notes to Financial Statements

### D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 122,415,286	\$ 1,168,517
less: long-term debt	-	-
Net investment in capital asset	\$ 122,415,286	\$ 1,168,517

### E. Fund Balance

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Board of Education fund, 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.

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	\$ 7,091,618
Less:	
Inventories	1,100,229
Stabilization by State Statute	357,199
Appropriated Fund Balance in 2015 budget	3,128,664
Remaining Fund Balance	\$ 2,505,526

### NOTE IV. 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 monies 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 monies.

#### NOTE V. Subsequent Events

Management has evaluated subsequent events through January 7, 2016, the date on which the financial statements were available to be issued.

#### NOTE VI. Change in Accounting Principles/Restatement

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$32,563,975 and \$869,273, respectively.



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information required by generally accepted accounting principles

- Schedule of Proportionate Share of Net Pension Liability for the Teachers' and State Employees' Retirement System
- Schedule of Contributions to the Teachers' and State Employees' Retirement System

**Wayne County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net Pension Liability**  
**Teacher's and State Employees' Retirement System**  
**Last Two Fiscal Years\***

	2015	2014
Board's proportion of the net pension liability (asset)	0.65%	0.65%
Board's proportionate share of the net pension liability (asset)	\$ 7,592,598	\$ 7,515,776
Board's covered-employee payroll	\$ 92,015,500	\$ 86,496,558
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.25%	8.69%
Plan fiduciary net pension 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.

**Wayne County Board of Education, North Carolina  
Schedules of Board Contributions  
Teacher's and State Employees' Retirement System  
Last Two Fiscal Years**

	2015	2014
Contractually required contribution	\$ 8,419,418	\$ 7,516,551
Contributions in relation to the contractually required contribution	<u>8,419,418</u>	<u>7,516,551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 92,015,500	\$ 86,496,558
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

**Wayne County Board of Education, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 1**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
State of North Carolina:			
More at Four	\$ 925,000	\$ 943,089	\$ 18,089
<b>Total</b>	<b>925,000</b>	<b>943,089</b>	<b>18,089</b>
Wayne County appropriation			
Local current expense - General	18,775,994	18,282,728	(493,266)
Local current expense - Edgewood	587,000	587,000	-
Local current expense - WISH	280,000	170,000	(110,000)
Local current expense - Mobile Pre K	-	110,000	110,000
<b>Total</b>	<b>19,642,994</b>	<b>19,149,728</b>	<b>(493,266)</b>
U.S. Government:			
ROTC	267,000	298,668	31,668
Department of Defense	405,748	442,942	37,194
Impact Aid	565,000	517,600	(47,400)
Medicaid Reimbursement	290,000	891,150	601,150
<b>Total</b>	<b>1,527,748</b>	<b>2,150,360</b>	<b>622,612</b>
Other:			
Fines and forfeitures	-	482,563	482,563
Sales tax refund	90,000	32,667	(57,333)
Insurance settlement	105,000	243,281	138,281
Interest earned on investments	20,000	14,743	(5,257)
Indirect cost allocated	630,000	612,607	(17,393)
Other	100,000	130,353	30,353
<b>Total</b>	<b>945,000</b>	<b>1,516,214</b>	<b>571,214</b>
<b>Total revenues</b>	<b>23,040,742</b>	<b>23,759,391</b>	<b>718,649</b>
<b>Expenditures:</b>			
Instructional services:			
Regular instructional services:			
Regular curricular services		4,265,085	
CTE curricular services		514,862	
<b>Total</b>	<b>6,826,582</b>	<b>4,779,947</b>	<b>2,046,635</b>
Special populations services:			
Children with disabilities curricular services		927,154	
Special population CTE curricular services		63,912	
Pre-K children with disabilities		4,300	
Speech and language pathology curricular services		121,222	
Academically gifted		35,643	
Limited English proficiency services		17,037	
<b>Total</b>	<b>1,537,675</b>	<b>1,169,268</b>	<b>368,407</b>
Alternative programs services:			
Alternative instructional		35,504	
Attendance and social work		60,026	
Remedial and supplemental		51,379	
Alternative instructional services Pre-K readiness		975,293	
<b>Total</b>	<b>1,146,346</b>	<b>1,122,202</b>	<b>24,144</b>

**Wayne County Board of Education, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 1**

	Budget	Actual	Variance Favorable (Unfavorable)
School leadership services	399,000	437,250	(38,250)
Co-curricular services	812,000	768,578	43,422
School-based support services:			
Educational media services		295,247	
Student accounting		52,273	
Guidance services		200,532	
Health services		19,778	
Safety and security support services		103,386	
Total	683,875	671,216	12,659
<b>System-wide support services:</b>			
Support and development:			
Regular curricular support and development services		71,958	
CTE curricular support and development services		96,605	
Total	513,046	168,563	344,483
Special population support and development:	9,950	9,911	39
Alternative programs & services support & development services:	21,900	21,774	126
Technology support services	106,900	108,516	(1,616)
Operational support:			
Communication services		(358,937)	
Printing and copying services		111,852	
Public utility and energy services		4,503,040	
Custodial/housekeeping services		1,386,364	
Transportation services		946,236	
Maintenance services		3,748,625	
Total	11,488,370	10,337,180	1,151,190
Financial and human resource:			
Financial services		122,088	
Human resources services		33,192	
Total	193,600	155,280	38,320
System-wide pupil support:			
Health support		8,065	
Total	8,100	8,065	35
Policy, leadership and public relations:			
Board of Education		391,830	
Legal services		37,654	
Audit services		40,000	
Office of Superintendent		83,525	
Deputy, Associate, and Assistants		35,134	
Public relations		212,776	
Total	816,242	800,919	15,323

**Wayne County Board of Education, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 1**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Ancillary services:</b>			
Nutrition	6,400	6,364	36
<b>Non-program charges:</b>			
Payments to other governmental units	836,000	718,145	117,855
Debt service:			
Energy savings contract		464,008	
Interest & other charges		458,412	
Total	922,420	922,420	-
<b>Total expenditures</b>	<b>26,328,406</b>	<b>22,205,598</b>	<b>4,122,808</b>
<b>Revenues over (under) expenditures</b>	<b>(3,287,664)</b>	<b>1,553,793</b>	<b>4,841,457</b>
<b>Other financing sources:</b>			
Fund balance appropriated	3,287,664	-	(3,287,664)
Total other financing sources	3,287,664	-	(3,287,664)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>1,553,793</b>	<b>\$ 1,553,793</b>
<b>Fund balance, beginning</b>		<b>5,537,825</b>	
<b>Fund balance, ending</b>		<b>\$ 7,091,618</b>	

**Wayne County Board of Education, North Carolina**  
**Capital Outlay Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 2**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
State of North Carolina			
Public School Building Capital Fund Lottery		\$ 5,100,488	
State appropriations - buses		82,591	
Total State of North Carolina	\$ 8,063,264	5,183,079	\$ (2,880,185)
Wayne County			
General county revenues		34,866,813	
Total Wayne County	52,368,297	34,866,813	(17,501,484)
Other			
Interest income		2,674	
Insurance proceeds		38,957	
Sale tax refund		2,696	
Sale of assets		21,527	
Rental of school property		31,889	
Total other	-	97,743	97,743
Total revenues	60,431,561	40,147,635	(20,283,926)
<b>Expenditures</b>			
Capital outlay:			
Real property and buildings:			
Other building projects		162,995	
Carver Heights		188,972	
Charles B. Aycock		1,591,400	
Dillard Middle		203,440	
Eastern Wayne Elementary		28,500	
Eastern Wayne High		293,985	
Eastern Wayne Middle		40,639	
Edgewood Community Development		472,454	
Fremont		14,956	
Goldsboro High		116,354	
Grantham Elementary		3,179	
Grantham Middle		16,436,849	
Meadow Lane Elementary		35,702	
Mount Olive Middle		89,240	
Norwayne		39,355	
Rosewood High		39,000	
Southern Wayne High		6,900	
Spring Creek Elementary		1,633,040	
Spring Creek Middle		16,436,849	
Spring Creek Middle/High		56,485	

**Wayne County Board of Education, North Carolina**  
**Capital Outlay Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 2**

	Budget	Actual	Variance Favorable (Unfavorable)
North Drive Elementary		77,154	
Wayne Academy		67,670	
<b>Total land and buildings</b>	<b>58,828,142</b>	<b>38,163,717</b>	<b>20,664,425</b>
Debt service:			
Principal	82,591	82,591	-
<b>Total debt service</b>	<b>82,591</b>	<b>82,591</b>	<b>-</b>
<b>Total expenditures</b>	<b>58,910,733</b>	<b>38,246,308</b>	<b>20,664,425</b>
<b>Revenues over expenditures</b>	<b>1,520,828</b>	<b>1,901,327</b>	<b>380,499</b>
<b>Other financing sources (uses)</b>			
Transfer to County for debt repayment	(1,520,828)	(1,810,828)	(290,000)
<b>Total other financing sources (uses)</b>	<b>(1,520,828)</b>	<b>(1,810,828)</b>	<b>(290,000)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>90,499</b>	<b>\$ 90,499</b>
<b>Fund balance, beginning</b>		954,084	
<b>Fund balance, ending</b>		<b>\$ 1,044,583</b>	

**Wayne County Board of Education, North Carolina**  
**Schedule of Revenues and Expenditures Budget and Actual**  
**Food Service Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**Schedule 3**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues</b>			
Food sales	\$ 1,502,000	\$ 960,832	\$ (541,168)
Other operating revenues	13,000	7,142	(5,858)
<b>Total operating revenues</b>	<b>1,515,000</b>	<b>967,974</b>	<b>(547,026)</b>
<b>Operating expenditures</b>			
Business support services:			
Purchased food		2,918,403	
Donated commodities		576,674	
Salaries and benefits		4,011,584	
Indirect costs		418,009	
Materials and supplies		341,322	
Utilities		30,988	
Repairs and maintenance		23,109	
Contracted services		46,943	
Other		6,570	
Total business support services	9,716,800	8,373,602	1,343,198
Capital outlay	271,000	439,497	(168,497)
<b>Total operating expenditures</b>	<b>9,987,800</b>	<b>8,813,099</b>	<b>1,174,701</b>
<b>Operating loss</b>	<b>(8,472,800)</b>	<b>(7,845,125)</b>	<b>627,675</b>
<b>Non-operating revenues</b>			
Federal reimbursement		7,096,283	
Federal commodities		576,674	
State reimbursement		9,435	
Interest earned on investments		9,994	
<b>Total non-operating revenues</b>	<b>7,163,000</b>	<b>7,692,386</b>	<b>529,386</b>
Excess of revenues over (under) expenditures before other financing sources	(1,309,800)	(152,739)	1,157,061
<b>Other financing sources</b>			
Fund balance appropriated	1,256,800	-	(1,256,800)
Gain on disposal of assets	-	107	107
Transfers from other funds	53,000	61,671	8,671
<b>Total other financing sources</b>	<b>1,309,800</b>	<b>61,778</b>	<b>(1,248,022)</b>
<b>Excess of revenues and other sources over expenditures</b>	<b>\$ -</b>	<b>(90,961)</b>	<b>\$ (90,961)</b>
<b>Reconciliation of modified accrual to full accrual basis</b>			
Reconciling items:			
Depreciation		(26,897)	
Contributions to the pension plan in current fiscal year		218,907	
Increase in compensated absences		(55,825)	
Decrease in inventory		36,145	
Pension expense		(75,445)	
Acquisition of capital assets		439,497	
<b>Change in net position (full accrual)</b>		<b>\$ 445,421</b>	



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**INDEPENDENT AUDITOR'S 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 Board of Education  
Wayne County, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wayne County Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Wayne County Board of Education's basic financial statements, and have issued our report thereon dated January 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Wayne County 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 Wayne County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne County Board of Education'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. These items are listed as 2015-01 and 2015-02.

## **Compliance and Other Matters**

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

## **Wayne County Board of Education Response to Findings**

The Wayne County Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Car, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina  
January 7, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE  
SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Education  
Wayne County, North Carolina

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

We have audited the Wayne County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Wayne County Board of Education's major federal programs for the year ended June 30, 2015. The Wayne County 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 each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Wayne County 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; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, *OMB Circular A-133*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wayne County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control over Compliance

Management of the Wayne County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Wayne County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wayne County 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 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 a 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Carly Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina  
January 7, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Education  
Wayne County, North Carolina

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

We have audited the Wayne County 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 Wayne County Board of Education's major state programs for the year ended June 30, 2015. The Wayne County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major State Program

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

## Report on Internal Control Over Compliance

Management of the Wayne County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Wayne County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wayne County 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Car, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina

January 7, 2016

**Wayne County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015**

**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant Deficiency(s) identified that are not considered to be material weaknesses        yes   X   none reported
- Noncompliance material to financial statements noted        yes   X   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?        yes   X   no
- Significant Deficiency(s) identified that are not considered to be material weaknesses        yes   X   no

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133        yes   X   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553, 10.555	Child Nutrition Cluster
84.395	ARRA – Race to the Top
84.395	ARRA – Governor's Teacher Network
84.367	Improving Teacher Quality
84.048/84.048A	Career and Technical Education
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 711,267

Auditee qualified as low-risk auditee?   X   yes        no



## Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2015

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### Section II. Financial Statement Findings

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#### MATERIAL WEAKNESSES

##### **Finding 2015-01 Improve Controls over Financial Reporting Process**

Criteria: Preparing financial statements in accordance with generally accepted accounting principles (GAAP) for governmental entities requires the preparer to possess adequate knowledge of the accounting principles affecting the organization.

Condition: The Board does not employ accounting personnel with the education and experience to prepare full disclosure financial statements in accordance with GAAP.

Effect: Since no controls are in place, procedures performed are not sufficient to prevent, detect, and correct potential misstatements that may occur in the preparation of financial statements.

Cause: Without the skill, knowledge and experience necessary to prepare financial statements in accordance with GAAP, the Board does not possess the technical ability to prepare its financial statements.

Recommendation: The Board may consider outsourcing the preparation of the year-end financial statements or, due to cost/benefit, accept this control weakness.

Views of responsible officials and planned corrective actions: The Board agrees with this finding and will consider its alternatives regarding this finding.

##### **Finding 2015-02 Budget Appropriations**

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Board expended \$38,250 more in local funds School Leadership, \$1,616 more in local funds Technology Support, and \$168,497 more in Child Nutrition fund's Capital Outlay expenditures than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Cause: The Board reported more expenditures that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: The Board should properly amend the budget resolution to allow for any expenditures not budgeted in the original budget ordinance.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Refer to the corrective action plan on page 64.



**Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015**

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV. State Award Findings and Questioned Cost**

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None reported.

**Wayne County Board of Education, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2015**

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**Section II. Financial Statement Findings**

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Finding 2015-01

Name of contact person: Beverly Boltinhouse, Finance Officer

Corrective Action: The Board will continue to utilize qualified, competent CPAs to prepare its financial statements.

Proposed Completion Date: FY 2015-2016

Finding 2015-02

Name of contact person: Beverly Boltinhouse, Finance Officer

Correction Action: The Board and management will review a budget to actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as necessary.

Proposed Completed Date: The finance officer will implement the above procedures immediately.

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**Section III. Federal Award Findings and Questioned Costs**

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**None reported.**

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**Section IV. State Award Findings and Questioned Cost**

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**None reported.**

**Wayne County Board of Education, North Carolina  
Summary of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2015**

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**Section II. Financial Statement Findings**

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**None reported.**

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**Section III. Federal Award Findings and Questioned Costs**

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**None reported.**

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**Section IV. State Award Findings and Questioned Cost**

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**None reported.**

## Wayne County Board of Education, North Carolina Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<b>Cash Programs:</b>			
<u>U.S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction			
<u>Child Nutrition Cluster</u>			
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555, 10.559		\$ 576,674
Cash Assistance			
School Breakfast Program/National School Lunch Program	10.553, 10.555		6,973,452
Fresh Fruits and Vegetables Program	10.582		63,553
Summer Food Service Program	10.559		59,278
Cash Assistance Subtotal			7,096,283
Total Child Nutrition Cluster			7,672,957
Total U.S. Department of Agriculture			7,672,957
 <u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
<u>Direct Programs</u>			
Impact Aid (School Assistance in Federally Affected Areas)	84.041		517,600
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Education Agencies (Title I Part A of ESEA)			
Grants to Local Education - Basic and Concentration, Title I	84.010	PRC 050	6,703,623
Title I, Grants to Local Education Agencies (Title I Part A of ESEA)			
Migrant Education	84.011	PRC 051	37,223
Title I Grants to Local Education Agencies (Title I Part A of ESEA)			
School Improvements	84.010	PRC 105	395,135
Total Title I Grants to Local Education Agencies (Title I)			7,135,981
School Improvement Cluster			
ARRA - School Improvement Grant	84.388	PRC 143	16,357
21st Century Community Learning			
English Language Acquisition Grants	84.287	PRC 110	168,764
Improving Teacher Quality	84.365	PRC 104, 111	308,989
ARRA - Race to the Top - Governor's Teacher Network	84.367	PRC 103	1,097,998
ARRA - Race to the Top - Governor's Teacher Network	84.395	PRC 154	24,572
ARRA - Race to the Top	84.395	PRC 156	247,191
State Personnel Development	84.323	PRC 082	9,946

**Wayne County Board of Education, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Expenditures
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Special Needs Targeted Assistance	84.027	PRC 070	553,365
Special Needs Targeted Assistance	84.027	PRC 118	22,696
Targeted Assistance for Pre-school	84.173	PRC 119	1,365
Education of the Handicapped	84.027	PRC 060	3,861,485
Pre-School Handicapped Grant	84.173	PRC 049	107,408
Children with Disabilities - Risk Pool	84.027	PRC 114	24,525
Total Special Education Cluster			4,570,844
Passed-through the N.C. Department of Public Instruction			
Career and Technical Education - Program Improvement	84.048	PRC 017	301,957
Career and Technical Education - Capacity Building Grant	84.048A	PRC 058	3,000
Total U. S. Department of Education			14,403,199
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resources and Services Administration</u>			
Passed through the N.C. Department of Health and Human Services			
Medical Assistance Program - Medicaid	93.778		891,150
<u>U.S. Department of Defense Education Activity</u>			
Passed-through the N.C. Department of Public Instruction:			
Ready STEM: A Framework for 21st Century Instruction	12.556		442,942
<u>U.S. Department of Defense</u>			
<u>Direct Program</u>			
ROTC	None	PRC 031	298,668
Total Federal Cash Assistance			23,132,242
Total Federal Assistance			23,708,916

## Wayne County Board of Education, North Carolina Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Expenditures
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			105,288,081
Driver Training - SPSF	PRC 012		317,716
School Technology Fund - SPSF	PRC 015		574,618
Vocational Education			
-State Months of Employment	PRC 013		5,149,802
-Program Support Funds	PRC 014		238,822
<b>Total N.C. Department of Public Instruction</b>			<b>111,569,039</b>
Passed-through Wayne County:			
Public School Building Capital Fund	PRC 74		5,100,488
<u>N.C. Department of Health &amp; Human Services</u>			
Division of Child Development:			
NC Pre Kindergarten Program			943,089
<u>Other State Assistance</u>			
State Breakfast Program			9,435
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
Buses (Noncash)	PRC 120		82,591
<b>Total State Assistance</b>			<b>117,704,642</b>
<b>Total Federal and State Assistance</b>			<b>\$ 141,413,558</b>

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

1 Basis of Presentation

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