

WAYNE COUNTY BOARD OF EDUCATION

Financial Statements
And Supplementary Information

Year Ended June 30, 2019



Rives & Associates, LLP
Certified Public Accountants and Consultants

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
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Independent Auditors' Report

To the Wayne County Board of Education
Goldsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wayne County Board of Education as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, business-type activities, each major fund, and the aggregate remaining fund information of the Wayne County Board of Education as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School 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 through 9 and the Schedule of the Board's Proportionate share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 60 through 65, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County Board of Education's basic financial statements. The combining and individual fund statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and state awards are the responsibility of management and was derived from and relates 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 combining and individual fund statements and schedules, budgetary schedules, other 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 25, 2019, 2019 on our consideration of Wayne County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose these reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Board of Education's internal control over financial reporting and compliance.

Rivers & Associates LLP

Raleigh, North Carolina
November 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board is constructing a new \$18.2 million dollar elementary school building to replace an old outdated building. Construction is underway with an anticipated completion date of the building is August 2019. Wayne County is expected to retain ownership of this school and lease it back to the Board of Education.
- The Board completed renovations of HVAC systems at Grantham Elementary School, Brogden Middle School, Rosewood Middle School and Fremont Stars Elementary School in July 2018.
- The Board continues to work toward identifying funds for increases in supplemental pay for teachers and to fund the continuing need for additional classroom space.
- The Board experienced a slight enrollment decrease of approximately 307 students over the previous year.

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 (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

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

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

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets, deferred 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 it has changed. Net position – the difference between the board's assets and the total of liabilities and deferred inflows of resources – is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. 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, such as the Federal Grants fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

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, a reconciliation following the governmental funds statements, 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 Exhibits 3, 4, and 5 of this report.

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

statements. Wayne County Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are Exhibits 6, 7, and 8 of this report.

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 – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are Exhibits 9 and 10 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Due to the impact of GASB 75 and the resulting net OPEB liability, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources by of \$180,657,876 as of June 30, 2019. The largest component of net position is net investment in capital assets, of \$92,193,979.

Following is a summary of the Statement of Net Position:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 10,143,911	\$ 12,620,430	\$ 5,538,945	\$ 5,170,480	\$ 15,682,856	\$ 17,790,910
Capital assets	93,962,382	96,910,590	1,222,415	1,258,086	95,184,797	98,168,676
OBEB asset, DIP NC	166,968		7,427		174,395	-
Total assets	104,273,261	109,531,020	6,768,787	6,428,566	111,042,048	115,959,586
Deferred outflows of resource	48,725,045	41,654,530	2,167,308	1,114,540	50,892,353	42,769,070
Current and other liabilities	10,872,730	11,129,017	266,513	237,622	11,139,243	11,366,639
Long-term liabilities	234,428,728	250,865,382	9,884,434	6,477,940	244,313,162	257,343,322
Total liabilities	245,301,458	261,994,399	10,150,947	6,715,562	255,452,405	268,709,961
Deferred inflows of resources	83,205,654	66,807,952	3,701,018	1,797,369	86,906,672	68,605,321
Net investment in capital assets	90,971,564	93,919,772	1,222,415	1,258,086	92,193,979	95,177,858
Restricted net position	2,558,411	189,215,388	34,571	5,016,694	2,592,982	194,232,082
Unrestricted net position	(269,271,981)	(460,751,961)	(6,172,856)	(7,244,605)	(275,444,837)	(467,996,566)
Total net position	\$ (175,742,006)	\$ (177,616,801)	\$ (4,915,870)	\$ (969,825)	\$ (180,657,876)	\$ (178,586,626)

Note that net position decreased during the year, which is primarily the result of implementation of new GASB Statement 75 which requires recognizing liability for other postemployment benefits such as health care premiums.

The following table shows the revenues and expenses for the Board for the current fiscal year.

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 411,119	\$ 533,793	\$ 411,119	\$ 533,793
Operating grants and contributions	138,439,197	129,528,917	8,428,133	8,921,673	146,867,330	138,450,590
Capital grants and contributions	3,317,667	3,745,381			3,317,667	3,745,381
General revenues:						
Other revenues	28,432,873	30,622,893	60,353	35,194	28,493,226	30,658,087
Total revenues	170,189,737	163,897,191	8,899,605	9,490,660	179,089,342	173,387,851
Expenses:						
Governmental activities:						
Instructional services	131,967,122	142,098,815	-	-	131,967,122	142,098,815
System-wide support services	33,415,183	30,897,358	-	-	33,415,183	30,897,358
Ancillary services	235,837	15,276	-	-	235,837	15,276
Non-programmed charges	1,406,138	1,548,124	-	-	1,406,138	1,548,124
Interest on long-term debt	410,036	403,809	-	-	410,036	403,809
Repayment of county debt issuance						
Depreciation	1,102,121	1,051,100	-	-	1,102,121	1,051,100
Business-type activities:						
Food service	-	-	12,845,650	8,890,357	12,845,650	8,890,357
Child care	-	-	-	-	-	-
Total expenses	168,536,437	176,014,482	12,845,650	8,890,357	181,382,087	184,904,839
Change in inventory reserve	221,495	(33,046)	-	-	221,495	(33,046)
Restatement		(230,114,149)		(6,192,507)		-
Transfers in (out)	-	-	-	-	-	-
Increase in net position	1,874,795	(242,264,486)	(3,946,045)	(5,592,204)	(247,856,690)	(247,856,690)
Net position, beginning	(177,616,801)	64,647,685	(969,825)	4,622,379	69,270,064	317,126,754
Net position, ending	\$ (175,742,006)	\$ (177,616,801)	\$ (4,915,870)	\$ (969,825)	\$ (178,586,626)	\$ 69,270,064

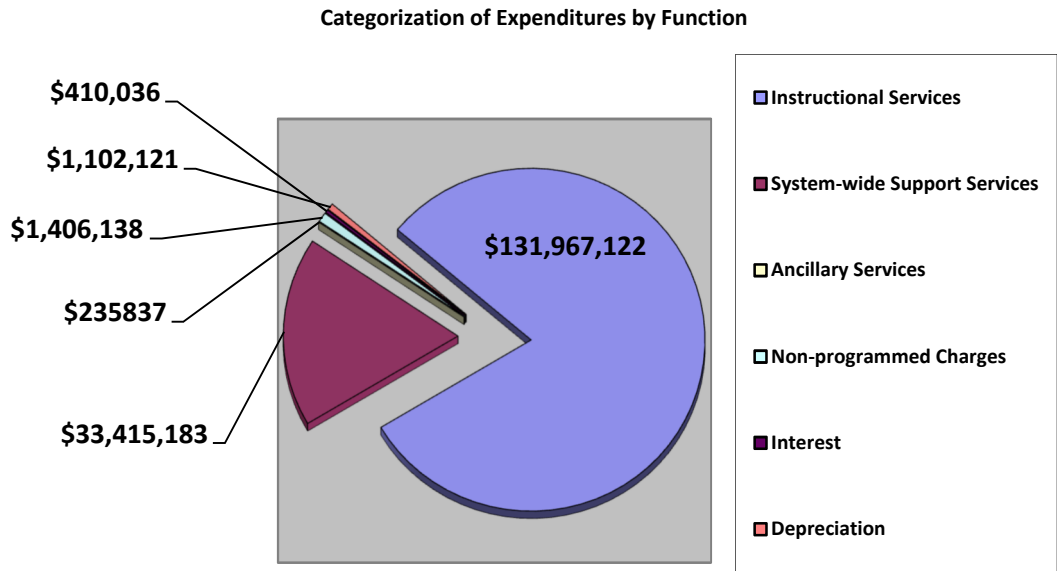
Total governmental activities generated revenues of \$170.1 million while expenses in this category totaled \$168.5 million for the year ended June 30, 2019. Comparatively, revenues were \$163.9 million and expenses totaled \$176.0 million for the year ended June 30, 2018. The increase in net position stands at \$1.8 million at June 30, 2019, compared to a decrease of \$242.6 million in 2018 due to new reporting requirements. Instructional services expenses comprised 78.4% of total governmental-type expenses while system-wide support services made up 19.8% of those expenses for 2019. County funding comprised 12.43% of total governmental revenue for 2019. In 2018, county funding was 14.04%. Much of the remaining 87.57% of total governmental revenue for 2019 consists of restricted State and federal money. This revenue represented 85.96% of total revenue in 2018. Business-type activities generated revenue of \$8.9 million and expenses of \$12.8 million.

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 \$(962,019), a \$6.3 million decrease over last year. Expenditures increased as well, and included \$911,328 in capital outlay.

Proprietary Funds: The Board’s business-type fund performed well in the past year. Total revenues and expenses remained fairly constant when compared to the prior year’s activity.



Expenditures presented on the modified accrual basis of accounting

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations

Capital Assets

Capital assets decreased by \$2,983,879 from the previous year. This was primarily due to current year depreciation and disposals offset by new bus and building improvements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,382,538	\$ 3,382,538	\$ -	\$ -	\$ 3,382,538	\$ 3,382,538
Construction in progress	974,445	1,412,416	-	-	974,445	1,412,416
Buildings	81,047,691	83,850,836	-	-	81,047,691	83,850,836
Furniture and equipment	1,373,945	824,759	1,222,415	1,258,086	2,596,360	2,082,845
Vehicles and motorized equipment	7,183,763	7,440,041	-	-	7,183,763	7,440,041
Total	\$ 93,962,382	\$ 96,910,590	\$ 1,222,415	\$ 1,258,086	\$ 95,184,797	\$ 98,168,676

Debt Outstanding

During the year the Board’s outstanding debt increased by \$1.6 million due mainly to an increase in net pension liability and OPEB liability due to the implementation of GASB 75. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

The Board anticipates stable enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore the County’s economic outlook directly affects that of the schools. The following factors have positively affected the economic outlook of Wayne County.

- The County is enjoying a low unemployment rate of 4.7%, slightly higher than the average for the state.
- The County is currently rated by Moody’s (Aa3) and Standard and Poor’s (AA-).
- Sales Tax revenue remained constant.

Requests for Information

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

Michael Hayes, Finance Officer
Wayne County Board of Education
2001 Royall Avenue
Goldsboro, NC 27534

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,507,602	\$ 2,108,073	\$ 5,615,675
Receivables (net)	50,639	-	50,639
Due from other governments	5,455,529	250,798	5,706,327
Due from other funds	281,051	3,000,000	3,281,051
Inventories	849,090	180,074	1,029,164
Total current assets	<u>10,143,911</u>	<u>5,538,945</u>	<u>15,682,856</u>
Capital assets:			
Land, improvements, and construction in progress	4,356,983	-	4,356,983
Other capital assets, net of depreciation	89,605,399	1,222,415	90,827,814
Total capital assets	<u>93,962,382</u>	<u>1,222,415</u>	<u>95,184,797</u>
Noncurrent assets:			
OPEB asset, DIPNC	166,968	7,427	174,395
Total assets	<u>104,273,261</u>	<u>6,768,787</u>	<u>111,042,048</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>48,725,045</u>	<u>2,167,308</u>	<u>50,892,353</u>
LIABILITIES			
Accounts payable	1,066,400	148,753	1,215,153
Due to other funds	3,281,051	-	3,281,051
Accrued salaries and wages payable	6,758,479	69,411	6,827,890
Unearned revenue	-	48,349	48,349
Long-term liabilities:			
Net pension liability	61,966,261	2,756,282	64,722,543
Net OPEB liability	156,410,507	6,957,196	163,367,703
Due within one year	3,467,048	42,739	3,509,787
Due in more than one year	12,584,912	128,217	12,713,129
Total liabilities	<u>245,534,658</u>	<u>10,150,947</u>	<u>255,685,605</u>
DEFERRED INFLOWS OF RESOURCES	<u>83,205,654</u>	<u>3,701,018</u>	<u>86,906,672</u>
NET POSITION			
Net investment in capital assets	90,971,564	1,222,415	92,193,979
Restricted for:			
Stabilization by State statute	403,511	-	403,511
School capital outlay	103,390	-	103,390
OPEB Plan	750,866	34,571	785,437
Individual schools	1,300,644	-	1,300,644
Unrestricted (deficit)	<u>(269,271,981)</u>	<u>(6,172,856)</u>	<u>(275,444,837)</u>
Total net position	<u>\$ (175,742,006)</u>	<u>\$ (4,915,870)</u>	<u>\$ (180,657,876)</u>

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instructional services:				
Regular instructional	\$ 71,629,707	\$ -	\$ 73,582,945	\$ -
Special populations	22,317,369	-	19,877,469	-
Alternative programs	15,170,289	-	11,113,479	-
School leadership	11,882,679	-	7,981,811	-
Co-curricular	1,046,473	-	2,001,126	-
School-based support	9,920,605	-	9,052,995	-
System-wide support services:				
Support and development	1,836,459	-	687,157	-
Special population support and development	381,589	-	268,644	-
Alternative programs and services support and development	489,380	-	55,119	-
Technology support	1,284,964	-	808,376	-
Operational support	25,440,413	-	9,951,860	3,317,667
Financial and human resource	1,990,157	-	2,098,508	-
Accountability	15,287	-	50,696	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	1,976,934	-	484,181	-
Ancillary services	235,837	-	274,813	-
Non-programmed charges	1,406,138	-	150,018	-
Interest on long-term debt	410,036	-	-	-
Unallocated depreciation expense	1,102,121	-	-	-
Total governmental activities	<u>168,536,437</u>	<u>-</u>	<u>138,439,197</u>	<u>3,317,667</u>
Business-type activities:				
School food service	12,845,650	411,119	8,428,133	-
Total business-type activities	<u>12,845,650</u>	<u>411,119</u>	<u>8,428,133</u>	<u>-</u>
Total primary government	<u>\$ 181,382,087</u>	<u>\$ 411,119</u>	<u>\$ 146,867,330</u>	<u>\$ 3,317,667</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Exhibit 2

	Net (Expenses) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Governmental activities:			
Instructional services:			
Regular instructional	\$ 1,953,238	\$ -	\$ 1,953,238
Special populations	(2,439,900)	-	(2,439,900)
Alternative programs	(4,056,810)	-	(4,056,810)
School leadership	(3,900,868)	-	(3,900,868)
Co-curricular	954,653	-	954,653
School-based support	(867,610)	-	(867,610)
System-wide support services:			
Support and development	(1,149,302)	-	(1,149,302)
Special population support and development	(112,945)	-	(112,945)
Alternative programs and services support and development	(434,261)	-	(434,261)
Technology support	(476,588)	-	(476,588)
Operational support	(12,170,886)	-	(12,170,886)
Financial and human resource	108,351	-	108,351
Accountability	35,409	-	35,409
System-wide pupil support	-	-	-
Policy, leadership and public relations	(1,492,753)	-	(1,492,753)
Ancillary services	38,976	-	38,976
Non-programmed charges	(1,256,120)	-	(1,256,120)
Interest on long-term debt depreciation	(410,036)	-	(410,036)
	(1,102,121)	-	(1,102,121)
Total governmental activities	(26,779,573)	-	(26,779,573)
Business-type activities:			
School food service	-	(4,006,398)	(4,006,398)
Total business-type activities	-	(4,006,398)	(4,006,398)
Total primary government	(26,779,573)	(4,006,398)	(30,785,971)
General revenues:			
Unrestricted County appropriations - operating	19,835,580	-	19,835,580
Unrestricted County appropriations - capital	1,334,612	-	1,334,612
Unrestricted State grants - operating	563,494	-	563,494
Unrestricted federal appropriations - operating	1,755,356	-	1,755,356
Investment earnings, unrestricted	40,310	60,353	100,663
Insurance proceeds	139,728	-	139,728
Miscellaneous, unrestricted	4,763,793	-	4,763,793
Total general revenues	28,432,873	60,353	28,493,226
Change in net position	1,653,300	(3,946,045)	(2,292,745)
Beginning net position	(177,616,801)	(969,825)	(178,586,626)
Decrease in reserve for inventories	221,495	-	221,495
Ending net position	\$ (175,742,006)	\$ (4,915,870)	\$ (180,657,876)

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

FUND FINANCIAL STATEMENTS

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Non-major Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 2,103,568	\$ -	\$ 1,404,034	\$ 3,507,602
Accounts receivable	-	-	50,639	50,639
Due from other governments	352,872	4,776,626	326,031	5,455,529
Due from other funds	161,918	-	119,133	281,051
Inventories	849,090	-	-	849,090
Total assets	<u>\$ 3,467,448</u>	<u>\$ 4,776,626</u>	<u>\$ 1,899,837</u>	<u>\$ 10,143,911</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,066,400	\$ -	\$ -	\$ 1,066,400
Due to other funds	3,119,133	39,115	122,803	3,281,051
Accrued salaries and wages payable	1,698,607	4,737,511	322,361	6,758,479
Total liabilities	<u>5,884,140</u>	<u>4,776,626</u>	<u>445,164</u>	<u>11,105,930</u>
Fund balances:				
Nonspendable:				
Inventories	849,090	-	-	849,090
Restricted:				
Stabilization by State statute	352,872	-	50,639	403,511
School capital outlay	-	-	103,390	103,390
Individual schools	-	-	1,300,644	1,300,644
Other special revenue	-	-	-	-
Assigned:				
Subsequent years expenditures	-	-	-	-
Unassigned	(3,618,654)	-	-	(3,618,654)
Total fund balances	<u>(2,416,692)</u>	<u>-</u>	<u>1,454,673</u>	<u>(962,019)</u>
Total liabilities and fund balances	<u>\$ 3,467,448</u>	<u>\$ 4,776,626</u>	<u>\$ 1,899,837</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	93,962,382
Deferred outflows of resources related to pension	34,753,320
Deferred outflows of resources related to OPEB, RHBF	13,387,827
Deferred outflows of resources related to OPEB, DIPNC	583,898
OPEB asset, DIPNC	166,968
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consisted of:	
Installment purchase contracts	(1,745,159)
Energy savings contract	(6,456,991)
Compensated absences	(7,849,810)
Net pension liability	(61,966,261)
OPEB liability, RHBF	(156,410,507)
Deferred inflows of resources related to pension	(830,587)
Deferred inflows of resources related to OPEB, RHBF	(82,375,067)
Total net position of governmental activities	<u>\$ (175,742,006)</u>

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	<u>State Public School</u>	<u>Non-major Funds</u>	
REVENUES:				
State of North Carolina	\$ 1,017,503	\$ 125,182,586	\$ 1,196,582	\$ 127,396,671
Wayne County	19,835,580	-	1,334,612	21,170,192
U.S. Government	1,755,356	-	14,921,146	16,676,502
Other	1,836,977	-	2,985,812	4,822,789
Total revenues	<u>24,445,416</u>	<u>125,182,586</u>	<u>20,438,152</u>	<u>170,066,154</u>
EXPENDITURES:				
Instructional services:				
Regular instructional	7,258,203	73,064,507	745,528	81,068,238
Special populations	1,251,068	17,161,684	3,904,617	22,317,369
Alternative programs	1,500,140	5,272,986	8,397,163	15,170,289
School leadership	1,023,760	7,981,811	-	9,005,571
Co-curricular	1,046,473	-	2,877,117	3,923,590
School-based support	805,219	8,910,467	204,919	9,920,605
System-wide support services:				
Support and development	1,077,298	522,669	236,492	1,836,459
Special population support and development	15,782	46,683	319,124	381,589
Alternative programs, services support and development	4,383	55,119	429,878	489,380
Technology support	516,802	509,282	258,880	1,284,964
Operational support	10,977,140	9,771,801	1,385,111	22,134,052
Financial and human resource	782,150	1,135,119	72,888	1,990,157
Accountability services	15,287	-	-	15,287
Policy, leadership and public relations	1,492,754	484,181	-	1,976,935
Ancillary services	-	274,813	-	274,813
Non-programmed charges	1,208,627	(8,536)	227,961	1,428,052
Debt service:				
Principal	6,871,709	-	1,653,132	8,524,841
Interest	410,036	-	-	410,036
Capital outlay:				
Buildings	-	-	739,268	739,268
Furniture and equipment	84,711	-	784	85,495
Buses and motor vehicles	86,565	-	-	86,565
Renovations and improvements	-	-	-	-
Total expenditures	<u>36,428,107</u>	<u>125,182,586</u>	<u>21,452,862</u>	<u>183,063,555</u>
Revenues over (under) expenditures	<u>(11,982,691)</u>	<u>-</u>	<u>(1,014,710)</u>	<u>(12,997,401)</u>
OTHER FINANCING SOURCES (USES):				
Refinance of long-term debt	6,456,991	-	-	6,456,991
Insurance proceeds	134,173	-	5,555	139,728
Disposal of capitalized assets	-	-	13,021	13,021
Transfers from General Fund	(2,533)	-	2,533	-
Total other financing sources (uses)	<u>6,588,631</u>	<u>-</u>	<u>21,109</u>	<u>6,609,740</u>
Net change in fund balance	<u>(5,394,060)</u>	<u>-</u>	<u>(993,601)</u>	<u>(6,387,661)</u>
FUND BALANCES:				
Beginning of year	2,755,873	-	2,448,274	5,204,147
Increase in reserve for inventories	221,495	-	-	221,495
End of year	<u>\$ (2,416,692)</u>	<u>\$ -</u>	<u>\$ 1,454,673</u>	<u>\$ (962,019)</u>

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

Exhibit 4

Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds	\$ (6,387,661)
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,944,010
Depreciation expense	(4,408,483)

Contributions to the pension plan in the current fiscal year not included on the statement of activities	11,788,247
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Contributions to the OPEB plan in the current fiscal year not included on the statement of activities	6,148,304
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Principal payments on 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.	8,524,841
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New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(6,456,991)
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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	(10,727,088)
OPEB expense	1,020,864
Compensated absences	232,801
Loss on disposal of assets	(25,544)

Total changes in net position of governmental activities	<u>\$ 1,653,300</u>
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The accompanying notes to the financial statements are an integral part of these statements.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2019

Exhibit 5

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State of North Carolina	\$ -	\$ 1,017,503	\$ 1,017,503	\$ -
Wayne County	19,835,579	19,831,328	19,835,580	4,252
U.S. Government	1,375,370	1,234,189	1,755,356	521,167
Other	2,889,066	7,395,904	1,836,977	(5,558,927)
Total revenues	<u>24,100,015</u>	<u>29,478,924</u>	<u>24,445,416</u>	<u>(5,033,508)</u>
EXPENDITURES:				
Instructional services:				
Regular instructional	10,459,562	12,787,335	7,258,203	5,529,132
Special populations	-	-	1,251,068	(1,251,068)
Alternative programs	-	-	1,500,140	(1,500,140)
School leadership	-	-	1,023,760	(1,023,760)
Co-curricular	-	-	1,046,473	(1,046,473)
School-based support	-	-	805,219	(805,219)
System-wide support services:				
Support and development	12,431,499	14,486,604	1,077,298	13,409,306
Special population support and development	-	-	15,782	(15,782)
Alternative programs, services support and development	-	-	4,383	(4,383)
Technology support	-	-	516,802	(516,802)
Operational support	-	-	10,977,140	(10,977,140)
Financial and human resource	-	-	782,150	(782,150)
Accountability services	-	-	15,287	(15,287)
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	1,492,754	(1,492,754)
Ancillary services	-	-	-	-
Non-programed charges	1,208,954	1,208,955	1,208,627	328
Debt service:				
Principal	-	414,718	414,718	-
Interest expense	-	410,036	410,036	-
Capital outlay:				
Furniture and equipment	-	84,711	84,711	-
Buses and motor vehicles	-	86,565	86,565	-
Total expenditures	<u>24,100,015</u>	<u>29,478,924</u>	<u>29,971,116</u>	<u>(492,192)</u>
Revenues under expenditures	-	-	(5,525,700)	(5,525,700)
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	134,173	(134,173)
Transfers to other funds	-	-	(2,533)	(2,533)
Revenues and other sources under expenditures and other financing sources (uses)	-	-	(5,394,060)	(5,662,406)
Appropriated fund balance	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(5,394,060)</u>	<u>\$ (5,394,060)</u>
FUND BALANCES:				
Beginning of year			2,755,873	
Decrease in reserve for inventories			221,495	
End of year			<u>\$ (2,416,692)</u>	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2019

Exhibit 5

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
REVENUES:				
State of North Carolina	\$ 126,882,604	\$ 125,844,416	\$ 125,182,586	\$ (661,830)
Wayne County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>126,882,604</u>	<u>125,844,416</u>	<u>125,182,586</u>	<u>(661,830)</u>
EXPENDITURES:				
Instructional services:				
Regular instructional	113,998,789	113,053,238	73,064,507	39,988,731
Special populations	-	-	17,161,684	(17,161,684)
Alternative programs	-	-	5,272,986	(5,272,986)
School leadership	-	-	7,981,811	(7,981,811)
Co-curricular	-	-	-	-
School-based support	-	-	8,910,467	(8,910,467)
System-wide support services:				
Support and development	12,609,003	12,516,366	522,669	11,993,697
Special population support and development	-	-	46,683	(46,683)
Alternative programs, services support and development	-	-	55,119	(55,119)
Technology support	-	-	509,282	(509,282)
Operational support	-	-	9,771,801	(9,771,801)
Financial and human resource	-	-	1,135,119	(1,135,119)
Accountability services	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	484,181	(484,181)
Ancillary services	274,812	274,812	274,813	(1)
Non-programed charges	-	-	(8,536)	8,536
Debt service:				
Principal	-	-	-	-
Interest expense	-	-	-	-
Capital outlay:				
Furniture and equipment	-	-	-	-
Buses and motor vehicles	-	-	-	-
Total expenditures	<u>126,882,604</u>	<u>125,844,416</u>	<u>125,182,586</u>	<u>661,830</u>
Revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	-	-
Transfers to other funds	-	-	-	-
Revenues and other sources over (under) expenditures and other financing sources (uses)	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2019

Exhibit 6

	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,108,073
Due from other governments	250,798
Due from other funds	3,000,000
Inventories	180,074
Total current assets	5,538,945
Noncurrent assets:	
Capital assets, net of depreciation	1,222,415
OPEB asset, DIPNC	7,427
Total noncurrent assets	1,229,842
Total assets	6,768,787
DEFERRED OUTFLOWS OF RESOURCES	
	2,167,308
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	218,164
Unearned revenue	48,349
Compensated absences	170,956
Total current liabilities	437,469
Noncurrent liabilities:	
Net pension liability	2,756,282
OPEB liability, RHBF	6,957,196
Total noncurrent liabilities	9,713,478
Total liabilities	10,150,947
DEFERRED INFLOWS OF RESOURCES	
	3,701,018
NET POSITION	
Net investment in capital assets	1,222,415
OPEB Plan	34,571
Unrestricted	(6,172,856)
Total net position	\$ (4,915,870)

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 7

	Major Fund
	School Food Service
OPERATING REVENUES:	
Food sales	\$ 407,141
Other	3,978
Total operating revenues	411,119
OPERATING EXPENSES:	
Salaries and benefits	8,464,918
Professional and technical services	8,503
Property services	30,949
Transportation services	8,322
Dues and fees	588
Supplies and materials	96,292
Food costs	3,596,938
Furniture and equipment supplies	53,876
Depreciation	67,754
Indirect costs	517,510
Total operating expenses	12,845,650
Operating loss	(12,434,531)
NONOPERATING REVENUES (EXPENSES):	
Federal reimbursements	7,945,496
Federal commodities	489,295
Interest earned	60,353
Loss on disposal of assets	(6,658)
Total nonoperating revenues (expenses)	8,488,486
Income before transfers	(3,946,045)
NET POSITION:	
Beginning net position, restated	(969,825)
End of year	\$ (4,915,870)

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 8

	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 408,206
Cash paid for goods and services	(3,636,873)
Cash paid to employees for services	(4,254,778)
Other operating revenues	3,978
Net cash used by operating activities	(7,479,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal reimbursements	7,951,858
Net cash provided by noncapital financing activities	7,951,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(38,727)
Short term loan to General Fund	(3,000,000)
Net cash provided by capital and related financing activities	(3,038,727)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Other income (expenses)	(16)
Interest income	60,353
Net cash provided by investing activities	60,337
Net decrease in cash and cash equivalents	(2,505,999)
CASH AND CASH EQUIVALENTS:	
Beginning of year	4,614,072
End of year	\$ 2,108,073

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019
(Continued)

Exhibit 8

	Major Fund
	School Food Service
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(12,434,531)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	67,754
Donated commodities consumed	489,295
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in inventories	119,173
Decrease in OPEB asset, DIPNC	1,727
Decrease in net pension liability	1,414,460
Increase in OPEB liability, RHBF	1,931,348
Increase in deferred outflows	(1,052,768)
Increase in deferred inflows	1,903,649
Increase in accounts payable and accrued expenses	67,637
Increase in unearned revenue	1,065
Increase in compensated absences payable	11,724
Total adjustments	4,955,064
Net cash used by operating activities	\$ (7,479,467)

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$489,295 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The fund recorded the consumption of \$489,295 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

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

FIDUCIARY FUND

Private-Purpose Trust Fund

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Fiduciary Net Position
Private-Purpose Trust Fund
June 30, 2019

Exhibit 9

ASSETS

Current assets:

Cash and cash equivalents	\$ 460,136
Receivables (net)	<u>33</u>

Total assets	<u>\$ 460,169</u>
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LIABILITIES

\$ -

NET POSITION

Assets held in trust for private purpose	<u>460,169</u>
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Total net position	<u>\$ 460,169</u>
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The accompanying notes to the financial statements are an integral part of these statements.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Fund
For the Year Ended June 30, 2019

Exhibit 10

ADDITIONS:

Contributions and other revenue	\$ 15,641
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DEDUCTIONS:

Student testing services	4,000
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Non-program charges-community service	3,044
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Total deductions	7,044
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Change in net position	8,597
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NET POSITION:

Beginning of year	451,572
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End of year	\$ 460,169
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The accompanying notes to the financial statements are an integral part of these statements.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

The 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

Government-wide Financial 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

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.

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. This fund is reported as a private purpose trust fund.

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.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund, as required by 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 budgets were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

1) Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

The Short-Term Investment Fund (STIF) is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

1) Deposits and Investments (Continued)

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2019 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to 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 material and supplies that are recorded as expenditures when purchased. The General Fund inventories do not reflect appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Proprietary funds inventories consist of food and supplies and are recorded as expenses when consumed.

4) Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 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 \$5,000 or more with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The costs 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 BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

4) Capital Assets (Continued)

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 gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

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

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

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 salary-related payments as of June 30, 2019 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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)].

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

8) Net Position/Fund Balances (continued)

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.

Committed Fund Balance. Portion of fund balance that can only be used for a specific purpose imposed by a majority vote by quorum of the Board’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body that approved the original action. The Board did not have any committed fund balance at June 30, 2019.

Assigned Fund Balance. Portion of fund balance that the Board 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 management to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned Fund Balance. 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.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

9) Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$174,779,987 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)	\$ 185,774,262
Less accumulated depreciation	(91,811,880)
Net capital assets	93,962,382
Pension related deferred outflows of resources	34,753,320
OPEB related deferred outflows of resources, RHBF	13,387,827
OPEB related deferred outflows of resources, DIPNC	583,898
OPEB asset, DIPNC	166,968
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:	
Bonds, leases, and installment financing	(8,202,150)
Compensated absences	(7,849,810)
Net pension liability	(61,966,261)
OPEB liability, RHBF	(156,410,507)
Deferred inflows of resourced related to pensions	(830,587)
Deferred inflows of resources related to OPEB	(82,375,067)
Total adjustment	\$ (174,779,987)

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

9) Reconciliation of Government-wide and Fund Financial Statements (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$8,040,961 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,944,010
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	(4,408,483)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	11,788,247
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	6,148,304
Principal payments on 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	8,524,841
New debt issued during the year is recorded as source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position	(6,456,991)
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 expenses	(10,727,088)
OPEB expense	1,020,864
Compensated absences	232,801
Loss on disposal of assets	(25,544)
Total changes in net position of governmental activities	\$ 8,040,961

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)

10) Defined Benefit Pension Plans and OPEB 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), the Retiree Health Benefits Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2019, the Board reported expenditures within the General Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$97,528 for the instructional services and \$394,992 for the system-wide support services. Additionally, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$456,550 for debt services. Management will review procedures regarding budget and pre-audit requirements to ensure compliance in the future.

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 agent in the Board's name.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

1) Deposits (Continued)

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 Board'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, 2019, the Board had deposits with banks and savings and loans with a carrying amount of \$3,637,156 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,603,482 and \$1,775,075 respectively. Of these balances, \$750,000 was covered by federal depository insurance and \$6,378,558 was covered by collateral held by authorized escrow agents in the name of the State Treasurer and covered by collateral held under the pooling method.

2) Investments

At June 30, 2019, the Board of Education had \$2,484,003 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 at June 30, 2019. The Board has no policy for managing interest rate risk or credit risk.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3) Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts receivable, net	Due from other governments	Total
Governmental activities:			
General fund	\$ -	\$ 352,872	\$ 352,872
Other governmental activities	50,639	5,102,657	5,153,296
Total	\$ 50,639	\$ 5,455,529	\$ 5,506,168
Business-type activities			
School Food Service Fund	\$ -	\$ 250,798	\$ 250,798

Due from other governments consists of the following:

Governmental activities:

State Public School Fund	\$ 4,776,626	Operating funds from State (salary installment)
Federal Grants Fund	326,031	Federal grant funds (salary installment)
General Fund	343,212	Local reimbursements
General Fund	9,660	Transportation receivables
Total	\$ 5,455,529	

Business-type activities:

School Food Service Fund	\$ 250,798	Federal reimbursements
Total	\$ 250,798	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,382,538	\$ -	\$ -	\$ 3,382,538
Construction in progress	<u>1,412,416</u>	<u>202,620</u>	<u>640,591</u>	<u>974,445</u>
Total capital assets not being depreciated	<u>4,794,954</u>	<u>202,620</u>	<u>640,591</u>	<u>4,356,983</u>
Capital assets being depreciated:				
Buildings	156,239,230	449,286	-	156,688,516
Equipment and furniture	4,111,899	786,016	-	4,897,915
Vehicles	<u>19,433,141</u>	<u>688,488</u>	<u>290,781</u>	<u>19,830,848</u>
Total capital assets being depreciated	<u>179,784,270</u>	<u>1,923,790</u>	<u>290,781</u>	<u>181,417,279</u>
Less accumulated depreciation for:				
Building	72,388,394	3,252,431	-	75,640,825
Equipment and furniture	3,287,140	236,830	-	3,523,970
Vehicles	<u>11,993,100</u>	<u>919,222</u>	<u>265,237</u>	<u>12,647,085</u>
Total accumulated depreciation	<u>87,668,634</u>	<u>4,408,483</u>	<u>265,237</u>	<u>91,811,880</u>
Total capital assets being depreciated, net	<u>92,115,636</u>			<u>89,605,399</u>
Governmental activity capital assets, net	<u>\$ 96,910,590</u>			<u>\$ 93,962,382</u>

Depreciation was charged to governmental functions as follows:

Operational support services	\$ 3,306,362
Unallocated depreciation	<u>1,102,121</u>
	<u>\$ 4,408,483</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

4) Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 4,960,237	\$ 38,739	\$ 38,368	\$ 4,960,608
Less accumulated depreciation for:				
Furniture and office equipment	3,702,151	67,750	31,708	3,738,193
School Food Service Fund				
Capital assets, net	1,258,090			1,222,415
Total business activity				
capital assets, net	\$ 1,258,086			\$ 1,222,415

B) Liabilities

1) Pension Plan and Other Postemployment Obligations

a) Teachers' and State Employees' Retirement System

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2019, was 12.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$12,312,771 for the year ended June 30, 2019.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

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, 2019, the Board reported a liability of \$64,722,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and at June 30, 2017, the Board's proportion was 0.650% and 0.651%, respectively.

For the year ended June 30, 2019, the Board recognized pension expense of \$14,593,157. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,723,494	\$ 649,534
Changes of assumptions	12,988,150	-
Net difference between projected and actual earnings on pension plan investments	6,168,070	-
Changes in proportionate and differences between Board contributions and proportionate share contributions	52,796	50,823
Board contributions subsequent to the measurement date	12,312,771	-
Total	\$ 36,245,281	\$ 700,357

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$12,312,771 was 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, 2020.

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

Year ended June 30:	
2020	\$ 13,696,895
2021	8,584,814
2022	1,063,707
2023	(113,263)
2024	-
Total	<u>\$ 23,232,153</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the experience study prepared as of December 31, 2014.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

Future ad hoc cost-of-living adjustment (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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

a) Teachers' and State Employees' Retirement System (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	\$ 123,436,859	\$ 64,722,543	\$ 15,455,418

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.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

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

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

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

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

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.27% of covered payroll which amounted to \$6,281,617.

At June 30, 2019, Board reported a liability of \$163,367,703 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board’s proportion of the net OPEB liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2018 and 2017, the Board’s proportion was 0.573% and 0.585%, respectively.

\$6,281,617 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (17,868,432)
2021	(17,868,432)
2022	(17,868,432)
2023	(17,850,963)
2024	(6,799,244)
Total	<u><u>\$ (78,255,503)</u></u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

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

Inflation	2.75%
Salary increases	3.50% to 8.10%, include 3.50% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate – medical	5.00 – 6.50%
Healthcare cost trend rate – prescription drug	5.00 – 7.25%
Healthcare cost trend rate – Medicare advantage	4.00 – 5.00%
Healthcare cost trend rate – administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 193,020,589	\$ 163,367,703	\$ 139,597,732

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (Medical – 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage – 3.00-4.00%, Administrative – 2.00%)	Healthcare Trend Rates (Medical – 5.00%-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage – 4.00-5.00%, Administrative – 3.00%)	1% Increase (Medical – 6.00%-7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage – 5.00-6.00%, Administrative – 4.00%)
Net OPEB liability	\$ 134,774,101	\$ 163,367,703	\$ 200,905,499

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2. Disability Benefits

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

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

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

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2. Disability Benefits (Continued)

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2019, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$140,259 for the year ended June 30, 2019.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2019, Board reported an asset of \$174,395 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018 and 2017, the Board's proportion was 0.574% and 0.572%, respectively.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2. Disability Benefits (Continued)

\$140,259 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 117,849
2021	117,832
2022	83,948
2023	64,744
2024	45,201
Thereafter	45,184
Total	<u>\$ 474,758</u>

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

Inflation	3.0%
Salary increases	3.5% to 8.10%, including 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan investment expense, including inflation

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

	<u>1% Decrease</u> <u>(2.75%)</u>	<u>Discount</u> <u>Rate (3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
Net OPEB liability	\$ 133,626	\$ 174,395	\$ 213,504

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2. Disability Benefits (Continued)

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1) Pension Plan and Other Postemployment Obligations (Continued)

b) Other Postemployment Benefits (Continued)

2. Disability Benefits (Continued)

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

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

	RHBF	DIPNC	Total
OPEB Expense	\$(1,078,703)	\$ 12,415	\$ (1,066,288)
OPEB Liability (Asset)	163,367,703	(174,395)	163,193,308
Proportionate share of the net OPEB liability (asset)	0.573%	0.574%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	-	304,215	304,215
Changes of assumptions	-	32,932	32,932
Net difference between projected and actual earnings on plan investments	17,569	135,820	153,389
Changes in proportion of differences between Board contributions and proportionate share of contributions	7,931,416	3,614	7,935,030
Board contributions subsequent to the measurement date	6,281,617	140,259	6,421,876
Deferred of Inflows of Resources			
Differences between expected and actual experience	11,171,804	-	11,171,804
Changes of assumptions	70,774,660	-	70,774,660
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and difference between Board contributions and proportionate share of contributions	4,258,025	1,826	4,259,851

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2) Accounts Payable

Accounts payable as of June 30, 2019, are as follows:

	Vendors	Salaries and Wages	Total
Governmental activities:			
General Fund	\$ 1,066,400	\$ 1,698,607	\$ 2,765,007
State Public School Fund	-	4,737,511	4,737,175
Other	-	322,361	322,697
Total governmental activities	<u>\$ 1,066,400</u>	<u>\$ 6,758,479</u>	<u>\$ 7,824,879</u>

Business-type activities:

School Food Service Fund	<u>\$ 148,753</u>	<u>\$ 69,411</u>	<u>\$ 218,164</u>
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3) Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,027,709	\$ 11,821,338
Changes of assumptions	13,021,082	70,774,660
Net difference between projected and actual earnings on pension plan investments	6,321,459	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,987,826	4,310,674
Employer contributions subsequent to the measurement date	18,524,276	-
Total governmental activities	<u>\$ 50,892,353</u>	<u>\$ 86,906,672</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

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.

The Board's 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 \$50,000.

5) Contingent Liabilities

At June 30, 2019, the Board was a defendant to various lawsuits and claims. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these lawsuits and claims will not have a material adverse effect on the Board's financial position.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations

a) Installment Purchases

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 September 2008, the Board entered into a direct placement contract to reduce the energy costs associated with various schools in the Wayne County School System. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments for 13 years beginning in fiscal year 2010; with interest rate being 5.5133%. This direct placement contract was refinanced in October 2018, extending the annual principal payments to 2028, with an interest rate of 3.59%. Principal payments remaining are \$6,456,991.

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 2016, the Board entered into a direct placement installment purchase contract to finance the purchase of six school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financial contracts requires 5 annual payments of \$112,443.

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 Banc of America Public Capital Corp at total payments less than the purchase price. In February 2016, the Board entered into a direct placement installment purchase contract to finance the purchase of fourteen school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financial contracts requires 4 annual payments of \$293,016.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations

a) Installment Purchases (Continued)

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 Banc of America Public Capital Corp at total payments less than the purchase price. In February 2017, the Board entered into a direct placement installment purchase contract to finance the purchase of twenty school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financial contracts requires 4 annual payments of \$422,174.

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 Banc of America Public Capital Corp at total payments less than the purchase price. In February 2018, the Board entered into a direct placement installment purchase contract to finance the purchase of seventeen school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financial contracts requires 4 annual payments of \$370,295.

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 Banc of America Public Capital Corp at total payments less than the purchase price. In February 2019, the Board entered into a direct placement installment purchase contract to finance the purchase of six school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The financial contracts requires 4 annual payments of \$133,787.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

a) Installment Purchases (Continued)

The future minimum payments of the installment financing and energy savings contracts as of June 30, 2019, including \$1,401,650 of interest, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,504,595	\$ 246,415
2021	1,124,693	229,312
2022	697,413	199,908
2023	615,477	175,029
2024	648,893	152,933
2025-2029	3,611,079	398,053
	<u>\$ 8,202,150</u>	<u>\$ 1,401,650</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

6) Long-Term Obligations (Continued)

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, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental activities:					
Direct placement installment purchase	\$ 2,986,066	\$ 517,212	\$ 1,758,118	\$ 1,745,160	\$ 1,014,432
Energy saving contracts	6,766,722	6,456,990	6,766,722	6,456,990	490,163
Net pension liability	50,321,928	11,644,333	-	61,966,261	-
Net OPEB liability – RHBF	186,760,966		30,350,459	156,410,507	
Compensated absences	8,082,611	-	232,801	7,849,810	1,962,453
Total	<u>\$ 254,918,293</u>	<u>\$ 18,618,535</u>	<u>\$ 39,108,100</u>	<u>\$ 234,428,728</u>	<u>\$ 3,467,048</u>
Business-type activities:					
Net pension liability	\$ 1,341,822	\$ 1,414,460	\$ -	\$ 2,756,282	\$ -
Net OPEB liability – RHBF	5,025,848	1,931,348	-	6,957,196	
Compensated absences	159,232	11,724	-	170,956	42,739
Total	<u>\$ 6,526,902</u>	<u>\$ 3,357,533</u>	<u>\$ -</u>	<u>\$ 9,884,434</u>	<u>\$ 42,739</u>

C) Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

	Amount
From the General Fund to the Federal Fund for administrative costs	<u>\$ 2,533</u>

Due to/from other funds a June 30, 2019 consist of the following:

	Amount
From the General Fund to the Child Nutrition Fund for cash assistance	\$ 3,000,000
From the State Public School Fund to the General Fund for cash assistance	39,115
From the Federal Grants Fund the General Fund for cash assistance	122,803
From the General Fund to the Federal Grants Fund for cash assistance	119,133
Total	<u>\$ 3,281,051</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III) DETAIL NOTES ON ALL FUNDS (Continued)

D) Fund Balance

The Board has a revenue spending policy that provides a policy 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 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.

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

Total fund balance	\$ (2,416,692)
Less:	
Stabilization by State statute	352,872
Nonspendable for inventory	849,090
Remaining fund balance	\$ (3,618,654)

IV) SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND 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.

V) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2019, the date of the issuance of these financial statements, and no events have occurred that require recognition or disclosure for the year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Six Fiscal Years*

Schedule 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.6501%	0.6511%	0.6506%	0.6485%	0.6500%	0.6500%
Board's proportionate share of the net pension liability (asset)	\$ 64,722,543	\$ 51,663,526	\$ 59,800,536	\$ 23,899,615	\$ 7,592,598	\$ 7,515,776
Board's covered-employee payroll	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491	\$ 92,015,500	\$ 86,496,558	\$ 8,904,864
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.39%	55.01%	65.62%	25.97%	8.78%	84.40%
Plan fiduciary net position as a percentage of the total pension liability*	92.01%	89.51%	87.32%	94.64%	98.24%	90.60%

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

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Six Fiscal Years*

Schedule 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,312,771	\$ 10,353,505	\$ 9,372,792	\$ 8,338,474	\$ 8,419,418	\$ 7,516,551
Contributions in relation to the contractually required contribution	<u>12,312,771</u>	<u>10,353,505</u>	<u>9,372,792</u>	<u>8,338,474</u>	<u>8,419,418</u>	<u>7,516,551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491	\$ 92,015,500	\$ 86,496,558
Contributions as a percentage of covered-employee payroll	12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

* 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
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund
Last Three Fiscal Years*

Schedule 3

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.5734%	0.5850%	0.5574%
Board's proportionate share of the net OPEB liability (asset)	\$ 163,367,703	\$ 191,786,814	\$ 242,477,716
Board's covered-employee payroll	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	170.10%	204.21%	266.07%
Plan fiduciary net position as a percentage of the total OPEB liability*	4.40%	3.52%	2.41%

* 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
Schedule of Board Contributions
Retiree Health Benefit Fund
Last Six Fiscal Years*

Schedule 4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,281,617	\$ 5,810,592	\$ 5,457,678	\$ 5,103,475	\$ 5,051,651	\$ 4,670,814
Contributions in relation to the contractually required contribution	<u>6,281,617</u>	<u>5,810,592</u>	<u>5,457,678</u>	<u>5,103,475</u>	<u>5,051,651</u>	<u>4,670,814</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491	\$ 92,015,500	\$ 86,496,558
Contributions as a percentage of covered-employee payroll	6.27%	6.05%	5.81%	5.60%	5.49%	5.40%

* 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
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Disability Income Plan of North Carolina
Last Three Fiscal Years*

Schedule 5

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.5741%	0.5716%	0.5761%
Board's proportionate share of the net OPEB asset	\$ 174,395	\$ 349,331	\$ 357,702
Board's covered-employee payroll	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.18%	0.37%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset*	116.47%	116.23%	116.06%

* 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
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Six Fiscal Years*

Schedule 6

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 140,259	\$ 134,461	\$ 356,879	\$ 373,647	\$ 377,264	\$ 380,585
Contributions in relation to the contractually required contribution	140,259	134,461	356,879	373,647	377,264	380,585
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491	\$ 92,015,500	\$ 86,496,558
Contributions as a percentage of covered-employee payroll	0.14%	0.14%	0.38%	0.41%	0.41%	0.44%

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

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2019

Schedule 7

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Wayne County appropriations	\$ 19,831,328	\$ 19,835,580	\$ 4,252
U.S. Government	1,234,189	1,755,356	521,167
State revenues	1,017,503	1,017,503	-
Other revenues:			
Fines and forfeitures	-	614,754	614,754
Interest	-	39,230	39,230
Sales tax refund	-	118,501	118,501
Other local operating revenues	-	1,064,492	1,064,492
Total other revenues	7,395,904	1,836,977	1,836,977
Total revenues	29,478,924	24,445,416	(5,033,508)
EXPENDITURES:			
Instructional services:			
Regular instructional services:			
Regular curricular services	-	6,074,328	6,074,328
Career technical education curricular services	-	562,384	562,384
Program enhancement teachers	-	621,491	621,491
Total	-	7,258,203	7,258,203
Special populations services:			
Children with disabilities curricular services	-	890,608	890,608
Career technical education curricular services	-	8,217	8,217
Pre-K children with disabilities curricular services	-	8,722	8,722
Speech and language pathology services	-	160,743	160,743
Audiology services	-	3,727	3,727
Academically/intellectually gifted curricular services	-	60,362	60,362
Limited English proficiency services	-	118,689	118,689
Total	-	1,251,068	1,251,068
Alternative programs and services:			
Alternative instructional services K-12	-	27,110	27,110
Attendance and social work services	-	68,875	68,875
Remedial and supplemental K-12 services	-	89,205	89,205
Pre-K readiness/remedial and supplemental services	-	1,314,950	1,314,950
Total	-	1,500,140	1,500,140
School leadership services	-	1,023,760	1,023,760
Co-curricular services	-	1,046,473	1,046,473
School-based support services:			
Educational media	-	341,016	341,016
Student accounting	-	40,433	40,433
Guidance services	-	281,544	281,544
Health support	-	65,363	65,363
Safety and security	-	72,340	72,340
Instructional technology	-	4,523	4,523
Total	-	805,219	805,219
Total instructional services	12,787,335	12,884,863	(97,528)

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2019

Schedule 7

	Final Budget	Actual	Variance Positive (Negative)
System-wide support services:			
Support and development services:			
Regular curricular support and development	\$ -	\$ 850,791	\$ 850,791
Career technical education curricular support	-	226,507	226,507
Total	-	1,077,298	1,077,298
Special population support and development	-	15,782	15,782
Alternative programs and services support and development	-	4,383	4,383
Technology support services	-	516,802	516,802
Operational support services:			
Communication	-	159,454	159,454
Printing and copying	-	121,817	121,817
Public utility and energy	-	4,110,932	4,110,932
Custodial/housekeeping	-	652,156	652,156
Transportation	-	1,043,677	1,043,677
Maintenance	-	4,889,104	4,889,104
Total	-	10,977,140	10,977,140
Financial and human resource:			
Financial	-	600,630	600,630
Human resource	-	181,381	181,381
Risk management services	-	139	139
Total	-	782,150	782,150
Accountability services:	-	15,287	15,287
System-wide pupil support services	-	-	-
Policy, leadership and public relations:			
Board of Education	-	271,095	271,095
Legal services	-	802,723	802,723
Audit services	-	56,432	56,432
Leadership services	-	153,970	153,970
Public relations and marketing	-	208,534	208,534
Total	-	1,492,754	1,492,754
Total system-wide support services	14,486,604	14,881,596	(394,992)
Ancillary services:			
Nutrition services	-	-	-
Non-programmed charges:			
Payments to other governmental units	1,208,955	1,208,627	328
Debt service:			
Principal	414,718	414,718	-
Interest expense	410,036	410,036	-
Total debt service	824,754	824,754	-
Capital outlay:			
Furniture and equipment	84,711	84,711	-
Buses and motor vehicles	86,565	86,565	-
Total capital outlay	171,276	171,276	-

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA **Schedule 7**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2019

Total expenditures	29,478,924	29,971,116	(492,192)
Revenues under expenditures	-	(5,525,700)	(5,525,700)
OTHER FINANCING SOURCES (USES):			
Insurance proceeds	-	134,173	(134,173)
Operating transfers out	-	(2,533)	2,533
Revenues and other sources under expenditures and other financings sources	-	(5,394,060)	(5,394,060)
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	(5,394,060)	\$ (5,394,060)
FUND BALANCE:			
Beginning of year		2,755,873	
Decrease in reserve for inventories		221,495	
End of year		\$ (2,416,692)	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Schedule 8

	<u>Federal Grants Fund</u>	<u>Individual Schools</u>	<u>Capital Outlay</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,300,644	\$ 103,390	\$ 1,404,034
Receivables (net)	-	-	50,639	50,639
Due from other governments	326,031	-	-	326,031
Due from other funds	119,133	-	-	119,133
Total assets	<u>445,164</u>	<u>1,300,644</u>	<u>154,029</u>	<u>1,899,837</u>
LIABILITIES				
Due to other funds	122,803	-	-	122,803
Accounts payable and accrued liabilities	322,361	-	-	322,361
Total liabilities	<u>445,164</u>	<u>-</u>	<u>-</u>	<u>445,164</u>
NET POSITION				
Restricted for:				
Stabilization by State statute	-	-	50,639	50,639
School capital outlay	-	-	103,390	103,390
Individual schools	-	1,300,644	-	1,300,644
Total net position	<u>\$ -</u>	<u>\$ 1,300,644</u>	<u>\$ 154,029</u>	<u>\$ 1,454,673</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

Schedule 9

	<u>Federal Grants</u> <u>Fund</u>	<u>Individual</u> <u>Schools</u>	<u>Capital Outlay</u>	<u>Total</u>
REVENUES:				
State of North Carolina	\$ -	\$ -	\$ 1,196,582	\$ 1,196,582
Wayne County	-	-	1,334,612	1,334,612
U.S. Government	14,921,146	-	-	14,921,146
Other	-	2,951,476	34,336	2,985,812
Total revenues	<u>14,921,146</u>	<u>2,951,476</u>	<u>2,565,530</u>	<u>20,438,152</u>
EXPENDITURES:				
Instructional services:				
Regular instructional	745,528	-	-	745,528
Special populations	3,904,617	-	-	3,904,617
Alternative programs	8,397,163	-	-	8,397,163
Co-curricular	-	2,877,117	-	2,877,117
School-based support	204,919	-	-	204,919
System-wide support services:				
Support and development	236,492	-	-	236,492
Special population support and development	319,124	-	-	319,124
Alternative programs and services support and development	429,878	-	-	429,878
Technology support	-	-	258,880	258,880
Operational support	385,109	-	1,000,002	1,385,111
Financial and human resource	72,888	-	-	72,888
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Ancillary services	-	-	-	-
Non-programmed charges	227,961	-	-	227,961
Debt service:				
Principal	-	-	1,653,132	1,653,132
Capital outlay:				
Buildings	-	-	739,268	739,268
Equipment	-	-	784	784
Total expenditures	<u>14,923,679</u>	<u>2,877,117</u>	<u>3,652,066</u>	<u>21,452,862</u>
Revenues over expenditures	<u>(2,533)</u>	<u>74,359</u>	<u>(1,086,536)</u>	<u>(1,014,710)</u>
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	5,555	5,555
Transfers from other funds	2,533	-	-	2,533
Disposal of capitalized assets	-	-	13,021	13,021
Total other financing sources (uses)	<u>2,533</u>	<u>-</u>	<u>18,576</u>	<u>21,109</u>
Net change in fund balance	-	74,359	(1,067,960)	(993,601)
FUND BALANCES:				
Beginning of year	-	1,226,285	1,221,989	2,448,274
End of year	<u>\$ -</u>	<u>\$ 1,300,644</u>	<u>\$ 154,029</u>	<u>\$ 1,454,673</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Grants Funds
For the Year Ended June 30, 2019

Schedule 10

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
State of North Carolina	\$ -	\$ -	\$ -
Wayne County	-	-	-
U.S. Government	-	14,921,146	14,921,146
Other	-	-	-
Total revenues	<u>18,133,377</u>	<u>14,921,146</u>	<u>3,212,231</u>
EXPENDITURES:			
Instructional services:			
Regular instructional services	-	745,528	745,528
Special populations services	-	3,904,617	3,904,617
Alternative programs and services	-	8,397,163	8,397,163
School leadership services	-	204,919	204,919
Total instructional programs	<u>15,989,248</u>	<u>13,252,227</u>	<u>2,737,021</u>
System-wide support services:			
Support and development services	-	236,492	236,492
Special populations support and development services	-	319,124	319,124
Technology support services	-	-	-
Alternative programs and services support and development	-	429,878	429,878
Operational support services	-	385,109	385,109
Financial and human resource services	-	72,888	72,888
Total system-wide supporting services	<u>1,842,508</u>	<u>1,443,491</u>	<u>399,017</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Grants Funds (Continued)
For the Year Ended June 30, 2019

Schedule 10

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Non-programmed charges	\$ 301,621	\$ 227,961	\$ 73,660
Debt service:			
Principal	-	-	-
Capital outlay:			
Buildings	-	-	-
Equipment	-	-	-
Total expenditures	<u>18,133,377</u>	<u>14,923,679</u>	<u>3,209,698</u>
Revenues under expenditures before other financing sources	<u>-</u>	<u>(2,533)</u>	<u>(2,533)</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	-	2,533	2,533
	<u>-</u>	<u>2,533</u>	<u>2,533</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Outlay Funds
For the Year Ended June 30, 2019

Schedule 11

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
State of North Carolina	\$ -	\$ 1,196,582	\$ 1,196,582
Wayne County	-	1,334,612	1,334,612
Other	-	34,336	34,336
Total revenues	3,652,064	2,565,530	1,086,534
EXPENDITURES:			
Technology services	258,880	258,880	-
Operational support	1,000,000	1,000,002	(2)
Debt service:			
Principal	1,196,582	1,653,132	(456,550)
Capital outlay:			
Buildings	1,196,602	739,268	\$ 457,334
Equipment	-	784	(784)
Total expenditures	3,652,064	3,652,066	(2)
Revenues under expenditures before other financing sources	-	(1,086,536)	(1,086,536)
OTHER FINANCING SOURCES:			
Insurance proceeds		5,555	5,555
Transfers to County for debt	-	13,021	13,021
	-	18,576	18,576
Net change in fund balance	\$ -	(1,067,960)	\$ (1,067,960)
FUND BALANCE:			
Beginning of year		1,221,989	
End of year		\$ 154,029	

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2019

Schedule 12

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Food sales	\$ -	\$ 408,206	\$ 408,206
Other	-	3,978	3,978
Total operating revenues	<u>1,065,083</u>	<u>412,184</u>	<u>(652,899)</u>
OPERATING EXPENDITURES:			
Business support services:			
Salaries and benefits	-	4,254,778	4,254,778
Professional and technical services	-	8,503	8,503
Property services	-	30,949	30,949
Transportation services	-	8,322	8,322
Dues and fees	-	588	588
Supplies and materials	-	96,292	96,292
Food costs	-	3,410,128	3,410,128
Furniture and equipment supplies	-	53,876	53,876
Indirect costs	-	517,510	517,510
Total business support services	-	<u>8,380,946</u>	<u>8,380,946</u>
Capital outlay	-	-	-
Total expenditures	<u>9,075,083</u>	<u>8,380,946</u>	<u>694,137</u>
Operating loss	<u>(8,010,000)</u>	<u>(7,968,762)</u>	<u>41,238</u>
NONOPERATING REVENUES (EXPENSES):			
Federal reimbursements	-	7,945,496	7,945,496
Federal commodities	-	489,295	489,295
Interest earned	-	60,353	60,353
Loss on disposal of assets	-	(6,658)	(6,658)
Total nonoperating revenues (expenses)	<u>8,010,000</u>	<u>8,488,486</u>	<u>478,486</u>
Revenues over expenditures before transfers	-	519,724	519,724
Transfers from other funds	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>519,724</u>	<u>\$ 519,724</u>
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(67,754)	
Increase in net pension liability		(1,414,460)	
Increase in OPEB liability, RHBF		(1,931,348)	
Decrease in OPEB asset, DIPNC		(1,727)	
Deferred outflows of resources - pension		1,052,768	
Deferred inflows of resources - pension		(1,903,649)	
Decrease in inventory		(119,173)	
Decrease in accounts payable and accrued expenses		(67,637)	
Decrease in unearned revenue		(1,065)	
Increase in compensated absences payable		<u>(11,724)</u>	
Change in net position (full accrual basis)		<u>\$ (3,946,045)</u>	

COMPLIANCE SECTION



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Independent Auditors' 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 Wayne County Board of Education
Goldsboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne County Board of Education, North Carolina'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 Wayne County Board of Education, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne County Board of Education, North Carolina's internal control.

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency 2019-001.

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 charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne County Board of Education, North Carolina'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-002.

Wayne County Board of Education's Response to Findings

The Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board of Education'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.

Rivers & Associates LLP

Raleigh, North Carolina
November 25, 2019



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Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Wayne County Board of Education
Goldsboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Wayne County Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Wayne County Board of Education, North Carolina's major federal programs for the year ended June 30, 2019. The Wayne County Board of Education, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Wayne County Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Wayne County Board of Education, North Carolina 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, North Carolina's internal control over compliance with the types of requirements that are appropriate in the circumstances that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wayne County Board of Education, North Carolina'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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rivers & Associates LLP

Raleigh, North Carolina
November 25, 2019



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Independent Auditors' Report On Compliance For Each Major State Program and on Internal Control Over Compliance In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Wayne County Board of Education
Goldsboro, North Carolina

Report on Compliance for Each Major State Program

We have audited 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, North Carolina's major State programs for the year end June 30, 2019. The Wayne County Board of Education, North Carolina's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Wayne County Board of Education, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act.

Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Wayne County Board of Education, North Carolina'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, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, the Wayne County Board of Education, North Carolina complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on its major State program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2019-002. Our opinion on major state program is not modified with respect to these matters.

The Board's response to the noncompliance finding identified in our audit is 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 compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Rives & Associates LLP

Raleigh, North Carolina
November 25, 2019

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? yes x no

Significant deficiency(s) identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted yes x no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? yes x no

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes x none reported

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

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

Identification of major federal programs:

CFDA Numbers

84.010

84.377A

Names of Federal Program or Cluster

Title I - Grants to Local Education

School Improvement Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes no

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS (Continued)

State Awards

Internal control over major State programs:

Material weaknesses identified? _____ yes _____ x no

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ x yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ x yes _____ no

Identification of major state programs:

Program Name

- State Public School Fund
- Career and Technical Education - State: Months of Employment
- School Technology Fund
- NC Pre-Kindergarten Program
- Buses (noncash)

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: 2019-001

Finding classification: Significant Deficiency

Criteria:

In accordance with N.C. General Statute 115C-441, no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the obligation.

Condition:

The Board incurred expenditures in excess of amounts appropriated in the budget resolution, as amended, at the end of the fiscal year for the General Fund and Capital Outlay Fund. The total budget over-expenditure in the General Fund for instructional services was \$97,528 and system-wide support services was \$394,992. The total budget over-expenditure in the Capital Outlay Fund for debt service was \$456,550.

Effect:

Expenditures were incurred in excess of amounts appropriated in the budget resolution, as amended.

Cause:

Although budget amendments were made during the year, the budget was not sufficiently monitored at the legal level of budgetary authority to ensure that sufficient appropriations were available before expenditures were incurred.

Questioned Costs:

None.

Recommendation:

The budget should be monitored at its adopted level on a regular basis and sufficient appropriation should be made for all expenditures incurred during the year.

View of responsible officials and planned corrective actions:

See the corrective action plan on page 86.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2019-002

Finding classification: State Public School Fund
Non-material non-compliance

Criteria:

The Board paid superintendents, assistant superintendents, and finance officers outside the range allowable as stated in the North Carolina Public School Benefits and Employment Policy Manual for the appropriate fiscal year.

Condition:

The employment contracts for the superintendents, assistant superintendents, and finance officers increased but the percentage allocation between the state and local funding remained the same.

Effect:

The superintendent, assistant superintendents, and the finance officer were paid more than allowable out of the State Public School Fund.

Cause:

The cause of the above condition is a result of the payroll allocation percentage between state and local funding not being updated after contract increases.

Questioned Costs:

Salaries paid out of State Public School Funds exceeded that which is allotted by \$82,732.

Context:

We tested one month of salaries for all superintendents, assistant superintendents, and finance officers and noted that all individuals were overpaid out of the State Public School Fund.

Recommendation:

We recommend the Board implement procedures to ensure payroll allocations are reviewed at least on an annual basis to remain within compliance requirements.

View of responsible officials and planned corrective actions:

See the corrective action plan on page 86.



*Cultivation, Personalization, Innovation -
Every Student Every Day!*

Superintendent
Dr. Michael J. Dunsmore

November 25, 2019

Board Chair
Don Christopher West

Rives & Associates, LLP
4515 Falls of Neuse Road, Suite 450
Raleigh, North Carolina 27609

Board Vice-Chair
Richard W. Pridgen

Members
Patricia A. Burden
Joseph W. Democko, DC
J. Ven Faulk
H. Len Henderson
Jennifer S. Strickland

Audit Finding 2019-001

The Board agrees with this finding and will adhere to the corrective action plan as identified.

Corrective Action: Management will monitor the adopted budget monthly to ensure sufficient appropriation is made for all expenditures.

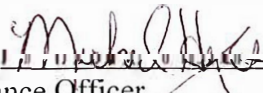
This action will be implemented immediately.

Audit Finding 2019-002

The Board agrees with this finding and will adhere to the corrective action plan as identified.

Corrective Action: Management will review payroll allocations when payroll changes are approved and appropriately allocate.

This action will be implemented immediately.

Signature: 
Title: Finance Officer

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

No reported findings in the prior year.

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
FEDERAL GRANTS			
<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	-	\$ 489,295
Non-Cash Assistance Subtotal			<u>489,295</u>
Cash Assistance:			
National School Lunch Program	10.555	-	7,945,496
Cash Assistance Subtotal			<u>7,945,496</u>
Total for Child Nutrition Cluster			<u>8,434,791</u>
Total U.S. Department of Agriculture			<u>8,434,791</u>
<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	-	<u>634,864</u>
Passed-through the N.C. Department of Public Instruction:			
<u>Title I Grants:</u>			
Grants to Local Educational Agencies (Title I, Part A of ESEA) Grants to Local Education - Basic and Concentration, Title I	84.010	PRC 050	7,598,580
Grants to Local Educational Agencies (Title I, Part A of ESEA) Migrant Education	84.110	PRC 051	76,831
Grants to Local Educational Agencies (Title I, Part A of ESEA) School Improvement (Title I, Part A of ESEA)	84.010	PRC 105	<u>298,612</u>
Total Title I Grants to Local Education Agencies (Title I)			<u>7,974,023</u>
21st Century Community Learning	84.287	PRC 110	<u>24,015</u>
English Language Acquisition Grants	84.365	PRC 104,111	<u>184,830</u>
Improving Teacher Quality	84.367	PRC 103	<u>715,696</u>
State Personnel Development	84.323	PRC 082	<u>5,409</u>
Student Support and Academic Enrichment Program	84.424	PRC 108	<u>381,666</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>Office of Special Education and Rehabilitation 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	\$ 81,114
Special Needs Targeted Assistance	84.027	PRC 118	20,449
Risk Pool	84.027	PRC 114	81,533
Targeted Assistance for Pre-school Education of the Handicapped	84.173	PRC 119	5,313
Pre-School Handicapped Grant	84.027	PRC 060	4,148,783
	84.173	PRC 049	141,411
Total Special Education Cluster			<u>4,478,603</u>
Passed-through the N.C. Department of Public Instruction:			
Career and Technical Education - Program Improvement	84.048	PRC 017	356,987
School Improvement Grant 1003(g)	84.377A	PRC 117	900,857
Targeted Support and Improvement (TSI)	84.010A	PRC 115	15,660
Total U.S. Department of Education			<u>15,672,610</u>
<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		<u>756,614</u>
<u>U.S. Department of Defense Education Activity</u>			
Passed-through the N.C. Department of Public Instruction:			
Ready STEM: A Framework of 21st Century Instruction	12.556		<u>76,695</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None	PRC 301	<u>287,183</u>
Total Federal Cash Assistance			<u>24,738,598</u>
Total Federal Assistance			<u>25,227,893</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund (SPSF)			\$ 118,852,934
Driver Training - SPSF	PRC 012		288,440
School Technology Fund - SPSF	PRC 015		373,671
Vocational Education:			
State Months of Employment	PRC 013		5,407,861
Program Support Funds	PRC 014		228,263
Textbooks - State	PRC 130		31,417
Total N.C. Department of Public Instruction			<u>125,182,586</u>
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
NC Pre Kindergarten Program			<u>1,017,183</u>
Non-Cash Assistance			
<u>N.C. Department of Public Instruction:</u>			
Buses (Noncash)	PRC 120		<u>1,196,582</u>
Total State Assistance			<u>127,396,351</u>
Total Federal and State Assistance			<u>\$ 152,624,244</u>

WAYNE COUNTY BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

NOTE 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal and State awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

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

