

**WAYNE COUNTY  
BOARD OF EDUCATION  
Goldsboro, North Carolina**

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

**WAYNE COUNTY BOARD OF EDUCATION  
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# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wayne County Board of Education as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Restricted Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedule of Board Contributions on pages 53 through 58, 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 individual nonmajor fund schedules, budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021 on our consideration of the 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 of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

February 15, 2021  
West End, North Carolina  
(910) 603-0508

## **WAYNE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2020. This information should be read in conjunction with the audited financial statements included in this report.

### ***Impact of Coronavirus on School***

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

### ***Financial Highlights***

- For the fiscal year ended June 30, 2020, the Board's total government-wide net position decreased by \$4.4 million. Governmental activities net position decreased by \$7.6 million, and business-type activities net position increased by \$3.2 million.
- The Board's average daily membership (ADM) for the fiscal year ended June 30, 2020 was 17,997 students, a decrease of 226 students over the 2019 ADM of 18,223.
- The Board's General fund reported a decrease of \$1.4 million in fund balance to \$(5.0) million.

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

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (assets) and the Schedules of Board Contributions.*
- *Supplemental section that presents budgetary schedules for governmental and enterprise funds.*

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

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

## **WAYNE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### **Government-wide Statements**

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

**WAYNE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

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

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

*Fiduciary funds:* The Board is the trustee, or fiduciary, for assets that belong to others, such as the Private Purpose Trust Fund. The Board is responsible for ensuring that the assets reported in this fund are used only for their intended purpose and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The fiduciary fund statements are shown as Exhibits 10 and 11 of this report.

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

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$185.1 million as of June 30, 2020 as compared to liabilities and deferred inflows exceeding assets and deferred outflows by \$180.7 million as of June 30, 2019, a decrease of \$4.4 million. The largest component of net position is net investment in capital assets of \$92.3 million. Following is a summary of the Statement of Net Position as of June 30, 2020 and 2019:

**WAYNE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current assets	\$ 8,477,659	\$ 10,310,879	\$ 5,652,247	\$ 5,546,372	\$ 14,129,906	\$ 15,857,251
Capital assets	92,416,315	93,962,382	609,624	1,222,415	93,025,939	95,184,797
Total assets	100,893,974	104,273,261	6,261,871	6,768,787	107,155,845	111,042,048
Deferred outflows of resources	47,435,740	48,725,045	1,418,083	2,167,308	48,853,823	50,892,353
Current liabilities	15,711,540	10,872,730	201,258	266,513	15,912,798	11,139,243
Long-term liabilities	247,709,898	234,428,728	7,200,333	9,884,434	254,910,231	244,313,162
Total liabilities	263,421,438	245,301,458	7,401,591	10,150,947	270,823,029	255,452,405
Deferred inflows of resources	68,209,915	83,205,654	2,039,119	3,701,018	70,249,034	86,906,672
Net investment in capital assets	91,685,653	90,971,564	609,624	1,222,415	92,295,277	92,193,979
Restricted net position	2,319,923	2,558,411	18,956	34,571	2,338,879	2,592,982
Unrestricted net position (deficit)	(277,307,215)	(269,271,981)	(2,389,336)	(6,172,856)	(279,696,551)	(275,444,837)
Total net position (deficit)	\$ (183,301,639)	\$ (175,742,006)	\$ (1,760,756)	\$ (4,915,870)	\$ (185,062,395)	\$ (180,657,876)

The net position of the Board's governmental activities decreased \$7.6 million during the year, from \$(175.7) million at June 30, 2019 to \$(183.3) million at June 30, 2020. Unrestricted net position decreased \$8.0 million compared to the prior year due to an excess of expenses over revenues mostly related to pension and OPEB expenses. Net investment in capital assets increased \$714,000 due to an excess of capital additions over depreciation for the year resulting from capital projects funded by County bond funds.

The net position of the Board's business-type activities increased \$3.2 million from \$(4.9) million at June 30, 2019 to \$(1.8) million at June 30, 2020. This increase of \$3.2 million is the net income generated by our school food service operations during the 2020 fiscal year as a result of decreases in salaries and benefits due to lower pension and OPEB expenses during the year, as well as a \$3.0 million prior period adjustment due to a correction in the allocation of the pension and OPEB liabilities. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**WAYNE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 2,552,557	\$ -	\$ 280,893	\$ 411,119	\$ 2,833,450	\$ 411,119
Operating grants and contributions	141,057,454	140,194,553	7,942,301	8,428,133	148,999,755	148,622,686
Capital grants and contributions	907,081	3,317,667	25,552	-	932,633	3,317,667
General revenues:						
County appropriations	26,414,795	21,170,192	-	-	26,414,795	21,170,192
State appropriations	9,751,640	563,494	-	-	9,751,640	563,494
Other revenues	958,833	4,943,831	74,308	60,353	1,033,141	5,004,184
Total revenues	<u>181,642,360</u>	<u>170,189,737</u>	<u>8,323,054</u>	<u>8,899,605</u>	<u>189,965,414</u>	<u>179,089,342</u>
Expenses:						
Governmental activities:						
Instructional services	149,065,570	131,967,122	-	-	149,065,570	131,967,122
System-wide support services	31,643,044	33,193,688	-	-	31,643,044	33,193,688
Ancillary services	1,165,994	235,837	-	-	1,165,994	235,837
Non-programmed charges	1,342,600	1,406,138	-	-	1,342,600	1,406,138
Interest on long-term debt	227,175	410,036	-	-	227,175	410,036
Unallocated depreciation	244,767	1,102,121	-	-	244,767	1,102,121
Business-type activities:						
School food service	-	-	8,193,819	12,845,650	8,193,819	12,845,650
Total expenses	<u>183,689,150</u>	<u>168,314,942</u>	<u>8,193,819</u>	<u>12,845,650</u>	<u>191,882,969</u>	<u>181,160,592</u>
Transfers in (out)	<u>(37,674)</u>	<u>-</u>	<u>37,674</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(2,084,464)	1,874,795	166,909	(3,946,045)	(1,917,555)	(2,071,250)
Beginning net position, as previously reported	(175,742,006)	(177,616,801)	(4,915,870)	(969,825)	(180,657,876)	(178,586,626)
Restatement	<u>(5,475,169)</u>	<u>-</u>	<u>2,988,205</u>	<u>-</u>	<u>(2,486,964)</u>	<u>-</u>
Beginning net position (deficit) (deficit), restated	<u>(181,217,175)</u>	<u>(177,616,801)</u>	<u>(1,927,665)</u>	<u>(969,825)</u>	<u>(183,144,840)</u>	<u>(178,586,626)</u>
Ending net position (deficit)	<u>\$ (183,301,639)</u>	<u>\$ (175,742,006)</u>	<u>\$ (1,760,756)</u>	<u>\$ (4,915,870)</u>	<u>\$ (185,062,395)</u>	<u>\$ (180,657,876)</u>

## **WAYNE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Total governmental activities generated revenues of \$181.6 million while expenses in this category totaled \$183.7 million for the year ended June 30, 2020, resulting in a decrease in net position of \$2.1 million (including transfers out to business-type activities of \$38,000). Comparatively, revenues were \$170.2 million, expenses totaled \$168.3 million and transfers out were \$-0- for the year ended June 30, 2019, resulting in an increase in net position of \$1.9 million. In comparing the two years, revenues increased \$11.5 million, or 6.7%, and expenses increased by \$15.4 million, or 9.1%. The overall increase in revenues is primarily attributable to a \$5.1 million increase in funding from State appropriations, including covid-19 relief funds and \$3.7 million of bond funds used for the Southern Wayne Gym renovations. The overall increase in expenses is largely attributable to an increase in pension and OPEB related expenses of \$8.3 million. See the footnotes for detailed information regarding pension and OPEB related amounts and disclosures.

The Board's primary sources of revenues were funding from the State of North Carolina, Wayne County, and the United States Government, which respectively comprised 71.8%, 15.4% and 10.0% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 77.7% of our total expenses during the most recent fiscal year, 16.5% was attributable to system-wide support services.

Our business-type activities generated revenues of \$8.3 million, while expenses in this category totaled \$8.2 million for the year ended June 30, 2020. For the year, net position increased by \$167,000 (including transfers in of \$38,000). Comparatively, revenues were \$8.9 million, expenses were \$12.8 million and transfers in were \$-0- for the year ended June 30, 2019, resulting in a decrease in net position of \$3.9 million.

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

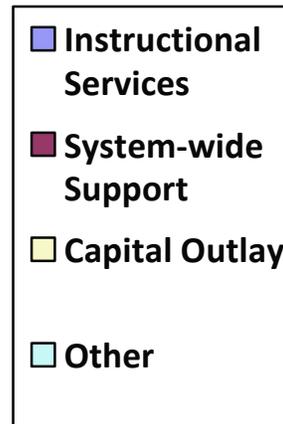
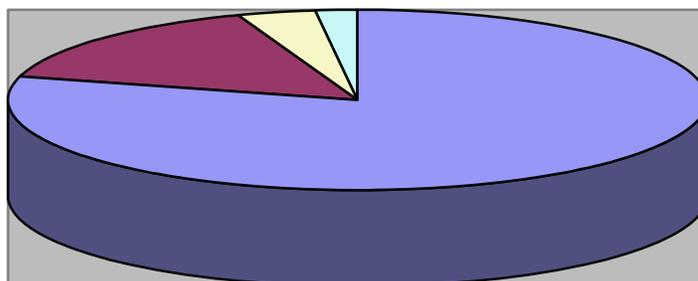
***Governmental Funds:*** The focus of Wayne County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$(704,000) at June 30, 2020, an increase of \$258,000 from the amount reported at June 30, 2019. The Other Special Revenue, Capital Outlay and Individual Schools funds reported increases in fund balance for the year, while the General fund reported a decrease in fund balance despite a prior period adjustment to the General fund balance to increase fund balance by \$1,000,000 as a result of inaccurately calculated accrued liabilities.

Overall, total governmental fund revenues increased by \$12.4 million while total expenditures decreased by \$22,000 over the prior year. The increase in revenues is primarily attributable to an increase in State allotments for salaries and benefits related to State mandated salary increases and an increase in the retirement rate as well as \$3.7 million of bond funds used to start renovations on the Southern Wayne High School Gym. The slight decrease in expenditures is due to a decrease in General expenditures due to an attempt to curb spending and add fund balance as well as savings recognized due to the shutting down of school buildings in the middle of March due to the global pandemic, offset by construction expenditures made on behalf of the School Board by the County for construction costs on the new Gym.

The Other Special Revenue Fund reported fund balance of \$2.7 million at June 30, 2020, an increase of \$1.4 million from the \$1.3 million reported at June 30, 2019. This fund balance reserve is available to fund future restricted and non-restricted programs.

**Categorization of Expenditures for Governmental Funds**



Expenditures presented on modified accrual basis of accounting.

*Proprietary Fund:* The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$167,000 for the fiscal year ended June 30, 2020 compared to a decrease of \$3.9 million for the same 2019 period. See the section above titled *Financial Analysis of the Board as a Whole*

for a detailed discussion of the significant changes in revenues and expenses.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2020 of \$1.4 million (including the decrease in reserve for inventories and the prior period adjustment), compared to a decrease of \$5.2 million in 2019. Revenues decreased by \$5.0 million due to the Restricted Revenue fund being appropriately separated from the General fund. Expenditures decreased by \$14.8 million from the prior year, primarily due to separating the Other Special Revenue fund from the General fund in the financial statement presentation, and a \$6.5 million refinancing agreement that occurred in the previous year. The General fund also recognized \$6.5 million of other financing sources for the year ended June 30, 2019 due to the previously mentioned refinancing agreement entered in the previous year. The Board's General fund exceeded budgeted expenditures by \$1.9 million.

**Capital Assets**

Total primary government capital assets were \$93.0 million at June 30, 2020 compared to \$95.2 million at June 30, 2019, a decrease of 2.3%. The decrease is attributable to an excess of depreciation expense over capital additions for the year. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2020 and 2019. More detailed information about the Board's capital assets is contained in note 3 to the basic financial statements.

**WAYNE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/19</u>
Land	\$ 3,746,175	\$ 3,382,538	\$ -	\$ -	\$ 3,746,175	\$ 3,382,538
Construction in progress	3,354,758	974,445	-	-	3,354,758	974,445
Buildings and improvements	77,644,459	81,047,691	-	-	77,644,459	81,047,691
Equipment and furniture	1,519,839	1,373,945	609,624	1,222,415	2,129,463	2,596,360
Vehicles	6,151,084	7,183,763	-	-	6,151,084	7,183,763
Total	<u>\$ 92,416,315</u>	<u>\$ 93,962,382</u>	<u>\$ 609,624</u>	<u>\$ 1,222,415</u>	<u>\$ 93,025,939</u>	<u>\$ 95,184,797</u>

**Debt Outstanding**

During the year, the Board's long-term debt decreased from \$8.2 million at June 30, 2019 to \$6.7 million at June 30, 2020. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in note 3 to the basic financial statements.

**Economic Factors**

The Board anticipates an increased 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 school district. The following factors have affected the economic outlook of Wayne County.

- Wayne County's population estimation of approximately 122,919 is an increase of only 0.2% since 2010.
- The unadjusted unemployment rate in Wayne County at June 30, 2020 remains relatively low at 6.9%, slightly below that of the State rate of 7.5% at June 30, 2020.
- State raises for fiscal year 2020 ranged from 0% to 4% for certified staff.

**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:

Leslie Rouse, Finance Officer  
Wayne County Board of Education  
2001 Royall Avenue  
Goldsboro, NC 27534

**WAYNE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 5,199,791	\$ 2,514,065	\$ 7,713,856
Due from other governments	5,222,801	-	5,222,801
Receivables	4,609	-	4,609
Internal balances	(2,866,571)	2,866,571	-
Net OPEB asset	238,426	7,128	245,554
Inventories	678,603	264,483	943,086
Capital assets:			
Land and construction in progress	7,100,933	-	7,100,933
Other capital assets, net of depreciation	85,315,382	609,624	85,925,006
Total capital assets	92,416,315	609,624	93,025,939
<b>Total assets</b>	<b>100,893,974</b>	<b>6,261,871</b>	<b>107,155,845</b>
<b>Deferred Outflows of Resources</b>	<b>47,435,740</b>	<b>1,418,083</b>	<b>48,853,823</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,560,213	302	1,560,515
Accrued salaries and wages payable	5,216,377	36,198	5,252,575
Due to other governments	2,166,963	-	2,166,963
Unearned revenue	-	41,285	41,285
Long-term liabilities:			
Due within one year	6,767,987	123,473	6,891,460
Due in more than one year	10,058,707	95,809	10,154,516
Net pension liability	65,127,249	1,946,963	67,074,212
Net OPEB liability	172,523,942	5,157,561	177,681,503
<b>Total liabilities</b>	<b>263,421,438</b>	<b>7,401,591</b>	<b>270,823,029</b>
<b>Deferred Inflows of Resources</b>	<b>68,209,915</b>	<b>2,039,119</b>	<b>70,249,034</b>
<b>Net position</b>			
Net investment in capital assets	91,685,653	609,624	92,295,277
Restricted for:			
Stabilization by State statute	14,472	-	14,472
School capital outlay	246,078	-	246,078
Hurricane relief	-	-	-
Instructional services	-	-	-
Individual schools activities	1,425,329	-	1,425,329
DIPNC OPEB plan	634,044	18,956	653,000
Unrestricted	(277,307,215)	(2,389,336)	(279,696,551)
<b>Total net position (deficit)</b>	<b>\$(183,301,639)</b>	<b>\$(1,760,756)</b>	<b>\$(185,062,395)</b>

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



**WAYNE COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020**

**Exhibit 3**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	
<b>Assets</b>							
Cash and cash equivalents	\$ 862,392	\$ -	\$ -	\$ 2,667,592	\$ 244,478	\$ 1,425,329	\$ 5,199,791
Due from other governments	-	4,768,039	337,738	11,463	105,561	-	5,222,801
Accounts receivable	2,776	-	-	233	1,600	-	4,609
Due from other funds	-	60,746	4,729	133,429	-	-	198,904
Inventories	678,603	-	-	-	-	-	678,603
Total assets	<u>\$ 1,543,771</u>	<u>\$ 4,828,785</u>	<u>\$ 342,467</u>	<u>\$ 2,812,717</u>	<u>\$ 351,639</u>	<u>\$ 1,425,329</u>	<u>\$ 11,304,708</u>
<b>Liabilities and Fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,355,337	\$ -	\$ -	\$ 99,315	\$ 105,561	\$ -	\$ 1,560,213
Accrued salaries and wages payable	-	4,828,785	342,467	45,125	-	-	5,216,377
Due to other funds	3,065,475	-	-	-	-	-	3,065,475
Due to other governments	2,166,963	-	-	-	-	-	2,166,963
Total liabilities	<u>6,587,775</u>	<u>4,828,785</u>	<u>342,467</u>	<u>144,440</u>	<u>105,561</u>	<u>-</u>	<u>12,009,028</u>
Fund balances:							
Nonspendable:							
Inventories	678,603	-	-	-	-	-	678,603
Restricted:							
Stabilization by State statute	2,776	-	-	11,696	-	-	14,472
School capital outlay	-	-	-	-	246,078	-	246,078
Individual schools	-	-	-	-	-	1,425,329	1,425,329
Assigned:							
Special revenues	-	-	-	2,656,581	-	-	2,656,581
Unassigned	(5,725,383)	-	-	-	-	-	(5,725,383)
Total fund balances	<u>(5,044,004)</u>	<u>-</u>	<u>-</u>	<u>2,668,277</u>	<u>246,078</u>	<u>1,425,329</u>	<u>(704,320)</u>
Total liabilities and fund balances	<u>\$ 1,543,771</u>	<u>\$ 4,828,785</u>	<u>\$ 342,467</u>	<u>\$ 2,812,717</u>	<u>\$ 351,639</u>	<u>\$ 1,425,329</u>	<u>\$ 11,304,708</u>

**WAYNE COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit 3 (continued)**

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

Total fund balance (All Governmental Funds)	(704,320)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	92,416,315
Net OPEB asset	238,426
Deferred outflows of resources related to pensions	26,447,067
Deferred outflows of resources related to OPEB plans	20,988,673
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(16,826,694)
Net pension liability	(65,127,249)
Net OPEB liability	(172,523,942)
Deferred inflows of resources related to pensions	(269,703)
Deferred inflows of resources related to OPEB plans	<u>(67,940,212)</u>
Net position of governmental activities (deficit)	<u>\$ (183,301,639)</u>

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

**Exhibit 4**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 129,143,639	\$ -	\$ 1,012,690	\$ 907,081	\$ -	\$ 131,063,410
Wayne County							
Local current expense	19,053,791	-	-	-	-	-	19,053,791
Other	-	-	-	1,672,200	7,361,004	-	9,033,204
U.S. Government	-	1,140,442	15,951,765	1,070,309	-	-	18,162,516
Other	413,908	-	-	2,215,290	15,114	2,550,608	5,194,920
Total revenues	<u>19,467,699</u>	<u>130,284,081</u>	<u>15,951,765</u>	<u>5,970,489</u>	<u>8,283,199</u>	<u>2,550,608</u>	<u>182,507,841</u>
Expenditures:							
Current:							
Instructional services:							
Regular instructional	4,386,617	77,496,587	892,725	2,829,211	-	-	85,605,140
Special populations	223,599	17,230,963	3,814,410	188,184	-	-	21,457,156
Alternative programs	61,369	4,317,938	9,158,470	1,046,390	-	-	14,584,167
School leadership	525,544	8,629,004	15,101	114,996	-	-	9,284,645
Co-curricular	994,150	-	-	-	-	2,425,923	3,420,073
School-based support	284,251	8,939,083	213,630	33,990	-	-	9,470,954
System-wide support services:							
Support and development	1,139,276	712,742	215,861	-	-	-	2,067,879
Special population support and development	3,762	-	377,428	1,464	-	-	382,654
Alternative programs and services							
support and development	1,178	60,336	541,717	-	-	-	603,231
Technology support	69,956	610,769	-	-	-	-	680,725
Operational support	10,543,673	9,572,324	316,680	167,288	-	-	20,599,965
Financial and human resource services	752,358	1,073,099	63,486	-	-	-	1,888,943
Accountability	92,593	-	-	-	-	-	92,593
Policy, leadership and public relations	1,311,843	463,120	-	-	-	-	1,774,963
Ancillary services	-	1,140,442	25,552	-	-	-	1,165,994
Non-programmed charges	1,167,600	-	316,705	175,000	-	-	1,659,305
Debt service:							
Principal retirement	107,416	-	-	-	1,397,244	-	1,504,660
Interest and fees	5,028	-	-	-	222,147	-	227,175
Capital outlay	-	-	-	-	6,571,759	-	6,571,759
Total expenditures	<u>21,670,213</u>	<u>130,246,407</u>	<u>15,951,765</u>	<u>4,556,523</u>	<u>8,191,150</u>	<u>2,425,923</u>	<u>183,041,981</u>
Revenues over (under) expenditures	(2,202,514)	37,674	-	1,413,966	92,049	124,685	(534,140)
Other financing sources (uses):							
Transfers to other funds	-	(37,674)	-	-	-	-	(37,674)
Net change in fund balance	(2,202,514)	-	-	1,413,966	92,049	124,685	(571,814)
Fund balances:							
Beginning of year	(3,671,003)	-	-	1,254,311	154,029	1,300,644	(962,019)
Restatement (Note 6)	1,000,000	-	-	-	-	-	1,000,000
Beginning of year, as restated	(2,671,003)	-	-	1,254,311	154,029	1,300,644	37,981
Change in reserve for inventories	(170,487)	-	-	-	-	-	(170,487)
End of year	<u>\$ (5,044,004)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,668,277</u>	<u>\$ 246,078</u>	<u>\$ 1,425,329</u>	<u>\$ (704,320)</u>

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

**WAYNE COUNTY BOARD OF EDUCATION** **Exhibit 5**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ (571,814)
Change in fund balance due to change in reserve for inventory	(170,487)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(774,242)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	12,797,646
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	6,482,693
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,504,660
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) benefit	(23,411,021)
OPEB (expense) benefit	2,256,510
Compensated absences	<u>(198,409)</u>
Total changes in net position of governmental activities	<u>\$ (2,084,464)</u>

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 6**

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Wayne County	19,053,791	19,053,791	19,053,791	-
U.S. Government	-	-	-	-
Other	740,000	740,000	413,908	(326,092)
Total revenues	19,793,791	19,793,791	19,467,699	(326,092)
Expenditures:				
Current:				
Instructional services	4,493,223	4,493,223	6,475,530	(1,982,307)
System-wide support services	14,188,124	14,188,124	13,914,639	273,485
Ancillary services	-	-	-	-
Non-programmed charges	1,000,000	1,000,000	1,167,600	(167,600)
Debt service:				
Principal retirement	107,416	107,416	107,416	-
Interest and fees	5,028	5,028	5,028	-
Total debt service	112,444	112,444	112,444	-
Total expenditures	19,793,791	19,793,791	21,670,213	(1,876,422)
Revenues over (under) expenditures	-	-	(2,202,514)	(2,202,514)
Other financing sources (uses):				
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	(2,202,514)	\$ (2,202,514)
Fund balances:				
Beginning of year			(3,671,003)	
Restatement (Note 6)			1,000,000	
Beginning of year, as restated			(2,671,003)	
Change in reserve for inventories			(170,487)	
End of year			\$ (5,044,004)	

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

*Exhibit 6 (continued)*

	State Public School Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 130,472,344	\$ 130,472,344	\$ 129,143,639	\$ (1,328,705)
Wayne County	-	-	-	-
U.S. Government	1,142,950	1,142,950	1,140,442	(2,508)
Other	-	-	-	-
Total revenues	<u>131,615,294</u>	<u>131,615,294</u>	<u>130,284,081</u>	<u>(1,331,213)</u>
Expenditures:				
Current:				
Instructional services	117,942,280	117,942,280	116,613,575	1,328,705
System-wide support services	12,492,390	12,492,390	12,492,390	-
Ancillary services	1,142,950	1,142,950	1,140,442	2,508
Non-programmed charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	<u>131,577,620</u>	<u>131,577,620</u>	<u>130,246,407</u>	<u>1,331,213</u>
Revenues over (under) expenditures	37,674	37,674	37,674	-
Other financing sources (uses):				
Operating transfers out	(37,674)	(37,674)	(37,674)	-
Operating transfers in	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses):	<u>(37,674)</u>	<u>(37,674)</u>	<u>(37,674)</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year				-
Change in reserve for inventories				-
End of year			<u>\$ -</u>	

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

*Exhibit 6 (continued)*

	Federal Grants Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Wayne County	-	-	-	-
U.S. Government	24,309,889	24,309,889	15,951,765	(8,358,124)
Other	-	-	-	-
Total revenues	<u>24,309,889</u>	<u>24,309,889</u>	<u>15,951,765</u>	<u>(8,358,124)</u>
Expenditures:				
Current:				
Instructional services	22,399,565	22,399,565	14,094,336	8,305,229
System-wide support services	1,401,068	1,401,068	1,515,172	(114,104)
Ancillary services	25,552	25,552	25,552	-
Non-programmed charges	<u>483,704</u>	<u>483,704</u>	<u>316,705</u>	<u>166,999</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	<u>24,309,889</u>	<u>24,309,889</u>	<u>15,951,765</u>	<u>8,358,124</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

*Exhibit 6 (continued)*

	Restricted Revenue Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,012,690	\$ 1,012,690	\$ 1,012,690	\$ -
Wayne County	2,272,200	2,272,200	1,672,200	(600,000)
U.S. Government	670,597	670,597	1,070,309	399,712
Other	<u>2,102,356</u>	<u>2,102,356</u>	<u>2,215,290</u>	<u>112,934</u>
Total revenues	<u>6,057,843</u>	<u>6,057,843</u>	<u>5,970,489</u>	<u>(87,354)</u>
Expenditures:				
Current:				
Instructional services	5,051,808	5,051,808	4,212,771	839,037
System-wide support services	831,035	831,035	168,752	662,283
Ancillary services	-	-	-	-
Non-programmed charges	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,057,843</u>	<u>6,057,843</u>	<u>4,556,523</u>	<u>1,501,320</u>
Revenues over (under) expenditures	-	-	1,413,966	1,413,966
Other financing sources (uses):				
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
Installment purchase obligations issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,413,966	<u>\$ 1,413,966</u>
Fund balances:				
Beginning of year			1,254,311	
Change in reserve for inventories			<u>-</u>	
End of year			<u>\$ 2,668,277</u>	

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE**  
**June 30, 2020**

**Exhibit 7**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,514,065
Due from other funds	3,000,000
Net OPEB asset	7,128
Inventories	<u>264,483</u>
Total current assets	<u>5,785,676</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>609,624</u>
Total assets	<u>6,395,300</u>
<b>Deferred Outflows of Resources</b>	<u>1,418,083</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	302
Accrued salaries and wages payable	36,198
Due to other funds	133,429
Compensated absences	123,473
Unearned revenue	<u>41,285</u>
Total current liabilities	<u>334,687</u>
Noncurrent liabilities:	
Net pension liability	1,946,963
Net OPEB liability	5,157,561
Compensated absences	<u>95,809</u>
Total noncurrent liabilities	<u>7,200,333</u>
Total liabilities	<u>7,535,020</u>
<b>Deferred Inflows of Resources</b>	<u>2,039,119</u>
<b>Net position</b>	
Investment in capital assets	609,624
Restricted for DIPNC OPEB plan	18,956
Unrestricted	<u>(2,389,336)</u>
Total net position (deficit)	<u>\$ (1,760,756)</u>

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 8**

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating revenues:	
Food sales	\$ 280,893
Operating expenses:	
Food cost:	
Purchase of food	2,527,884
Donated commodities	772,131
Salaries and benefits	4,064,927
Indirect costs	548,776
Materials and supplies	28,412
Repairs and maintenance	30,712
Depreciation	96,858
Non-capitalized equipment	67,802
Contracted services	33,211
Other	23,106
Total operating expenses	<u>8,193,819</u>
Operating loss	<u>(7,912,926)</u>
Nonoperating revenues:	
Federal reimbursements and grants	7,170,170
Federal commodities	772,131
Interest earned	27,868
Other	46,440
Total nonoperating revenues	<u>8,016,609</u>
Income before transfers and contributions	103,683
Transfers from other funds	<u>37,674</u>
Contributions:	
Capital contributions	<u>25,552</u>
Change in net position	166,909
Net position (deficit), beginning of year	<u>(4,915,870)</u>
Restatement (Note 6)	<u>2,988,205</u>
Net position (deficit), beginning of year, as restated	<u>(1,927,665)</u>
Net position (deficit), end of year	<u>\$ (1,760,756)</u>

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 9**

	Enterprise Fund
	<u>Major Fund</u>
	School Food
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 273,829
Cash paid for goods and services	(3,375,161)
Cash paid to employees for services	(3,925,280)
Net cash used by operating activities	<u>(7,026,612)</u>
Cash flows from noncapital financing activities:	
Due to other funds	(15,324)
Federal and State reimbursements	7,420,968
Other	46,440
Net cash provided by noncapital financing activities	<u>7,452,084</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(47,348)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>27,868</u>
Net increase in cash and cash equivalents	405,992
Cash and cash equivalents, beginning of year	<u>2,108,073</u>
Cash and cash equivalents, end of year	<u>\$ 2,514,065</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (7,912,926)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	96,858
Donated commodities	772,131
Salaries paid by other funds	37,674
Changes in assets and liabilities:	
Increase in inventories	(84,409)
Increase on OPEB asset	(2,101)
Decrease in accounts payable and accrued liabilities	(30,849)
Decrease in accrued salaries and wages payable	(2,062)
Decrease in unavailable revenue	(7,064)
Increase in pension liability	81,192
Increase in OPEB liability	448,125
Decrease in deferred outflow	49,002
Decrease in deferred inflow	(475,188)
Increase in compensated absences payable	3,005
Total adjustments	<u>886,314</u>
Net cash used by operating activities	<u>\$ (7,026,612)</u>

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

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$772,131 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$137,674 to administrative personnel of the School Food Service Fund during the fiscal year. This payment is reflected as a transfer in and an operating expense on Exhibit 8.

School Food Service capital assets with a value of \$25,552 were purchased by the Federal Grants fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

**WAYNE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
June 30, 2020**

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**Exhibit 10**

	<u>Private Purpose Trust Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 470,318
Accounts receivable	<u>33</u>
Total assets	<u>470,351</u>
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Assets held in trust for scholarships	<u>\$ 470,351</u>

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

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**Exhibit 11**

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	<u>\$ 13,251</u>
Deductions:	
Instructional costs	<u>3,069</u>
Change in net position	10,182
Beginning net position	<u>460,169</u>
Ending net position	<u>\$ 470,351</u>

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

The accounting policies of 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 (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. The Board has no component units.

B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses, interfund services provided and used are not eliminated in the consolidation process. 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 nonmajor 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. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

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

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

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

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

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

The Board reports the following major enterprise fund:

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

The Board reports the following 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 sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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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 private purpose trust fund and the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds. The budget is presented in the accompanying financial statements and schedules at the purpose level for informational purposes only. The Board has authorized the Superintendent to transfer appropriations between purpose, program and object codes of a fund, with a report to the Board required for any transfers between program codes in the General, Capital Outlay, School Food Service or Administrative Funds. Amendments are required for any revisions that alter total expenditures of any fund or that require a transfer between funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

1. Deposits and Investments

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

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

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. The NCCMT Government Portfolio's securities are measured at fair value. The STIF securities (as valued under level 2 of the fair value hierarchy) are reported at cost and maintain a constant \$1 per share value. Investments valued under level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

**WAYNE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2020**

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3. Inventories

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

4. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for goods or services in one period that benefit a future period. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

5. Capital Assets

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

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	<u>Years</u>
Buildings	50
Improvements	10
Equipment and furniture	5-10
Vehicles	6-10
Computer equipment	3

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. Land and construction in progress are not depreciated.

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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6. Deferred outflows and inflows of resources

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

7. Long-term Obligations

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

8. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2020 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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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.

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year end balance of prepaid expenditures, which are not spendable resources.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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

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

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. These amounts can be expended for instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

10. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(182,597,319) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 188,926,810
Less accumulated depreciation	<u>(96,510,495)</u>
Net capital assets	92,416,315
Net OPEB asset	238,426
Deferred outflows of resources related to pensions	26,447,067
Deferred outflows of resources related to OPEB	20,988,673
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(6,697,490)
Compensated absences	(10,129,204)
Net pension liability	(65,127,249)
Net OPEB liability	(172,523,942)
Deferred inflows of resources related to pensions	(269,703)
Deferred inflows of resources related to OPEB	<u>(67,940,212)</u>
Total adjustment	<u>\$ (182,597,319)</u>

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(1,512,650) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,924,373
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	(4,698,615)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	1,504,660
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	12,797,646
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	6,482,693
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(23,411,021)
OPEB (expense) benefit	2,256,510
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(198,409)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>(170,487)</u>
Total adjustment	<u>\$ (1,512,650)</u>

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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11. Defined Benefit Pension Plan and OPEB Plans

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

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

A. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2020, the Board reported expenditures within several funds that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance, as summarized below:

General Fund – Instructional services	\$1,982,307
General Fund – Non-programmed charges	\$167,600
Federal Grants Fund – System-wide support services	\$114,104

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

B. Deficit Fund Net Position of Individual Funds

At June 30, 2020, the General Fund had a deficit fund net positions in the amount of \$5,044,004. The primary reason for the deficit is significant increases in expenditures over the past 6 years, especially in salary expenditures. The Board has experienced an average increase in salaries of over \$2.5 million per year for the last 6 years. Management will review options to request increased funding and reduce costs and restore net position in this fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method,

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Board had deposits with banks and savings and loans with a carrying amount of \$6,008,593 and with the State Treasurer of \$(65,474). The bank balances with the financial institutions and the State Treasurer were \$6,266,450 and \$1,780,191, respectively. Of these balances, \$1,727,285 was covered by federal depository insurance and \$6,319,356 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2020, the Board had \$2,175,581 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2020. The Board has no policy for managing interest rate risk, concentration risk or credit risk.

3. Accounts Receivable

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

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (3,065,475)	\$ -	\$ 2,776	\$ (3,062,699)
Other governmental activities	<u>198,904</u>	<u>5,222,801</u>	<u>1,833</u>	<u>5,423,538</u>
Total governmental activities	<u>\$ (2,866,571)</u>	<u>\$ 5,222,801</u>	<u>\$ 4,609</u>	<u>\$ 2,360,839</u>
Business-type activities:				
School Food Service Fund	<u>\$ 2,866,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,866,571</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 4,768,039	Operating funds from DPI
Federal Grants Fund	337,738	Federal grant funds
Capital Outlay Fund	105,561	Due from the County
Restricted Revenue Fund	<u>11,463</u>	Federal grant funds
Total	<u>\$ 5,222,801</u>	

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4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,382,538	\$ 363,637	\$ -	\$ 3,746,175
Construction in progress	202,620	3,354,758	202,620	3,354,758
Total capital assets not being depreciated	<u>3,585,158</u>	<u>3,718,395</u>	<u>202,620</u>	<u>7,100,933</u>
Capital assets being depreciated:				
Buildings and improvements	156,688,516	-	-	156,688,516
Equipment and furniture	4,897,915	390,661	-	5,288,576
Vehicles	19,830,848	17,937	-	19,848,785
Total capital assets being depreciated	<u>181,417,279</u>	<u>408,598</u>	<u>-</u>	<u>181,825,877</u>
Less accumulated depreciation for:				
Buildings and improvements	75,640,825	3,403,232	-	79,044,057
Equipment and furniture	3,523,970	244,767	-	3,768,737
Vehicles	12,647,085	1,050,616	-	13,697,701
Total accumulated depreciation	<u>91,811,880</u>	<u>4,698,615</u>	<u>-</u>	<u>96,510,495</u>
Total capital assets being depreciated, net	<u>89,605,399</u>			<u>85,315,382</u>
Governmental activity capital assets, net	<u>\$ 93,190,557</u>			<u>\$ 92,416,315</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	\$ 3,241,467	\$ 72,900	\$ -	\$ 3,314,367
Less accumulated depreciation for:				
Equipment, furniture and vehicles	2,607,885	96,858	-	2,704,743
School Food Service capital assets, net	<u>\$ 633,582</u>			<u>\$ 609,624</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 3,403,232
System-wide support services	1,050,616
Unallocated depreciation	<u>244,767</u>
Total	<u>\$ 4,698,615</u>

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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

*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, 2020, was 12.97% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$13,180,229 for the year ended June 30, 2020.

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

At June 30, 2020, the Board reported a liability of \$67,074,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2019 and at June 30, 2018, the Board's proportion was .64700% and .65008%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of \$24,116,891. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,610,680	\$ 134,278
Changes of assumptions	7,147,021	-
Net difference between projected and actual earnings on pension plan investments	1,285,718	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	14,049	143,488
Board contributions subsequent to the measurement date	13,180,229	-
Total	<u>\$ 27,237,697</u>	<u>\$ 277,766</u>

\$13,180,229 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2021	\$ 9,824,108
2022	2,338,568
2023	1,167,253
2024	449,773
2025	-
Thereafter	-
Total	<u>\$ 13,779,702</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The assumptions used for the December 31, 2018 actuarial valuation are based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016, Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

<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>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%, a decrease of .20% from the prior year discount rate of 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

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make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 127,660,883	\$ 67,074,212	\$ 16,249,716

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Postemployment Benefits

Healthcare Benefits

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

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

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the

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

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

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

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.47% of covered payroll which amounted to \$6,574,871.

At June 30, 2020, Board reported a liability of \$177,681,503 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and at June 30, 2018, the Board's proportion was 0.56158% and 0.57346%, respectively.

\$6,574,871 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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**Year ended June 30:**

2021	\$ (16,720,621)
2022	(16,720,621)
2023	(16,703,514)
2024	(5,921,743)
2025	729,040
Thereafter	-
<b>Total</b>	<b>\$ (55,337,459)</b>

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

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

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 3.50%, a decrease of .37% over the prior year discount rate of 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

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

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Net OPEB liability	\$ 211,149,392	\$ 177,681,503	\$ 150,882,875

*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 or 1-percentage point higher than the current healthcare cost trend rates:

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	<b>1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)</b>	<b>Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage -5.00%, Administrative - 3.00%)</b>	<b>1% Increase (Medical- 6.00-7.50%, Pharmacy- 6.00-10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)</b>
Net OPEB liability	\$ 146,306,949	\$ 177,681,503	\$ 218,933,206

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

**Disability Benefits**

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

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

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

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

*Contributions.* Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2020,

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employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$101,621 for the year ended June 30, 2020.

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

At June 30, 2020, Board reported an OPEB asset of \$245,554 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB asset was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and at June 30, 2018, the Board's proportion was 0.56907% and 0.57412%, respectively.

\$101,621 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2021	\$	104,633
2022		71,032
2023		51,997
2024		32,637
2025		44,967
Thereafter		<u>559</u>
Total	\$	<u>305,825</u>

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

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

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

	<u>1% Decrease</u> <u>(2.75%)</u>	<u>Discount Rate</u> <u>(3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
Net OPEB asset	\$ 207,978	\$ 245,554	\$ 282,066

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*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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:

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

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

	RHBFB	DIPNC	Total
OPEB Expense (Benefit)	\$ (2,543,034)	\$ 258,067	\$ (2,284,967)
OPEB Liability (Asset)	177,681,503	(245,554)	177,435,949
Proportionate share of the net OPEB liability (asset)	0.56158%	0.56907%	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	-	240,852	240,852
Changes of assumptions	8,540,210	27,202	8,567,412
Net difference between projected and actual earnings on plan investments	118,322	46,772	165,094
Changes in proportion and differences between Board contributions and proportionate share of contributions	5,948,562	7,714	5,956,276
Board contributions subsequent to the measurement date	6,574,871	101,621	6,676,492
<b>Total Deferred of Outflows of Resources</b>	<b>21,181,965</b>	<b>424,161</b>	<b>21,606,126</b>
<b>Deferred of Inflows of Resources</b>			
Differences between Expected and actual experience	8,957,386	-	8,957,386
Changes of assumptions	53,418,847	25,193	53,444,040
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	7,568,320	1,522	7,569,842
<b>Total Deferred of Inflows of Resources</b>	<b>69,944,553</b>	<b>26,715</b>	<b>69,971,268</b>

**2. Accounts Payable**

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

	Vendors	Salaries & Wages	Total
<b>Governmental activities:</b>			
General Fund	\$ 1,355,337	\$ -	\$ 1,355,337
Other governmental activities	204,876	5,216,377	5,421,253
<b>Total governmental activities</b>	<b>\$ 1,560,213</b>	<b>\$ 5,216,377</b>	<b>\$ 6,776,590</b>
<b>Business-type activities:</b>			
School Food Service Fund	\$ 302	\$ 36,198	\$ 36,500

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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3. Unearned Revenues

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

Business-type activities:

Prepayments of meals (School Food Service Fund) \$ 41,285

4. Deferred Outflows and Inflows of Resources

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,861,532	\$ 9,091,664
Changes of assumptions	15,714,433	53,444,040
Net difference between projected and actual earnings on pension plan investments	1,450,812	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	5,970,325	7,713,330
Board contributions subsequent to the measurement date	19,856,721	-
Total	<u>\$ 48,853,823</u>	<u>\$ 70,249,034</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from federal and local funds. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$250,000 per claim for workers' compensation coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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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 with an unlimited lifetime maximum. The Board pays for most of the cost of coverage for employees enrolled in the Traditional Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized 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%.

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 special third party financing arrangements. The Board entered into such financing contracts for the purchase of school buses during the 2017-2018 and the 2018-2019 fiscal years. The original amount of the Board's school bus installment purchase contracts outstanding at June 30, 2020 totaled \$1,965,829. The contract requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15<sup>th</sup> dates.

The future minimum payments of the direct placement installment purchases as of June 30, 2020, including interest, are as follows:

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 1,124,628	\$ 216,752
2022	697,413	195,424
2023	615,477	175,029
2024	648,893	152,933
2025	672,189	129,638
2026 - 2030	2,938,890	268,415
Total	\$ 6,697,490	\$ 1,138,191

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ 8,202,150	\$ -	\$ 1,504,660	\$ 6,697,490	\$ 1,124,628
Net pension liability	62,856,772	2,270,477	-	65,127,249	-
Net OPEB liability	158,658,267	13,865,675	-	172,523,942	-
Compensated absences	9,930,795	7,944,246	7,745,837	10,129,204	5,643,359
Total	\$ 239,647,984	\$ 24,080,398	\$ 9,250,497	\$ 254,477,885	\$ 6,767,987
Business-type activities:					
Net pension liability	\$ 1,856,771	\$ 90,192	\$ -	\$ 1,946,963	\$ -
Net OPEB liability	4,709,436	448,125	-	5,157,561	-
Compensated absences	216,277	173,685	170,680	219,282	123,473
Total	\$ 6,782,484	\$ 712,002	\$ 170,680	\$ 7,323,806	\$ 123,473

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases for uses are typically liquidated by the Capital Outlay Fund and the energy conservation installment purchase contract will be liquidated by the General fund.

C. Interfund Balances and Activity

1. Interfund balances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	\$ 3,000,000
State Public Fund	General Fund	60,746
Federal Grants Fund	General Fund	4,729
Other Special Revenue Fund	School Food Service Fund	133,429

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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The amounts above represent a loan from the School Food Service fund, indirect cost owed by the School Food Service Fund and amounts owed to State and Federal cash accounts. These amounts are expected to be paid prior to June 30, 2021.

2. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2020 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	\$ <u>37,674</u>
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D. Fund Balance

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

Total fund balance - General Fund	\$ (5,044,004)
Less:	
Inventories	(678,603)
Stabilization by State statute	<u>(2,776)</u>
Remaining fund balance	<u>\$ (5,725,383)</u>

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

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

Medicaid reimbursement program	\$ 817,684
Local sales tax refund	108,705
Other reimbursements and refunds	35,193
Indirect costs allocated	865,481
Insurance proceeds	322,377
Rental of school property	1,949
Interest	857
Contributions and donations	365
Tuition and fees	14,541
Other	<u>48,138</u>
Total other revenues	<u>\$ 2,215,290</u>

**WAYNE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2020, the Board reported the following prior period adjustments:

Net governmental long-term liabilities were increased by \$2,080,985 to correct errors in the compensated absences liability in previous years. As a result, governmental activities' net position as of June 30, 2019 decreased by the same amount. Such changes to governmental activities' net position have been reflected in Exhibit 1 and Exhibit 2.

School Food Service long-term liabilities were increased by \$45,321 to correct errors in the compensated absences liability in previous years. As a result, School Food Service net position as of June 30, 2019 decreased by the same amount. Such changes to School Food Service net position have been reflected in Exhibit 1, 2, 7 and 8.

School Food Service capital assets were decreased by \$588,833 to correct errors in the capital assets listing and depreciation history in previous years. As a result, School Food Service net position as of June 30, 2019 decreased by the same amount. Such changes to School Food Service net position have been reflected in Exhibit 1, 2, 7 and 8.

Net governmental capital assets were decreased by \$771,825 to correct errors in the capital assets construction in progress listing. As a result, governmental activities' net position as of June 30, 2019 decreased by the same amount. Such changes to governmental activities' net position have been reflected in Exhibit 1 and Exhibit 2.

Net governmental net pension and OPEB liabilities and the corresponding deferred inflows and outflows were increased by \$3,622,359 to correct errors in the allocation of these liabilities in previous year. As a result, governmental activities' net position as of June 30, 2019 decreased by the same amount. Such changes to governmental activities' net position have been reflected in Exhibit 1 and Exhibit 2.

School Food Service net pension and OPEB liabilities and the corresponding deferred inflows and outflows were decreased by \$3,622,359 to correct errors in the allocation of these liabilities in previous year. As a result, School Food Service net position as of June 30, 2019 increased by the same amount. Such changes to School Food Service net position have been reflected in Exhibit 1, 2, 7 and 8.

General fund liabilities were decreased by \$1,000,000 to correct errors in the insurance liabilities in previous years. As a result, General fund balance and governmental activities' net position as of June 30, 2019 increased by the same amount. Such changes to General fund balance and governmental activities' net position have been reflected in Exhibit 1, 2, 3 and 4.

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>
Board's proportion of the net pension liability (asset)	0.64700%	0.65010%
Board's proportionate share of the net pension liability (asset)	\$ 67,074,212	\$ 64,722,543
Board's covered payroll	\$ 100,185,281	\$ 96,043,651
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.95%	67.39%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.65110%	0.65060%	0.64850%	0.65000%	0.65000%
Board's proportionate share of the net pension liability (asset)	\$ 51,663,526	\$ 59,800,536	\$ 23,899,615	\$ 7,592,598	\$ 7,515,776
Board's covered payroll	\$ 93,915,760	\$ 91,133,491	\$ 92,015,500	\$ 86,496,558	\$ 89,048,864
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.01%	65.62%	25.97%	8.78%	8.44%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

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

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST NINE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 13,180,229	\$ 12,312,771	\$ 10,353,505	\$ 9,372,792	\$ 8,338,474
Contributions in relation to the contractually required contribution	<u>13,180,229</u>	<u>12,312,771</u>	<u>10,353,505</u>	<u>9,372,792</u>	<u>8,338,474</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 101,439,056	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	
Contractually required contribution	\$ 8,419,418	\$ 7,516,551	\$ 7,391,060	\$ 6,606,038	
Contributions in relation to the contractually required contribution	<u>8,419,418</u>	<u>7,516,551</u>	<u>7,391,060</u>	<u>6,606,038</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered payroll	\$ 92,015,500	\$ 86,496,558	\$ 88,728,211	\$ 88,790,833	
Contributions as a percentage of covered payroll	9.15%	8.69%	8.33%	7.44%	

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. There are only nine years of data presented as the remaining information was not readily available.

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
RETIREE HEALTH BENEFIT FUND  
LAST FOUR FISCAL YEARS\***

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.56158%	0.57340%	0.58500%	0.55740%
Board's proportionate share of the net OPEB liability	\$ 177,681,503	\$ 163,367,703	\$ 191,786,814	\$ 242,477,716
Board's covered payroll	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	177.35%	170.10%	204.21%	266.07%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

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

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
RETIREE HEALTH BENEFIT FUND  
LAST NINE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,574,871	\$ 6,281,617	\$ 5,810,592	\$ 5,457,678	\$ 5,103,475
Contributions in relation to the contractually required contribution	<u>6,574,871</u>	<u>6,281,617</u>	<u>5,810,592</u>	<u>5,457,678</u>	<u>5,103,475</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 101,439,056	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	
Contractually required contribution	\$ 5,051,651	\$ 4,670,814	\$ 4,719,592	\$ 4,439,542	
Contributions in relation to the contractually required contribution	<u>5,051,651</u>	<u>4,670,814</u>	<u>4,719,592</u>	<u>4,439,542</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered payroll	\$ 92,015,500	\$ 86,496,558	\$ 88,728,211	\$ 88,790,833	
Contributions as a percentage of covered payroll	5.49%	5.40%	5.30%	5.00%	

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. There are only nine years of data presented as the remaining information was not readily available.

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET  
DISABILITY INCOME PLAN OF NORTH CAROLINA  
LAST FOUR FISCAL YEARS\***

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.56907%	0.57410%	0.57160%	0.57610%
Board's proportionate share of the net OPEB asset	\$ 245,554	\$ 174,395	\$ 349,331	\$ 357,702
Board's covered payroll	\$100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.25%	0.18%	0.37%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	113.00%	108.47%	116.23%	116.06%

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

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

**WAYNE COUNTY SCHOOLS  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
DISABILITY INCOME PLAN OF NORTH CAROLINA  
LAST NINE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 101,621	\$ 140,259	\$ 134,461	\$ 356,879	\$ 373,647
Contributions in relation to the contractually required contribution	<u>101,621</u>	<u>140,259</u>	<u>134,461</u>	<u>356,879</u>	<u>373,647</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Board's covered payroll	\$ 101,439,056	\$ 100,185,281	\$ 96,043,651	\$ 93,915,760	\$ 91,133,491
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 377,264	\$ 380,585	\$ 391,815	\$ 461,712
Contributions in relation to the contractually required contribution	<u>377,264</u>	<u>380,585</u>	<u>391,815</u>	<u>461,712</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 92,015,500	\$ 86,496,558	\$ 88,728,211	\$ 88,790,833
Contributions as a percentage of covered payroll	0.41%	0.44%	0.44%	0.52%

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. There are only nine years of data presented as the remaining information was not readily available.

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Wayne County:			
County appropriation	\$ 19,053,791	\$ 19,053,791	\$ -
Other:			
Fines and forfeitures	740,000	409,854	(330,146)
Interest earned on investment	-	4,054	4,054
Total other	740,000	413,908	(326,092)
Total revenues	19,793,791	19,467,699	(326,092)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	4,386,617	-
Special populations	-	223,599	-
Alternative programs	-	61,369	-
School leadership	-	525,544	-
Co-curricular	-	994,150	-
School-based support	-	284,251	-
Total instructional services	4,493,223	6,475,530	(1,982,307)
System-wide support services:			
Support and development	-	1,139,276	-
Special population support and development	-	3,762	-
Alternative programs and services			
support and development	-	1,178	-
Technology support	-	69,956	-
Operational support	-	10,543,673	-
Financial and human resource services	-	752,358	-
Accountability	-	92,593	-
Policy, leadership and public relations	-	1,311,843	-
Total system-wide support services	14,188,124	13,914,639	273,485

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2020**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures: (Continued)			
Current:			
Non-programmed charges			
Payments to other governments	<u>1,000,000</u>	<u>1,167,600</u>	<u>(167,600)</u>
Debt service:			
Principal retirement	107,416	107,416	-
Interest and fees	<u>5,028</u>	<u>5,028</u>	<u>-</u>
Total debt service	<u>112,444</u>	<u>112,444</u>	<u>-</u>
Total expenditures	<u>19,793,791</u>	<u>21,670,213</u>	<u>(1,876,422)</u>
Revenues over (under) expenditures	-	(2,202,514)	(2,202,514)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	(2,202,514)	<u>\$ (2,202,514)</u>
Fund balance:			
Beginning of year		(3,671,003)	
Restatement		<u>1,000,000</u>	
Beginning of year, as restated		(2,671,003)	
Decrease in reserve for inventories		<u>(170,487)</u>	
End of year		<u>\$ (5,044,004)</u>	

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CAPITAL OUTLAY FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 906,949	\$ 907,081	\$ 132
Wayne County:			
Restricted portion of sales tax	3,042,928	3,097,849	54,921
Local bond revenues	3,663,155	3,663,155	-
General county revenues	600,000	600,000	-
Total Wayne County	<u>7,306,083</u>	<u>7,361,004</u>	<u>54,921</u>
Other:			
Interest	100	94	(6)
Miscellaneous	15,150	15,020	(130)
Total other	<u>15,250</u>	<u>15,114</u>	<u>(136)</u>
Total revenues	<u>8,228,282</u>	<u>8,283,199</u>	<u>54,917</u>
Expenditures:			
Debt service:			
Principal retirement	1,397,112	1,397,244	(132)
Interest and fees	222,147	222,147	-
Total debt service	<u>1,619,259</u>	<u>1,619,391</u>	<u>(132)</u>
Capital outlay:			
Real property and buildings:			
Southern Wayne High Gym	-	3,663,155	-
Various small projects	-	1,420,567	-
Total real property and buildings	<u>5,120,986</u>	<u>5,083,722</u>	<u>37,264</u>
Furnishings and equipment	<u>1,488,037</u>	<u>1,488,037</u>	<u>-</u>
Total capital outlay	<u>6,609,023</u>	<u>6,571,759</u>	<u>37,264</u>
Total expenditures	<u>8,228,282</u>	<u>8,191,150</u>	<u>37,132</u>
Revenues under expenditures	-	92,049	92,049
Net change in fund balance	<u>\$ -</u>	92,049	<u>\$ 92,049</u>
Fund balance:			
Beginning of year		<u>154,029</u>	
End of year		<u>\$ 246,078</u>	

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Over (Under)
Operating revenues - food sales	\$ 486,000	\$ 280,893	\$ (205,107)
Operating expenditures:			
Business support services:			
Purchase of food	-	2,612,293	-
Donated commodities	-	772,131	-
Salaries and benefits	-	3,960,892	-
Indirect costs	-	548,776	-
Materials and supplies	-	28,412	-
Repairs and maintenance	-	30,712	-
Non-capitalized equipment	-	67,802	-
Contracted services	-	33,211	-
Other	-	23,106	-
Capital outlay	-	47,348	-
Total operating expenditures	<u>9,879,705</u>	<u>8,124,683</u>	<u>1,755,022</u>
Operating loss	<u>(9,393,705)</u>	<u>(7,843,790)</u>	<u>1,549,915</u>
Nonoperating revenues:			
Federal reimbursements and grants	-	7,170,170	-
Federal commodities	-	772,131	-
Interest earned	-	27,868	-
Other	-	46,440	-
Total nonoperating revenues	<u>9,393,705</u>	<u>8,016,609</u>	<u>(1,377,096)</u>
Excess (deficiency) of revenues over expenditures before other financing sources	-	172,819	172,819
Other financing sources:			
Transfers from other funds	-	37,674	37,674
Net change in fund balance	<u>\$ -</u>	210,493	<u>\$ 210,493</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(96,858)	
Net OPEB asset		2,101	
Net pension liability		(81,192)	
Net OPEB liability		(448,125)	
Deferred outflows		(49,002)	
Deferred inflows		475,188	
Capital contributions		25,552	
Equipment purchases		47,348	
Decrease in compensated absences payable		(3,005)	
Increase in inventories		<u>84,409</u>	
Change in net position (full accrual)		<u>\$ 166,909</u>	



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

## **INDEPENDENT AUDITORS' REPORT**

To the 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County Board of Education, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprises the Wayne County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated February 15, 2021.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Wayne County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 20-01, 20-02, 20-03 and 20-04 that we consider to be material weaknesses.

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

As part of obtaining reasonable assurance about whether the City of Dogwood's financial statements are free from 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 instances 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 responses as items 20-02 and 20-03.

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

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson Smith & Wike PLLC*

*February 15, 2021  
West End, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

## **INDEPENDENT AUDITORS' REPORT**

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 Board's major federal programs for the year ended June 30, 2020. The Wayne County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Wayne County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Management of the Wayne County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Wayne County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wayne County Board of Education's internal control over compliance.

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

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

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

*Anderson Smith & Wike PLLC*

*February 15, 2021  
West End, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

## **INDEPENDENT AUDITORS' REPORT**

To the 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 Board's major State programs for the year ended June 30, 2020. The Wayne County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, the Wayne County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2020.

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

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

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

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

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

*Anderson Smith & Wike PLLC*

*February 15, 2021  
West End, North Carolina*

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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

**Financial Statements**

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Noncompliance material to financial statements noted *No*

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None 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 2 CFR 200.516(a)? *No*

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Seamless Summer Program
10.559	Summer Food Service Program for Children
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? *Yes*

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *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 *No*

Identification of major State programs:

Program Name

State Public School Fund  
State COVID-19 Supplemental Funds

**Section II - Financial Statement Findings**

**Finding 20-01**

**MATERIAL WEAKNESS**  
Account Reconciliations

Criteria: Controls should ensure that all general ledger accounts are properly reconciled in a timely manner each month to enable the Board to make timely decisions based upon accurate data.

Condition: Management did not properly reconcile accrued health insurance liabilities, School Food Service fixed assets, pension and OPEB allocations and other various general ledger accounts during the fiscal year.

Effect: Numerous errors relating to financial reporting were made during the year. Since health insurance accounts and other key general ledger account reconciliations were not performed in a timely manner, these errors were not corrected until after year end. Therefore, during the year management decisions were made by the Board while relying upon inaccurate financial reporting.

Cause: Lack of oversight by management.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that controls be put in place to ensure that all general ledger accounts are properly reconciled in a timely manner each month.

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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**Section II - Financial Statement Findings (Continued)**

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that all general ledger accounts are properly reconciled in a timely manner each month

**Finding 20-02**

**MATERIAL WEAKNESS**

Budget Violations

Criteria: North Carolina General Statute 115C-441 states that all monies expended should be included in the budget resolution. In addition, North Carolina General Statute 115C-432 states that the sum of estimated net revenues and appropriated fund balances in each fund shall be equal to appropriations in that fund.

Condition: During the year, the Board incurred expenditures within the General and Federal Grants funds that exceeded appropriations as detailed in Note 2.

Effect: The Board was in violation of State law.

Cause: Budget amendments were not prepared when needed due to lack of timely recordkeeping and oversight of the budgetary process.

Identification of a repeat finding: Expenditures in excess of appropriations is a repeat finding from the immediate previous audit, Finding 19-02.

Recommendation: We recommend that budget amendments be prepared as needed.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that budgets are reviewed on a monthly basis and any necessary budget amendments are presented to the Board for approval in a timely manner.

**Finding 20-03**

**MATERIAL WEAKNESS**

Appropriation of a Deficit in Fund Balance

Criteria: North Carolina General Statute 115C-432(b) states that the full amount of any lawful deficit from the prior fiscal year shall be appropriated in the balanced budget resolution.

Condition: During the year, the Board did not appropriate within their General fund budget for the deficit as of June 30, 2019 of \$3,671,003, and in fact recognized an additional decrease in fund balance of \$1,373,001 for the year ended June 30, 2020.

Effect: The Board was in violation of State law.

Cause: The Board has continually recognized expenditures over revenues for the past several years, thereby depleting General fund balance to a deficit of \$5,044,004 as of June 30, 2020

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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**Section II - Financial Statement Findings (Continued)**

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that management appropriate for the full amount of the General fund balance deficit of \$5,044,004 in their June 30, 2021 budget in accordance with North Carolina State Statue 115C-432(b).

Views of responsible officials and planned corrective actions:  
Management will develop a plan and budget to fund the deficit in General fund balance.

**Finding 20-04**

**MATERIAL WEAKNESS**  
Prior Period Adjustments

Criteria: Controls should ensure that general ledger accounts are properly reconciled and reported in the financial statements. In addition, controls should be in place to ensure that all capital asset and pension-related accounting records are accurate and properly reported in the financial statements.

Condition: It was determined during the current year that various general ledger account balances, capital asset balances and pension-related account balances were not accurately reported in the June 30, 2019 financial statements.

Effect: Various balances reported at June 30, 2019 had to be restated for the amounts detailed in Note 6 of the Board's current year financial statements.

Cause: The Board did not have the proper controls in place to ensure that the noted account balances were accurately calculated and presented in the June 30, 2019 financial statements.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that management implement controls to ensure that general ledger accounts, capital asset and pension-related account balances are reconciled in a timely manner and properly reported in the financial statements.

Views of responsible officials and planned corrective actions:  
The Board of Education agrees with this finding and will ensure that management implements controls and procedures to properly reconcile general ledger accounts and all capital asset and pension-related account balances and ensure that all such amounts are properly reflected in the financial statements each year.

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2020**

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

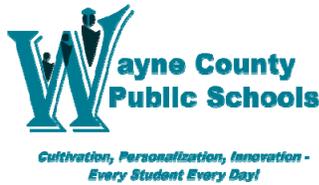
No findings and questioned costs related to the audit of federal awards aggregating \$25,000 or more were noted.

**Section IV - State Award Findings and Questioned Costs**

No findings and questioned costs related to the audit of State awards aggregating \$25,000 or more were noted.

**WAYNE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2020**

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Interim Superintendent  
Dr. David A. Lewis

Board Chairman  
Don Christopher West

Board Vice-Chair  
Dr. Joseph W. Democko

Members  
Patricia A. Burden  
H. Len Henderson  
D. Wade Leatham  
J. Tommy Sanders III  
Jennifer S. Strickland

**Finding 20-01**

Name of Contact Person: Leslie Rouse  
Corrective Action Plan: Management will implement controls and procedures to ensure that all general ledger accounts are properly reconciled in a timely manner each month.  
Proposed Completion Date: Immediately

**Finding 20-02**

Name of Contact Person: Leslie Rouse  
Corrective Action Plan: Management will implement controls and procedures to ensure that budgets are reviewed on a monthly basis and any necessary budget amendments are presented to the Board for approval in a timely manner.  
Proposed Completion Date: Immediately

**Finding 20-03**

Name of Contact Person: Leslie Rouse  
Corrective Action Plan: Management will develop a plan and budget to appropriate for the deficit in General fund balance.  
Proposed Completion Date: Immediately

**Finding 20-04**

Name of Contact Person: Leslie Rouse  
Corrective Action Plan: Management will implement controls and procedures to properly reconcile general ledger accounts and all capital asset and pension-related account balances and ensure that all such amounts are properly reflected in the financial statements each year.  
Proposed Completion Date: Immediately

**WAYNE COUNTY BOARD OF EDUCATION**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Fiscal Year Ended June 30, 2020*

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**Finding: 19-01**

Status: Corrected.

**Finding: 19-02**

Status: Not corrected. See Finding 20-2.

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2020**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
School Nutrition Program			
<u>Child Nutrition Cluster:</u>			
Noncash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ <u>772,131</u>
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	1,403,804
National School Lunch Program	10.555	PRC 035	5,104,437
Seamless Summer Program	10.555	PRC 035	168,663
Summer Food Service Program for Children	10.559	PRC 035	<u>493,266</u>
Cash Assistance Subtotal			<u>7,170,170</u>
Total Child Nutrition Cluster			<u>7,942,301</u>
Child Nutrition Discretionary Funds	10.579		25,552
Total School Nutrition Program (Note 3)			<u>7,942,301</u>
Total U.S. Department of Agriculture			<u>7,967,853</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid	84.041		502,640
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105 & 115	8,510,046
Migrant Education (Title I of IASA)	84.011	PRC 051	127,730
Student Support and Academic Enrichment	84.424	PRC 108	610,195
Supporting Effective Instruction	84.367	PRC 103	695,847
Language Acquisition Grant	84.365	PRC 104	297,377
School Improvement	84.377	PRC 117	623,822
Education Stabilization Fund - K12 Emergency Relief Fund	84.425	PRC 163	232,224

**WAYNE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2020**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	3,651,311
Special Needs Targeted Assistance	84.027	PRC 118	5,441
IDEA - Early Intervening Services	84.027	PRC 70	647,144
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	125,381
Preschool Targeted Assistance	84.173	PRC 119	616
Total Special Education Cluster			<u>4,429,893</u>
Special Education - State Personnel Development	84.323	PRC 082	12,388
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>386,691</u>
Total U.S. Department of Education			<u>16,428,853</u>
<u>U.S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Passed through the N.C. Department of Public Safety			
Hurricane Florence	97.036		<u>112,875</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund	21.019		
School Nutrition		PRC 125	<u>1,140,442</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
K-12 Student Achievement at Military Connected Schools	12.556		171,982
ROTC	12.000		<u>282,812</u>
Total U.S. Department of Defense			<u>454,794</u>
<b>Total Federal Assistance</b>			<b><u>26,104,817</u></b>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			122,227,253
Vocational Education:			
State Months of Employment		PRC 013	5,313,719
Program Support Funds		PRC 014	230,984
Driver Training		PRC 012	192,878
School Technology Fund		PRC 015	402,641
State COVID-19 Supplemental Funds		PRC 154	<u>737,783</u>
Cash assistance subtotal			<u>129,105,258</u>

**WAYNE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended June 30, 2020**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	907,081
Textbooks		PRC 130	38,381
Non-cash assistance subtotal			<u>945,462</u>
Total NC Department of Public Instruction			<u>130,050,720</u>
<u>N.C. Department of Health and Human Services</u>			
Division of Child Development:			
NC Pre-Kindergarten Program			<u>1,012,690</u>
<b>Total State Assistance</b>			<b><u>131,063,410</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$ 157,168,227</u></b>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Wayne County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Wayne County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Wayne County Schools.

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Cluster of Programs

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

Note 4. Federal Emergency Management Agency

Included in the FEMA federal awards amount are expenditures for the 25% State matching amount received by Wayne County Schools.