



WAKE COUNTY  
BOARD OF EDUCATION  
RALEIGH • NORTH CAROLINA

COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT



For the Fiscal Year Ended June 30, 2008

**Prepared by the Finance Department**

**WAKE COUNTY BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2008**

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# INTRODUCTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2008

**Prepared by the Finance Department**



November 11, 2008

To the Members of the Wake County Board of Education and the Citizens of Wake County, North Carolina:

The comprehensive annual financial report of the Wake County Board of Education (Board) for the year ended June 30, 2008, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the Board issue annually a report on its financial position and activity and that an independent firm of certified public accountants will audit this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the Board. All disclosures necessary to enable the reader to gain an understanding of the Board's activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, a list of the Board's principal elected and appointed officials, and copies of the Certificates of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) International. The financial section includes the management's discussion and analysis, government-wide financial statements, fund financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The statistical section, which is unaudited, includes data on financial trends, revenue capacity, and debt capacity, as well as demographic and economic information and operating information. Further discussion of the financial statements and financial standing of the Board can be found in the management's discussion and analysis. This letter of transmittal is designed to complement the management's discussion and analysis and should be read in conjunction with it.

The Board is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the North Carolina Single Audit Implementation Act. Information related to this single audit, including a schedule of expenditures of federal and state awards, the report on compliance and on internal control, reports on compliance with requirements applicable to each major federal and state program, and a schedule of findings and questioned costs are included in the single audit section of the comprehensive annual financial report.

The financial reporting entity includes all the funds of the Board. The members of the Board are elected by the public and corporately have decision-making authority. Although Wake County levies all taxes, the Board determines how the school system will spend the funds generated for schools. The County cannot modify the school system's budget nor is the County entitled to share in any surpluses or required to finance any deficits of the school system. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government, as defined by the Governmental Accounting Standards Board. The Board also receives funding from state and federal government sources and must comply with the concomitant requirements of those funding entities. The Board does not have any component units, nor is it a component unit of any other entity.

## **GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION, AND OUTLOOK**

The Wake County Public School System ("WCPSS") is one comprehensive school district serving the entire county; including Raleigh, Cary, Apex, Wendell, Fuquay-Varina, Garner, Knightdale, Rolesville, Wake Forest, Holly Springs, Morrisville, and Zebulon. The system was created through a merger of the former Wake County and Raleigh City public school systems in July 1976. For 2007-08 the school system was the 19<sup>th</sup> largest system in the nation and the largest in North Carolina. It served 134,002 students from kindergarten through 12<sup>th</sup> grade in 96 elementary schools, 30 middle schools, 23 high schools, and 4 special/optional schools.

At the helm of the school system are the Wake County Board of Education and the superintendent. The Board consists of nine members, elected in districts by the public, who serve four-year terms. The superintendent is selected by the Board and serves as chief executive officer of the system. The Board is responsible for setting policy, while the superintendent and his administrative team are charged with managing the operations of the school system.

A principal charged with the responsibility of the total school operations administers each individual school. Appropriate instructional and support personnel based on pupil enrollment staff the schools. The school principal and faculty work cooperatively with instructional specialists and central administrative staff in developing and implementing effective instructional programs.

The school system has over 17,500 full-time and part-time employees and is the second largest employer in the Raleigh-Durham area. The system has over 9,000 regular classroom teachers, not including media specialists, counselors, psychologists, etc., and allots regular classroom teachers at a teacher/student ratio of 1:18 for kindergarten and grades 1-3, 1:22 for grades 4-6, 1:21 for grades 7-8, 1:24.5 for grade 9 and 1:26.64 for grades 10-12. Most students are assigned to and attend their "base school" -- the school assigned based on the parent's or guardian's home address. In some instances, the base school may be a magnet school since these schools have base populations in addition to accepting applications. Transportation is provided for students living at least 1-½ miles from the base school. For the magnet program, the same guidelines apply if the child is accepted into the program.

Thirty-one of the school system's 153 schools are magnet schools, which offer unique educational alternatives. All students are eligible to apply, and the network features the following distinct programs: creative arts and science; international studies; gifted and talented; gifted and talented/AG basics; Montessori; museum; early college; leadership; IB Programme; GT/IB center for humanities, sciences, and the arts; university connections and leadership;



active learning and technology; center for Spanish language; and center for leadership and technology. The magnet network was established 25 years ago to offer a choice in instructional opportunities, to fill inner-city schools, and to help balance schools. The program has proven to be highly successful and contributes to Wake County's stature as a leader in education.

The recurring publicity of Wake County as one of the most desired places to live and work in the United States, as evidenced by various publications and polls has continued to turn the spotlight on quality of life enjoyed by Wake County citizens. While quality of life is an intangible asset, there are also many tangible attributes that we can point to in explaining the County's attractiveness.

Chartered in 1771, Wake County covers an area of 864 square miles and is the second most populous county in the state. Twelve municipalities reside in Wake County including Raleigh, the county seat and state capital. A unique mix of urban and rural areas with small towns distinguishes Wake County from other counties in the state and provides something for everyone in choosing a lifestyle. Located in the north central section of the state on the piedmont plateau, Wake County is approximately half way between Washington, D. C., and Atlanta. As well as being a part of that major industrial corridor, Wake County is also convenient to the recreation of the beautiful North Carolina mountains and serene North Carolina beaches. The County's topography is characterized by low rolling hills in the northwest changing gradually to level land in the southeast. The central North Carolina climate is relatively mild with moderate winters and warm summers. The location, geography, and climate make Wake County an enjoyable place to live and work while also contributing significantly to the economic viability of the region.

The economy of the area is stabilized by the presence of state and local government employment markets, the college and university employment markets, and the Research Triangle Park research facilities, all of which offer substantial employment opportunities to the County's population. No major specialized industry dominates the economy of the County.

The Research Triangle Park, straddled on the Wake and Durham County line, was organized in 1959. It encompasses 6,800 acres of land set aside for research and research-oriented manufacturing. With the attractiveness of the Research Triangle Park and its proximity to three major research universities, it is no accident that medical and electronic industries flourish in the region.

The quantity and quality of the instructional programs of the school system are directly dependent on the funding provided and on effective management and efficient use of those funds. We recognize the important trust and responsibility we are given in the management of public resources and continue to be vigilant and trustworthy in fulfilling that responsibility. During the last several years we have aggressively pursued ways to reduce costs and improve efficiency by limiting administrative overtime, restricting special projects that cross fiscal years, and implementing workers' compensation and dental self-insurance. Such efforts have allowed the school system to end the 2007-08 fiscal year in a strong financial position. We believe that continuation of these financial management practices coupled with appropriate planning should result in continued strong financial position and provide appropriate fiscal accountability to the public and continued improvement of programs and outcomes for our students.

## **MAJOR INITIATIVES**

### **Wake County Public School System Board Goal and Strategies**

In November of 2003, the Wake County Board of Education adopted Goal 2008 to sustain academic growth for Wake County's elementary, middle, and high school students.

Goal 2008 states, "Wake County Public School System is committed to academic excellence. By 2008, 95% of students in grades 3 through 12 will be at or above grade level as measured by NC EOG or EOC tests, and all student groups will demonstrate high growth."

In pursuit of this goal, we will:

- Increase challenging educational opportunities for all students.
- Increase student participation and success in advanced classes at the high school level.
- Increase the percent of 9<sup>th</sup> grade students graduating from high school within four years.
- Recruit, develop, support, and retain a highly qualified workforce to ensure student success.
- Identify and seek resources necessary to support student success.
- Build a consensus of support through community collaboration.

In a spirit of openness, integrity, and accountability, WCPSS is committed to active communication and collaboration with parents and a demanding, caring community.

The Board establishes a strategic plan and goals for the Superintendent based on the system goals. The Superintendent and his executive staff assess system performance annually based on the strategies developed by the Board. The basis for the strategies are the gaps between the current performance and desired future results.

### **Fund Balance Policy**

In December 2007, the Board of Education adopted an undesignated fund balance policy. The policy provides formal guidelines to the Board on amounts of undesignated fund balance to accumulate, amounts it can appropriate to a future year's budget, and how to manage possible funds that accumulate in excess of targets. The policy states that the goal of the Board is to maintain an undesignated fund balance in the general fund of six percent of the following year's county appropriation. The new policy directs that undesignated fund balance in the general fund exceeding six percent be remitted to the county. This allows the school system to be fiscally responsible with spending patterns while maintaining a limited fund balance. As part of this policy, the Board will designate fund balance to balance the general fund budget at no more than fifty percent of the prior year's undesignated fund balance. This action provides protection against decreasing resources in a year where funding may be insufficient or emergencies occur.

### **Building Program**

In November of 2006, the citizens of Wake County voted to approve CIP 2006 to meet space requirements for students of this school system. The school system's building program continues to be a high priority of the Board of Education with over 5,900 new students last year, and a projected enrollment of 154,000 students by the 2010-11 school year. The plan includes 17 new schools, 13 major renovations, land and design start-up costs for another 13 schools,

life-cycle replacements (air conditioning systems, roofs, etc.) at more than 100 schools, relocating and adding mobile classrooms, and program management and contingency funds.

### **SAT Scores**

The average combined Scholastic Assessment Test (SAT) score for Wake County Public School System seniors was 1,565. This is two points higher than the combined score for 2006-07.

Participation of the Wake County Public School System was 73 percent. National participation was 45 percent and the state participation rate was 63 percent.

Wake's score was 76 points above the North Carolina average of 1,489 and 54 points above the national average of 1,511. Wake students scored an average of 541 on math, 518 on critical reading and 506 on writing.

### **Curriculum Management Audit**

In January 2007, the Superintendent called for a comprehensive independent curriculum management audit. The goal was to have the district's core business, teaching and learning, reviewed by an objective, outside organization with an eye towards improving an already excellent school system.

The independent examination included three data sources: documents, interviews and site visits. These were gathered and corroborated to reveal the extent to which the school district is meeting the five key standards of governance and control (policy), direction and learner expectation, connectivity and consistency (alignment of programs), assessment and feedback (use of data to drive decisions), and productivity and efficiency.

On September 4, 2007, the auditors presented their findings to the Board, including 8 recommendations and 117 action items. The eight recommendation areas are opportunity, consistency, governance, management, evaluation, budgeting, instruction and organization. The 117 action items fall in these eight areas with 47 of the action items for the Board and 70 action items for the staff.

In response to the audit, teams of school system employees were created to address each of the eight recommendations. Some of the changes can and have been made quickly, while others will take years to fully implement. Each quarter, the Chief Academic Officer gives a report on the process to the school board.

### **FINANCIAL INFORMATION**

The cost of public education in North Carolina is financed primarily by the state, which establishes minimum programs. Local funds, in varying amounts by district, supplement the basic program and are appropriated by local boards of county commissioners. Local boards of education in North Carolina have no tax levying or borrowing authority and are required to maintain accounting records in a uniform format.

The management of the school system is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school system are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally

accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the school system is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the school system's internal auditor.

The North Carolina School Budget and Fiscal Control Act mandates a uniform budget format and the adoption of an annual balanced budget resolution by July 1 each year. Budgets are adopted for all governmental funds and the proprietary funds. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget and in funds provided by the federal, state, and local governments. The final budget, as amended for the fiscal year, is reflected in the financial section.

The school system also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances considered to be continuing contracts are generally re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the school system continues to meet its responsibility for sound financial management.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year was invested primarily in the North Carolina Voluntary Short-Term Investment Fund. Investments were also made in the North Carolina Capital Management Trust and in commercial paper. In addition, other bank accounts that the school system maintains also earn interest. The average yield on investments in the North Carolina Voluntary Short-Term Investment Fund was 5.11 percent during fiscal 2008. Total interest earned during the year was \$4,604,942. The June 30, 2008 yield for U. S. Treasury bills and U. S. Treasury notes were 1.87 and 1.90 percent, respectively.

The statutes authorize the Board to invest in obligations of the United States; obligations of any agency of the United States if payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of North Carolina; bonds and notes of any North Carolina local government public authority, subject to certain restrictions; shares of any savings and loan association organized under the laws of this state and shares in any federal savings and loan association organized under the laws of this state, to the extent that the investment is fully insured by the United States or an agency thereof or by any mutual deposit guaranty association authorized by the state; certain other federal agencies; and any form of investment allowed by law to the state treasurer.

### **Risk Management**

Since the Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, the

Board maintains a comprehensive risk management plan. The plan consists primarily of coverage from third parties, in addition to loss prevention and loss reduction programs through a comprehensive safety program.

The Board was approved effective August 1, 2002, as a qualified self-insurer for workers' compensation coverage (utilizing Key Risk Management Services as third-party claims administrator) up to statutory limits for employees to the extent they are paid from federal, local, and enterprise funds with a self-insured retention of \$.4 million per person with \$2.0 million aggregate and an employer's liability limit of \$1 million. Key Risk Management Services is the current third-party administrator of the NC State Board of Education Self-insured Workers' Compensation Program. The state provides workers' compensation coverage for employees paid from state funds. The Board also participates in the Public School Insurance Fund (Fund), a voluntary, self-funded risk financing pool administered by the North Carolina Department of Public Instruction. The Fund provides property coverage up to \$25 million per location annually and is reinsured for losses in excess of \$10 million per occurrence and \$20.5 million aggregate annually.

The Board maintains comprehensive general liability of \$1 million per occurrence, errors and omissions insurance coverage of \$1 million per occurrence, and \$1 million vehicle liability and physical damage coverage through commercial insurance carriers. Additional liability coverage is provided by a \$1 million umbrella policy and vehicle policy, and with \$500 physical damage deductible, boiler and machinery, and musical instruments coverage through the Fund. Public employee dishonesty, and public officials dishonesty are covered under separate commercial policies. The total insurable value of the school system's buildings and contents was \$2,532,204,114 as of June 30, 2008.

We believe that the Board carries adequate commercial coverage for all other known risks of loss. Claims have not exceeded coverage in any of the last three fiscal years. Taken together, these coverages provide the Board with a comprehensive risk management program which management believes adequately meets the needs of the school system.

## **OTHER INFORMATION**

### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The firm Cherry, Bekaert & Holland, L.L.P., was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act Amendments of 1996, as required by the U. S. Office of Management and Budget's Circular A-133, and the North Carolina Single Audit Implementation Act. The auditors conducted the engagement in accordance with auditing standards generally accepted in the United States of America and used the standards set forth in the United States Government Accountability Office's Government Auditing Standards. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

### **Awards**

The Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to

the Board for its comprehensive annual financial report for the year ended June 30, 2007. That year was the nineteenth consecutive year that the Board received these prestigious awards. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificates of Achievement are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements for the Certificates of Achievement, and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

In addition, the Board also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning July 1, 2007. This year was the fifteenth consecutive year for which the Board received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the Board's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

### **Acknowledgments**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance division. We would like to express our appreciation to all members of the division who assisted and contributed to the preparation of this report and to the Board's independent certified public accountants, Cherry, Bekaert & Holland, L.L.P., for their assistance. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards that we have set for ourselves.

We would also like to express our appreciation to the members of the Board of Education for their interest and support in planning and conducting the financial affairs of the school system in a responsible and dedicated manner.

Respectfully submitted,



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Del Burns, Ed.D.  
Superintendent



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David Neter  
Chief Business Officer



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Mark Winters  
Finance Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Wake County  
Board of Education  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Chloe S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**WAKE COUNTY BOARD OF EDUCATION**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2007

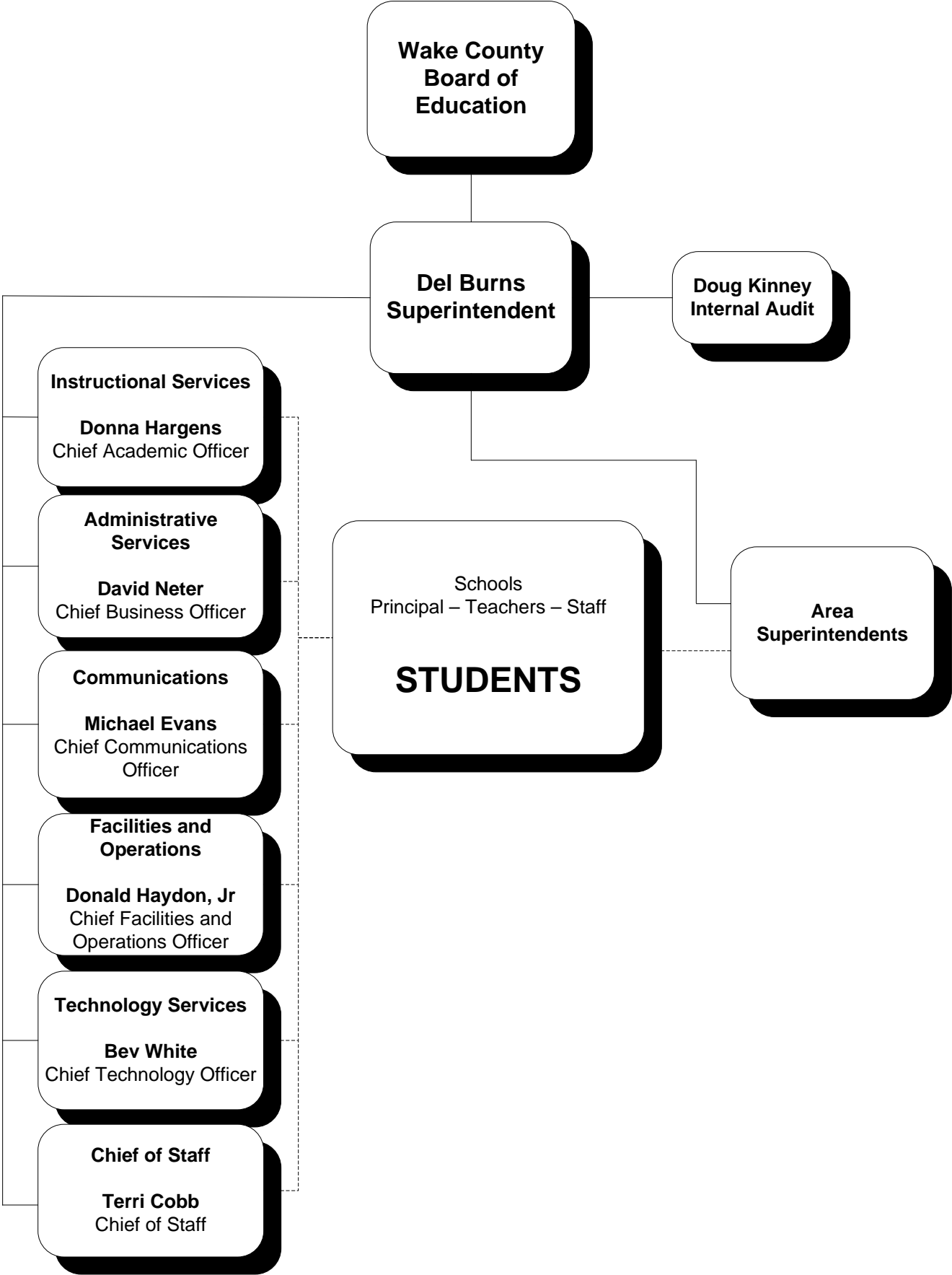
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



# Organizational Chart



# Board of Education and Leadership Team



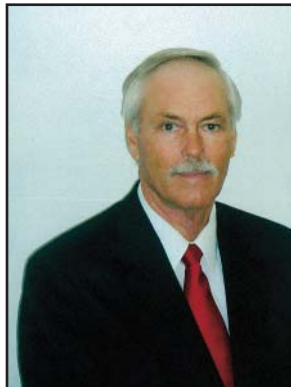
Rosa Gill (District 4)  
*Chair*



Beverly Clark (District 6)  
*Vice Chair*



Lori Millberg (District 1)



Horace Tart (District 2)



Kevin Hill (District 3)



Anne McLaurin (District 5)



Patti Head (District 7)



Ron Margiotta (District 8)



Eleanor Goette (District 9)



Dr. Del Burns  
*Superintendent*

## Leadership Team

Dr. Del Burns, Ed. D., *Superintendent*

### Chief Officers

David Neter, Chief Business Officer  
Terri Cobb, Chief of Staff  
Donna Hargens, Chief - Student Support Services  
Michael Evans, Chief - Communications  
Donald Haydon Jr., Chief - Facilities and Operations  
Beverly White, Chief - Technology Services

### Area Superintendents

Danny Barnes - Eastern Wake County  
Lloyd Garder - Southern Wake County  
Ann Hooker - Northern Wake County  
Julye Mizelle - South Central Wake County  
Jonibel Willis - Central Wake County  
Kathy Chontos - Western Wake County

### Finance

Mark Winters, Finance Officer

### Assistant Superintendents

Maurice Boswell - Human Resources  
Mike Burriss - Facilities and Operations  
Chuck Dulaney - Growth and Planning  
Marvin Connelly - Student Support Services  
David Holzkorn - Evaluation and Research

# FINANCIAL SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2008

**Prepared by the Finance Department**



## Independent Auditors' Report

Wake County Board of Education  
Raleigh, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wake County Board of Education ("the Board") as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Board as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the State Public School Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

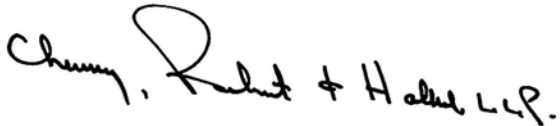
In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Board. The supplementary information and combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards for the year ended June 30, 2008 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures in our audit of the basic financial statements and, accordingly, we express no opinion on them.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." in a cursive, flowing script.

Raleigh, North Carolina  
November 11, 2008

## Management's Discussion and Analysis

This section of the Wake 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, 2008. This information should be read in conjunction with the audited financial statements included in this report.

### Financial Highlights

- The Board enjoyed an increased enrollment of 5,932 students (or 4.6%) from the previous year.
- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$2,181,405,927.
- The government's total net assets increased by \$250,589,762 primarily due to increased capital assets in the Governmental Activities.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$50,528,623, a decrease of \$1,204,046 in comparison with the prior year. Approximately 55.8 percent of this total amount, or \$28,222,172, is available for spending at the government's discretion.

### Overview of the Financial Statements

The audited financial statements of the Board consists of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Supplemental information that presents combining and budgetary statements for non-major governmental and enterprise funds*

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

The second type of statements included in the basic financial statements are the fund financial statements, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit, while the fund financial statements provide information on the financial resources of the Board's major funds.

## **Government-wide Statements**

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 assets and how they have changed. Net assets – the difference between the Board's assets and liabilities – is one way to measure the Board's financial health or position.

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

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

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

## **Fund Financial Statements**

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

- Some funds are required by State law, such as the State Public School Fund
- The Board 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 Direct Federal Grants Fund.

The Wake County Board of Education has two types of funds:

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

Capital Projects Fund, Direct Grants Fund and the State Administered Federal Grants Fund. The governmental fund statements are shown on pages thirteen through sixteen 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 basis of accounting as the government-wide statements – full accrual. The Wake County Board of Education has two proprietary funds – all enterprise funds – the Child Nutrition Fund, and the Tuition Programs Fund.

### Financial Analysis of the District as a Whole

Net assets is an indicator of the fiscal health of the Board. Assets for governmental activities exceeded liabilities by approximately \$2,157,049,000 as of June 30, 2008. The largest component of net assets is invested in capital assets, net of related debt, of approximately \$2,163,063,000.

Following is a summary of the Statements of Net Assets (in thousands):

#### Condensed Statements of Net Assets June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 149,682	\$ 125,353	\$ 21,269	\$ 21,102	\$ 170,951	\$ 146,455
Capital assets	2,163,315	1,908,234	6,896	6,602	2,170,211	1,914,836
Total assets	<u>2,312,997</u>	<u>2,033,587</u>	<u>28,165</u>	<u>27,704</u>	<u>2,341,162</u>	<u>2,061,291</u>
Long-term liabilities outstanding	16,446	12,936	373	728	16,819	13,664
Other liabilities	139,502	114,512	3,435	2,299	142,937	116,811
Total liabilities	<u>155,948</u>	<u>127,448</u>	<u>3,808</u>	<u>3,027</u>	<u>159,756</u>	<u>130,475</u>
Net assets						
Invested in capital assets, net of related debt	2,163,063	1,906,572	6,895	6,601	2,169,958	1,913,173
Restricted	8,523	8,203	-	-	8,523	8,203
Unrestricted	(14,537)	(8,636)	17,462	18,076	2,925	9,440
Total net assets	<u>\$ 2,157,049</u>	<u>\$ 1,906,139</u>	<u>\$ 24,357</u>	<u>\$ 24,677</u>	<u>\$ 2,181,406</u>	<u>\$ 1,930,816</u>

Note that net assets for governmental activities increased by approximately \$250,910,000 during the year, indicating an improvement in the financial condition of the unit. The increase in net assets was due largely to the increase in capital assets in the governmental activities due to the new school construction. Also note that the Board carries capital assets for which Wake County carries the offsetting debt.



The following table shows the revenues and expenses for the Board for the current and previous fiscal year (in thousands):

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30, 2008 and 2007**

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 853	\$ 910	\$ 31,863	\$ 30,827	\$ 32,716	\$ 31,737
Operating grants and contributions	756,604	688,176	19,628	17,396	776,232	705,572
Capital grants and contributions	7,388	3,441	-	-	7,388	3,441
General Revenues:						
Unrestricted county appropriations - operating	296,965	274,229	-	-	296,965	274,229
Unrestricted county appropriations - capital	280,961	227,836	-	-	280,961	227,836
Unrestricted state appropriations - capital	14,853	-	-	-	14,853	-
Other	11,721	9,887	918	883	12,639	10,770
<b>Total revenues</b>	<b>1,369,345</b>	<b>1,204,479</b>	<b>52,409</b>	<b>49,106</b>	<b>1,421,754</b>	<b>1,253,585</b>
<b>Expenses:</b>						
Governmental activities:						
Instructional services	852,323	-	-	-	852,323	-
System-wide support services	224,697	-	-	-	224,697	-
Ancillary services	254	-	-	-	254	-
Nonprogram charges	9,743	-	-	-	9,743	-
Depreciation	30,404	-	-	-	30,404	-
Instruction	-	709,747	-	-	-	709,747
Pupil and instructional services	-	15,061	-	-	-	15,061
Administration and business	-	225,043	-	-	-	225,043
Other	-	65,093	-	-	-	65,093
Business-type activities:						
Food services	-	-	45,846	40,130	45,846	40,130
Tuition programs	-	-	7,897	7,777	7,897	7,777
<b>Total expenses</b>	<b>1,117,421</b>	<b>1,014,944</b>	<b>53,743</b>	<b>47,907</b>	<b>1,171,164</b>	<b>1,062,851</b>
Increase in net assets before transfers	251,924	189,535	(1,334)	1,199	250,590	190,734
Transfers	(1,014)	(4,566)	1,014	4,566	-	-
Increase in net assets after transfers	250,910	184,969	(320)	5,765	250,590	190,734
Net assets, July 1	1,906,139	1,721,170	24,677	18,912	1,930,816	1,740,082
Net assets, June 30	<b>\$ 2,157,049</b>	<b>\$ 1,906,139</b>	<b>\$ 24,357</b>	<b>\$ 24,677</b>	<b>\$ 2,181,406</b>	<b>\$ 1,930,816</b>

Total governmental activities generated revenues of \$1.4 billion while expenses in this category totaled \$1.1 billion. The increase in governmental activities revenues and expenses was due to increase in state funding and county appropriation and capital funding based on the increased enrollment that the Board is experiencing. The increase in net assets stands at \$250.9 million. This is mainly due to the increase in capital assets from our building program.

Business-type activities generated revenue of \$52.4 million and had expenses of \$53.7 million. Business-type revenues increased due to the increase in USDA grants; however, expenditures increased due to increases in food costs and salary costs. This resulted in the decrease of net assets for business-type of \$320 thousand.

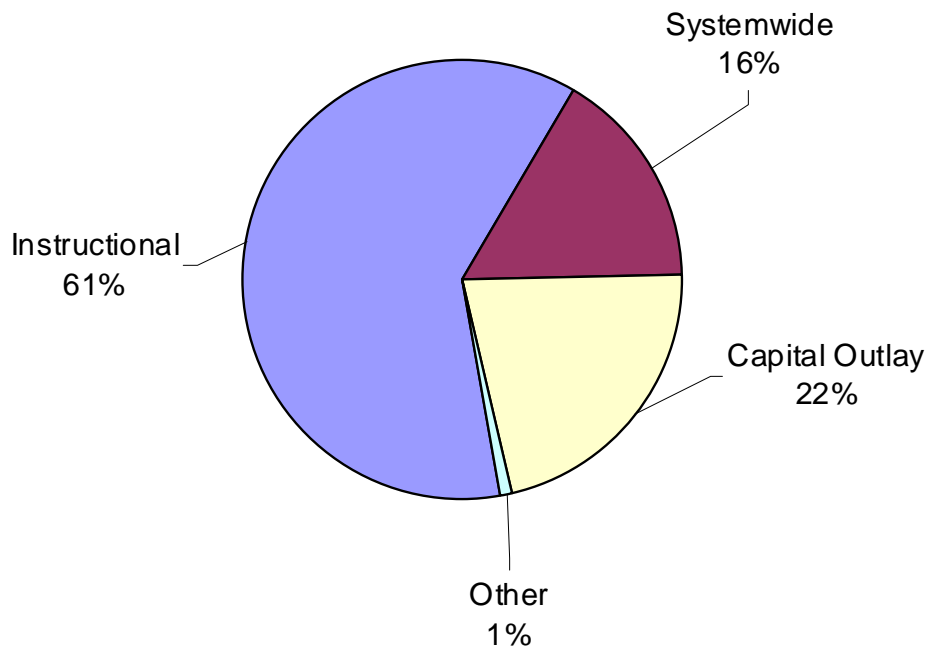
Due to significant changes in function-level expenses coding classification in Governmental Activities during the year, comparisons cannot be made between purpose-level expenses for the years ended June 30, 2008 and 2007.

### Financial Analysis of the District's Funds

The Board's governmental funds reported a combined fund balance of \$50,528,623, a \$1,204,046 decrease over last year. Three sources of funding increased over the prior year: State funding increased approximately \$84.2 million and County funding increased by \$75.7 million. Both increases were due mainly to the building program and growth of the system. Federal funding increased by \$727 thousand with the award of the magnet grant.

The total fund balance in the general fund decreased by \$3,311,869. The underlying reason for this decrease is the Board's decision to appropriate fund balance to balance the 2007-08 budget. The undesignated fund balance in the general fund increased to \$17,331,201. This level of undesignated fund balance equals 5.2 percent of the general fund budget (\$334,154,896) and 1.5 percent of the total operating budget (state, local funds, grant, and enterprise \$1,177,649,388). The Board appropriated \$7.5 million from fund balance to support the 2008-09 budget. The total fund balance in the capital projects fund increased by \$1,788,014, and the undesignated fund balance increased to \$2,367,719. These increases were due to the additional funding in the capital projects fund and the efforts of the school system to contain costs.

### Categorization of Expenditures for Governmental Funds (Presented on the Modified Accrual Basis of Accounting)



The Board's business-type funds reflected a total net loss of \$319,801. The Child Nutrition Program reflected a decrease in net assets over the last year of \$1,786,719. This was due to the increase in food costs. Tuition Programs reflected an increase in net assets over last year of \$1,466,918. This was due to the increased participation in the tuition programs.

### Budgetary Highlights

Over the course of the year, the Board revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases and decreases in appropriations that become necessary to maintain services. Total amendments to the general fund decreased revenues by approximately \$23,000,000. This was mainly due to the movement of textbooks to the State Public School Fund and all self-supporting grants to the direct grant fund.

### Capital Assets

The Board's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$2,170,210,270 (net of accumulated depreciation). The following is a summary of the capital assets, net of depreciation at year-end (in thousands).

Summary of Capital Assets  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 96,807	\$ 82,162	\$ -	\$ -	\$ 96,807	\$ 82,162
Land Improvements	2,119	1,339	-	-	2,119	1,339
Buildings	1,134,991	1,105,839	-	-	1,134,991	1,105,839
Equipment	6,930	6,691	6,625	6,391	13,555	13,082
Vehicles	14,371	16,735	271	211	14,642	16,946
Construction in progress	908,097	695,468	-	-	908,097	695,468
Total	<u>\$ 2,163,315</u>	<u>\$ 1,908,234</u>	<u>\$ 6,896</u>	<u>\$ 6,602</u>	<u>\$ 2,170,211</u>	<u>\$ 1,914,836</u>

More detailed information on the Board's capital assets is contained on pages 32 through 33 in the notes to the financial statements.

### Debt Outstanding

During the year the Board's outstanding government-type debt increased by \$3,053,933 and the business-type activities debt increased by \$195,329. Both increases were primarily due to the increase in compensated absences. More detailed information on the Board's outstanding debt is contained on page 38 of the notes to the financial statements. The county holds virtually all debt issued for school capital construction.

## **Economic Factors**

The Board continues to anticipate 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 County's unemployment rate was 4.8 percent at June 30, 2008, compared with 3.9% at the end of the previous fiscal year.
- The total assessed value of property in the County increased to \$83.1 billion for the fiscal year ended June 30, 2008, a 5.4 percent increase over the prior fiscal year.
- Sales tax collections increased to \$156 million for the fiscal year ended June 30, 2008 from \$150 million in the prior fiscal year, a 4.2% increase.

## **Requests for Information**

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

Mark Winters, Finance Officer  
Wake County Board of Education  
3600 Wake Forest Road  
Raleigh, NC 27611

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WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 78,064,195	\$ 18,343,635	\$ 96,407,830
Due from other governments	64,978,319	1,230,873	66,209,192
Internal balances	(171,886)	171,886	-
Receivables	2,399,188	135,146	2,534,334
Inventory and prepaid expenses	4,412,758	1,387,361	5,800,119
Total current assets	<u>149,682,574</u>	<u>21,268,901</u>	<u>170,951,475</u>
Noncurrent assets:			
Land and construction in progress	1,004,904,398	-	1,004,904,398
Capital assets, net of accumulated depreciation	1,158,410,297	6,895,575	1,165,305,872
	<u>2,163,314,695</u>	<u>6,895,575</u>	<u>2,170,210,270</u>
 TOTAL ASSETS	 <u>2,312,997,269</u>	 <u>28,164,476</u>	 <u>2,341,161,745</u>
<b>LIABILITIES</b>			
Current liabilities:			
Salaries and benefits payable	15,201,588	1,658,314	16,859,902
Accounts payable	80,605,086	1,175,872	81,780,958
Unearned revenue	2,679,176	-	2,679,176
Current portion of long-term obligations	41,017,125	600,000	41,617,125
Total current liabilities	<u>139,502,975</u>	<u>3,434,186</u>	<u>142,937,161</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	16,445,792	372,865	16,818,657
	<u>16,445,792</u>	<u>372,865</u>	<u>16,818,657</u>
 TOTAL LIABILITIES	 <u>155,948,767</u>	 <u>3,807,051</u>	 <u>159,755,818</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,163,062,885	6,895,575	2,169,958,460
Restricted for:			
Individual school activities	8,523,252	-	8,523,252
Unrestricted	(14,537,635)	17,461,850	2,924,215
	<u>(14,537,635)</u>	<u>17,461,850</u>	<u>2,924,215</u>
 TOTAL NET ASSETS	 <u>\$ 2,157,048,502</u>	 <u>\$ 24,357,425</u>	 <u>\$ 2,181,405,927</u>

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

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instructional programs:				
Regular	\$ 499,787,125	\$ 805,693	\$ 412,726,823	\$ -
Special populations	154,036,707	-	126,901,013	-
Alternative programs and services	51,795,462	-	38,813,858	-
School leadership	60,295,993	-	35,861,449	-
Co-curricular	19,897,732	-	13,412,861	-
School-based support services	66,510,312	-	51,464,922	-
Systemwide support services				
Support and development	10,788,721	-	6,246,493	-
Special populations support and development	6,095,269	-	2,176,900	-
Alternative programs and services support and development	2,001,281	-	970,126	-
Technology support	26,328,759	-	1,474,269	-
Operational support	148,183,392	47,410	63,941,390	7,387,758
Financial and human resource	16,757,435	-	789,839	-
Accountability	2,147,180	-	67,395	-
Systemwide pupil support	3,844,828	-	390,127	-
Policy, leadership and public relations	8,550,793	-	1,112,953	-
Ancillary services	253,544	-	253,224	-
Nonprogram charges	9,742,580	-	-	-
Depreciation - unallocated *	30,404,042	-	-	-
Total governmental activities	1,117,421,155	853,103	756,603,642	7,387,758
<b>Business-type activities:</b>				
Food services	45,846,155	22,800,190	19,628,148	-
Tuition programs	7,897,470	9,063,099	-	-
Total business-type activities	53,743,625	31,863,289	19,628,148	-
Total school district	\$ 1,171,164,780	\$ 32,716,392	\$ 776,231,790	\$ 7,387,758

General Revenues

Unrestricted county appropriations - operating  
 Unrestricted county appropriations - capital  
 Unrestricted state appropriations - capital  
 Investment earnings, unrestricted  
 Miscellaneous, unrestricted

Transfer

Subtotal, general revenues and transfers

Changes in Net Assets

Net assets - beginning

Net assets - ending

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

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

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$ (86,254,609)		\$ (86,254,609)
(27,135,694)		(27,135,694)
(12,981,604)		(12,981,604)
(24,434,544)		(24,434,544)
(6,484,871)		(6,484,871)
(15,045,390)		(15,045,390)
(4,542,228)		(4,542,228)
(3,918,369)		(3,918,369)
(1,031,155)		(1,031,155)
(24,854,490)		(24,854,490)
(76,806,834)		(76,806,834)
(15,967,596)		(15,967,596)
(2,079,785)		(2,079,785)
(3,454,701)		(3,454,701)
(7,437,840)		(7,437,840)
(320)		(320)
(9,742,580)		(9,742,580)
<u>(30,404,042)</u>		<u>(30,404,042)</u>
<u>(352,576,652)</u>		<u>(352,576,652)</u>
	\$ (3,417,817)	(3,417,817)
	<u>1,165,629</u>	<u>1,165,629</u>
	<u>(2,252,188)</u>	<u>(2,252,188)</u>
(352,576,652)	(2,252,188)	(354,828,840)
296,964,799	-	296,964,799
280,960,672	-	280,960,672
14,853,397	-	14,853,397
3,686,700	918,242	4,604,942
8,034,792	-	8,034,792
<u>(1,014,145)</u>	<u>1,014,145</u>	<u>-</u>
<u>603,486,215</u>	<u>1,932,387</u>	<u>605,418,602</u>
250,909,563	(319,801)	250,589,762
<u>1,906,138,939</u>	<u>24,677,226</u>	<u>1,930,816,165</u>
<u>\$ 2,157,048,502</u>	<u>\$ 24,357,425</u>	<u>\$ 2,181,405,927</u>



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**WAKE COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	State Public School Fund	Individual Schools Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 47,128,530	\$ 4,527,771	\$ 9,406,673	\$ 15,207,769	\$ 1,793,452	\$ 78,064,195
Due from other governments	779,475	10,393,950	41,131	52,988,849	774,914	64,978,319
Accounts receivable	1,365,145	2,051	-	-	1,031,992	2,399,188
Due from other funds	56,036	8,154	-	-	9,146	73,336
Inventories	3,744,657	-	-	-	-	3,744,657
Total assets	<u>\$ 53,073,843</u>	<u>\$ 14,931,926</u>	<u>\$ 9,447,804</u>	<u>\$ 68,196,618</u>	<u>\$ 3,609,504</u>	<u>\$ 149,259,695</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Salaries and benefits payable	\$ 4,498,645	\$ 10,120,163	\$ -	\$ -	\$ 582,780	\$ 15,201,588
Accounts payable	11,407,915	4,810,459	729,769	63,181,177	475,766	80,605,086
Due to other funds	17,300	1,304	194,783	17,168	14,667	245,222
Deferred revenues	133,342	-	-	9,543	2,536,291	2,679,176
Total liabilities	<u>16,057,202</u>	<u>14,931,926</u>	<u>924,552</u>	<u>63,207,888</u>	<u>3,609,504</u>	<u>98,731,072</u>
Fund balances:						
Reserved for:						
Inventories	3,744,657	-	-	-	-	3,744,657
Encumbrances	-	-	-	111,964	-	111,964
By state statute	2,144,620	-	-	-	-	2,144,620
Special projects	1,082,014	-	-	320,947	-	1,402,961
Restricted contributions	-	-	-	2,188,100	-	2,188,100
Self-insurance	4,424,855	-	-	-	-	4,424,855
Unreserved:						
Designated for flexible benefits plan	789,294	-	-	-	-	789,294
Designated for subsequent year's expenditures	7,500,000	-	-	-	-	7,500,000
Undesignated	17,331,201	-	8,523,252	2,367,719	-	28,222,172
Total fund balances	<u>37,016,641</u>	<u>-</u>	<u>8,523,252</u>	<u>4,988,730</u>	<u>-</u>	<u>50,528,623</u>
Total liabilities and fund balances	<u>\$ 53,073,843</u>	<u>\$ 14,931,926</u>	<u>\$ 9,447,804</u>	<u>\$ 68,196,618</u>	<u>\$ 3,609,504</u>	

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 2,163,314,695

Prepaid expenses use current year financial resources and are reported as an expenditure in the governmental funds. 668,101

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital leases payable	\$ (28,792)
Workers' compensation self-insurance	(2,103,937)
Compensated absences (vacation)	(55,107,170)
Installment Purchase	<u>(223,018)</u>
	<u>(57,462,917)</u>

Total net assets - governmental activities \$ 2,157,048,502

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

**WAKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	General Fund	State Public School Fund	Individual Schools Fund
<b>REVENUES:</b>			
County	\$ 296,964,799	\$ -	\$ -
State	-	689,966,461	-
Federal	200,908	-	-
Other Local	16,392,389	-	13,369,137
Total Revenues	<u>313,558,096</u>	<u>689,966,461</u>	<u>13,369,137</u>
<b>EXPENDITURES:</b>			
<b>Current operations:</b>			
Instructional services:			
Regular	88,276,638	408,014,229	-
Special populations	24,558,202	101,546,970	-
Alternative programs and services	12,027,999	23,852,527	-
School leadership	24,706,858	35,854,205	-
Co-curricular	6,867,257	-	12,980,283
School-based support services	12,728,479	49,042,617	-
Systemwide support services			
Support and development	4,950,737	2,602,064	-
Special populations support and development	3,382,450	1,970,164	-
Alternative programs and services support and development	888,752	389,189	-
Technology support	15,602,647	1,288,695	-
Operational support	90,259,026	63,662,788	-
Financial and human resource	15,427,577	221,294	-
Accountability	2,075,736	41,764	-
Systemwide pupil support	4,140,285	367,003	-
Policy, leadership and public relations	7,103,418	1,112,952	-
Ancillary services	3,025	-	-
Nonprogram charges	9,737,816	-	-
<b>Debt Service:</b>			
Principal	11,628	-	-
Interest	4,985	-	-
<b>Capital outlay:</b>			
Land, buildings, and other	-	-	-
Equipment	-	-	-
Vehicles	-	-	-
Total Expenditures	<u>322,753,515</u>	<u>689,966,461</u>	<u>12,980,283</u>
Excess (deficiency) of revenues over expenditures	<u>(9,195,419)</u>	<u>-</u>	<u>388,854</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	5,988,235	-	13,540
Transfers out	(13,540)	-	(82,585)
Total other financing sources (uses)	<u>5,974,695</u>	<u>-</u>	<u>(69,045)</u>
Net change in fund balance	(3,220,724)	-	319,809
Fund balances, beginning of year	40,328,510	-	8,203,443
Decrease in reserve for inventories	(91,145)	-	-
Fund Balances, end of the year	<u>\$ 37,016,641</u>	<u>\$ -</u>	<u>\$ 8,523,252</u>

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

Capital Projects Fund	Non-Major Funds	Total Governmental Funds
\$ 280,960,672	\$ -	\$ 577,925,471
16,252,197	368,736	706,587,394
-	49,921,603	50,122,511
7,881,311	2,676,693	40,319,530
<u>305,094,180</u>	<u>52,967,032</u>	<u>1,374,954,906</u>
-	3,043,372	499,334,239
-	25,730,784	151,835,956
-	14,397,885	50,278,411
-	1,437	60,562,500
-	14,262	19,861,802
-	2,443,322	64,214,418
-	3,584,541	11,137,342
-	206,736	5,559,350
-	570,539	1,848,480
-	178,773	17,070,115
-	145,632	154,067,446
-	568,545	16,217,416
-	25,567	2,143,067
-	23,124	4,530,412
-	-	8,216,370
-	250,484	253,509
-	1,782,029	11,519,845
1,398,800	-	1,410,428
-	-	4,985
294,847,196	-	294,847,196
548,547	-	548,547
605,973	-	605,973
<u>297,400,516</u>	<u>52,967,032</u>	<u>1,376,067,807</u>
<u>7,693,664</u>	<u>-</u>	<u>(1,112,901)</u>
-	-	6,001,775
<u>(5,905,650)</u>	<u>-</u>	<u>(6,001,775)</u>
<u>(5,905,650)</u>	<u>-</u>	<u>-</u>
1,788,014	-	(1,112,901)
3,200,716	-	51,732,669
-	-	(91,145)
<u>\$ 4,988,730</u>	<u>\$ -</u>	<u>\$ 50,528,623</u>

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WAKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds \$ (1,112,901)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

This is the amount by which capital outlays exceed depreciation in the period.

	Capital outlays	\$ 287,773,387	
	Depreciation expense	<u>(32,459,629)</u>	255,313,758

The net effect of various miscellaneous transactions involving capital assets (i.e., retirement) is to decrease net assets. (232,897)

In the statement of activities compensated absences (vacations) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amounts used by \$4,534,426. (4,534,426)

Principal payments on debt owed are recorded as a use of funds on the fund statements, but affect only the statement of net assets in the district-wide statements.

	Capital lease payments	11,628	
	Installment purchase payments	<u>1,398,800</u>	1,410,428

The estimated reserve for workers' compensation self-insurance is recorded as a long-term obligation in the district-wide statements. This year the decrease in reserve for workers' compensation was \$70,065. 70,065

Prepaid expenses use current year financial resources and are reported as an expenditure in the governmental funds. This year, the increase in prepaid expenses was \$86,681. 86,681

Adjustment due to the use of the consumption method of recording inventory in the district-wide statements. (91,145)

Change in net assets of governmental activities \$ 250,909,563

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

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2008

	General Fund			Variance- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
County	\$ 296,964,799	\$ 296,964,799	\$ 296,964,799	\$ -
State	10,638,338	-	-	-
Federal	1,495,000	185,000	200,908	15,908
Other local	17,697,034	14,131,460	16,392,389	2,260,929
Total revenues	<u>326,795,171</u>	<u>311,281,259</u>	<u>313,558,096</u>	<u>2,276,837</u>
<b>EXPENDITURES:</b>				
<b>Current operations:</b>				
Instructional services:				
Regular instructional	102,499,737	88,385,284	88,276,638	108,646
Special populations	23,874,046	24,577,596	24,558,202	19,394
Alternative programs	12,248,640	12,028,043	12,027,999	44
School leadership	27,976,003	24,749,777	24,706,858	42,919
Co-curricular	7,076,199	7,093,618	6,867,257	226,361
School-based support	10,330,755	12,861,611	12,728,479	133,132
Systemwide support services				
Support and development	6,445,970	5,039,436	4,950,737	88,699
Special populations support and development	1,998,604	3,382,529	3,382,450	79
Alternative programs and services support and development	1,115,259	913,331	888,752	24,579
Technology support	13,070,255	16,231,104	15,602,647	628,457
Operational support	99,362,739	92,754,452	90,259,026	2,495,426
Financial and human resource	18,457,917	16,742,652	15,427,577	1,315,075
Accountability	2,278,629	2,108,752	2,075,736	33,016
Systemwide pupil support	4,887,696	4,204,091	4,140,285	63,806
Policy, leadership and public relation	7,407,457	7,369,315	7,103,418	265,897
Ancillary services	250,682	3,202	3,025	177
Non-program charges	10,206,648	15,696,563	9,754,429	5,942,134
Total Expenditures	<u>349,487,236</u>	<u>334,141,356</u>	<u>322,753,515</u>	<u>11,387,841</u>
Revenues over (under) expenditures	<u>(22,692,065)</u>	<u>(22,860,097)</u>	<u>(9,195,419)</u>	<u>13,664,678</u>
Other financing sources (uses):				
Appropriated fund balance	17,730,668	16,118,780	-	(16,118,780)
Transfers in	4,961,397	6,754,857	5,988,235	(766,622)
Transfers out	-	(13,540)	(13,540)	-
Total other financing sources (uses)	<u>22,692,065</u>	<u>22,860,097</u>	<u>5,974,695</u>	<u>(16,885,402)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,220,724)</u>	<u>\$ (3,220,724)</u>
Fund balances, beginning of year			40,328,510	
Increase in reserve for inventories			(91,145)	
Fund balances, end of year			<u>\$ 37,016,641</u>	

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

State Public School Fund

Original Budget	Final Budget	Actual	Variance- Positive (Negative)
\$ -	\$ -	\$ -	\$ -
688,579,048	718,563,148	689,966,461	(28,596,687)
-	-	-	-
-	-	-	-
<u>688,579,048</u>	<u>718,563,148</u>	<u>689,966,461</u>	<u>(28,596,687)</u>
410,360,043	429,847,605	408,014,229	21,833,376
93,208,235	101,622,461	101,546,970	75,491
61,308,054	25,116,119	23,852,527	1,263,592
-	36,695,317	35,854,205	841,112
-	-	-	-
56,749,393	52,301,716	49,042,617	3,259,099
2,988,489	2,634,379	2,602,064	32,315
3,086,760	1,974,006	1,970,164	3,842
450,584	414,707	389,189	25,518
1,717,567	2,477,352	1,288,695	1,188,657
57,009,656	63,733,651	63,662,788	70,863
211,409	221,302	221,294	8
59,048	44,537	41,764	2,773
456,714	367,036	367,003	33
971,374	1,112,960	1,112,952	8
1,722	-	-	-
-	-	-	-
<u>688,579,048</u>	<u>718,563,148</u>	<u>689,966,461</u>	<u>28,596,687</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		-	
		-	
		<u>\$ -</u>	



WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
JUNE 30, 2008

	Major Fund Child Nutrition Program	Non-Major Fund Tuition Programs	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 11,360,435	\$ 6,983,200	\$ 18,343,635
Accounts receivable	40,871	94,275	135,146
Due from other governments	814,147	416,726	1,230,873
Due from other funds	4,158	192,113	196,271
Prepaid expenses	1,958	18,671	20,629
Inventory	1,366,732	-	1,366,732
Total current assets	<u>13,588,301</u>	<u>7,704,985</u>	<u>21,293,286</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>6,722,633</u>	<u>172,942</u>	<u>6,895,575</u>
Total assets	<u>20,310,934</u>	<u>7,877,927</u>	<u>28,188,861</u>
<b>LIABILITIES</b>			
Current liabilities:			
Salaries and benefits payable	1,647,919	10,395	1,658,314
Accounts payable	796,134	379,738	1,175,872
Due to other funds	14,450	9,935	24,385
Current Portion of long-term obligations	540,000	60,000	600,000
Total current liabilities	<u>2,998,503</u>	<u>460,068</u>	<u>3,458,571</u>
Noncurrent liabilities:			
Long-term obligations	<u>334,175</u>	<u>38,690</u>	<u>372,865</u>
Total liabilities	<u>3,332,678</u>	<u>498,758</u>	<u>3,831,436</u>
<b>NET ASSETS</b>			
Invested in capital assets	6,722,633	172,942	6,895,575
Unrestricted	<u>10,255,623</u>	<u>7,206,227</u>	<u>17,461,850</u>
Total net assets	<u>\$ 16,978,256</u>	<u>\$ 7,379,169</u>	<u>\$ 24,357,425</u>

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

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2008

	Major Fund Child Nutrition Program	Non-Major Fund Tuition Programs	Total
<b>OPERATING REVENUES</b>			
Food sales	\$ 22,800,190	\$ -	\$ 22,800,190
Participant fees	-	9,063,099	9,063,099
Total operating revenues	<u>22,800,190</u>	<u>9,063,099</u>	<u>31,863,289</u>
<b>OPERATING EXPENSES:</b>			
Business supporting services:			
Salaries	15,310,949	3,839,189	19,150,138
Food	16,297,770	-	16,297,770
Supplies	1,854,546	1,362,321	3,216,867
Purchased services	1,940,840	1,259,688	3,200,528
Other supporting services:			
Employee benefits	4,698,775	562,208	5,260,983
Donated commodities	2,152,435	-	2,152,435
Indirect costs	2,761,685	854,521	3,616,206
Depreciation	829,155	19,543	848,698
Total operating expenses	<u>45,846,155</u>	<u>7,897,470</u>	<u>53,743,625</u>
Operating income (loss)	<u>(23,045,965)</u>	<u>1,165,629</u>	<u>(21,880,336)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Federal regular USDA grants	17,524,774	-	17,524,774
Federal commodities	2,152,435	-	2,152,435
NCDPI kindergarten breakfast	32,582	-	32,582
Interest	612,750	305,492	918,242
Loss on sale of capital assets	(77,440)	(4,203)	(81,643)
Total non-operating revenues	<u>20,245,101</u>	<u>301,289</u>	<u>20,546,390</u>
Income/(loss) before contributions and transfers	(2,800,864)	1,466,918	(1,333,946)
Contribution from other funds	<u>1,014,145</u>	<u>-</u>	<u>1,014,145</u>
Change in net assets	(1,786,719)	1,466,918	(319,801)
Net assets, beginning of year	<u>18,764,975</u>	<u>5,912,251</u>	<u>24,677,226</u>
Net assets, end of year	<u>\$ 16,978,256</u>	<u>\$ 7,379,169</u>	<u>\$ 24,357,425</u>

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

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2008

	Major Fund Child Nutrition Program	Non-Major Fund Tuition Programs	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from user charges	\$ 22,781,606	\$ 8,891,812	\$ 31,673,418
Payments to employees for services	(19,603,980)	(4,375,989)	(23,979,969)
Payments to suppliers for goods and services	(19,954,854)	(2,369,823)	(22,324,677)
Payments for other operating expenses	(3,006,473)	(983,444)	(3,989,917)
Net cash provided by (used by) operating activities	<u>(19,783,701)</u>	<u>1,162,556</u>	<u>(18,621,145)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Federal regular USDA grants	17,524,774	-	17,524,774
NCDPI kindergarten breakfast	32,582	-	32,582
Net cash provided by non-capital financing activities	<u>17,557,356</u>	<u>-</u>	<u>17,557,356</u>
<b>CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of equipment	(214,814)	-	(214,814)
Proceeds from sale of equipment	4,558	-	4,558
Net cash used for capital and related financing activities	<u>(210,256)</u>	<u>-</u>	<u>(210,256)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	612,750	305,492	918,242
Net increase in cash and cash equivalents	(1,823,851)	1,468,048	(355,803)
Cash and cash equivalents, beginning of year	13,184,286	5,515,152	18,699,438
Cash and cash equivalents, end of year	<u>\$ 11,360,435</u>	<u>\$ 6,983,200</u>	<u>\$ 18,343,635</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (23,045,965)	\$ 1,165,629	\$ (21,880,336)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	829,155	19,543	848,698
Increase in accounts receivable and due from other governments	(277,822)	(310,085)	(587,907)
Decrease in inventories	42,090	-	42,090
Decrease (increase) in prepaid expenses	992	(1,898)	(906)
Increase in accounts payable and salaries and benefits payable	342,331	267,121	609,452
Increase in accrued vacation	173,083	22,246	195,329
Donated commodities	2,152,435	-	2,152,435
Total adjustments	<u>3,262,264</u>	<u>(3,073)</u>	<u>3,259,191</u>
Net cash provided by (used by) operating activities	<u>\$ (19,783,701)</u>	<u>\$ 1,162,556</u>	<u>\$ (18,621,145)</u>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:</b>			
Donated commodities	\$ 2,152,435	\$ -	\$ 2,152,435
Transfer of equipment from capital projects fund	<u>\$ 1,014,145</u>	<u>\$ -</u>	<u>\$ 1,014,145</u>

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

**Wake County Board of Education**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

**I. Summary of Significant Accounting Policies**

The accounting policies of The Wake County Board of Education conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Wake 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 Wake County, North Carolina. Although Wake County levies all taxes, the Board determines how the school system will spend the funds generated for schools. The Board receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity.

**B. Basis of Presentation**

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions

or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, indirect costs, and depreciation on capital assets. All expenses not meeting this definition are reported as non-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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

*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 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.

*Capital Projects Fund.* The Capital Projects 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 Wake County appropriations, proceeds of Wake County bonds issued for public school construction, as well as certain State assistance.

The Board reports the following major enterprise fund:

*Child Nutrition Fund.* The Child Nutrition Fund is used to account for the food service program within the school system.

### C. Measurement Focus and Basis of Accounting

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, includes 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 are both restricted and unrestricted net assets 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.

All governmental and business-type activities of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

#### D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. Budgets are adopted on a basis consistent with GAAP, except for revenues and expenditures of the debt service fund being included in the budget of the capital projects fund and the enterprise fund, which is budgeted on the modified accrual basis.

The appropriations in the various funds are formally budgeted and controlled at the functional level. Expenditures may not legally exceed appropriations at the functional level for all of the Board's funds. Subject to the provisions of the statutes, the Board may amend the budget resolution at any time after its adoption. State law also requires that transfers to or from the capital outlay fund be approved by the Board and the Board of County Commissioners. By resolution of the Board, the superintendent may transfer monies from one appropriation to another within the same fund, subject to certain limitations described below. If such transfers require the Board's approval, they must be reported at the next subsequent meeting.

The superintendent is authorized by the Board to transfer appropriations under the following conditions:

1. He may not transfer any amounts between funds nor from any contingency appropriation within a fund without Board approval.
2. He may transfer amounts between purpose codes and between functions within a purpose code. A summary of all such transfers must be reported to the Board within 60 days.
3. He may transfer any amounts in state and federal projects upon prior approval of the appropriate funding agency. If such transfers require the Board's approval under other provisions, they must be reported within 60 days.

The superintendent is authorized by the Board to accept appropriations into the budget under the following conditions:

1. He may accept all state appropriations. A summary of such appropriations must be reported to the Board within 60 days.
2. He may accept federal appropriations if the application for funding has been approved by the Board. A summary of such appropriations must be reported to the Board within 60 days.
3. He may accept categorical program appropriations if the program has been approved by the Board. A summary of such appropriations must be reported to the Board within 60 days.
4. He may accept other appropriations upon prior approval of the Board.

During the fiscal year there were budget amendments totaling \$332,834,623 approved by the Board as follows:

General fund	\$ (15,332,340)
State public school fund	29,984,100
Grants funds	10,524,547
Capital projects funds	306,814,301
Enterprise fund	844,015
	<u>\$ 332,834,623</u>

## E. Assets, Liabilities, and Fund Equity

### 1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). 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 NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

### 2. Cash and Cash Equivalents

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

### 3. Inventories and Prepaid Expenses

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide statements.

#### 4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1989 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Wake 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 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:

	Governmental Activities And Tuition Programs <hr/> Years	Child Nutrition Program <hr/> Years
Buildings	50	
Kitchen and Landscape Equipment	15	12
Furniture	20	20
All Other Equipment	10	10
Vehicles	8	5
Computer equipment	5	6
Land Improvement	20	

Land and construction in progress are not depreciated.

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

#### 5. 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.



## 6. 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, 2008 are recorded in the government-wide and proprietary fund financial statements on a LIFO basis.

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.

## 7. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

### RESERVED

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables.

Reserved for special projects - portion of fund balance not available for appropriation because it represents the excess of revenues over expenditures of certain special projects. This excess is reserved for expenditure only for these projects.

Reserved for restricted contributions – portion of fund balance not available for appropriation because it represents the excess of revenues over expenditures of certain contributions that are restricted for specific use.

Reserved for self-insurance – portion of fund balance not available for appropriation because it represents the loss reserve required for the workers' compensation and dental self-insurance programs.

**UNRESERVED**

Designated for flexible benefits plan – portion of total fund balance available for appropriation which has been designated for future loss contingencies of the flexible benefits plan.

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2008-2009 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

**II. 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 assets.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2,106,519,879 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)	\$ 2,518,944,686
Less accumulated depreciation	<u>(355,629,991)</u>
Net capital assets	<u>2,163,314,695</u>
Prepaid expenses use current year financial resources and are reported as an expenditure in the governmental funds	668,101
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:	
Capital leases payable	(28,792)
Workers' compensation self-insurance	(2,103,937)
Compensated absences	(55,107,170)
Installment Purchase	<u>(223,018)</u>
Total adjustments	<u>\$ 2,106,519,879</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$252,022,464 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 287,773,387
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.	(32,459,629)
The net effect of various miscellaneous transactions involving Capital assets (i.e. retirement) is to decrease net assets.	(232,897)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	1,410,428
Compensated absences are accrued in the government-wide Statements but not in the fund statements because they do not use current resources.	(4,534,426)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements.	(91,145)
Estimated reserve for workers' compensation self-insurance recorded as a long-term obligation in the government-wide statements.	70,065
Prepaid expenses use current year financial resources and are reported as an expenditure in the governmental funds. However, they are reflected as assets in the statement of net assets.	<u>86,681</u>
Total adjustments	<u>\$ 252,022,464</u>

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2008, the Board's deposits with banks had a carrying amount of \$16,567,091 and with the State Treasurer of \$4,781,210. The bank balances with the financial institutions and the State Treasurer were \$25,272,112 and \$3,318,856, respectively. Of these balances, \$3,739,655 was covered by federal depository insurance and \$24,851,313 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

## 2. Investments

At June 30, 2008, the Board's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Commercial Paper	\$ 16,005,000	Daily	A-1
North Carolina Capital Management Trust	8,784	Term Portfolio duration of .8	AAAm
State Treasurer's Short Term Investment Fund	59,045,745	Weighted average maturity of 2.90 years	Unrated
Total Investments	<u>\$ 75,059,529</u>		

*Interest Rate Risk.* The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) has a weighted average maturity of 2.90 years as of June 30, 2008.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs): however, the Board has no formal policy on managing credit risk. As of June 30, 2008, the Board's investments in commercial paper were rated A-1 by Standard and Poor's. The Board's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2008. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments.

*Concentration of Credit Risk.* The Board places no limit on the amount the Board may invest in any one issuer. More than five percent of the Board's investments are in the State Treasurer's Short Term Investment Fund. This investment is 79% of the Board's total investments.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have any investments that are exposed to custodial credit risk.

### 3. Accounts Receivable

Receivables at the government-wide level at June 30, 2008, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ (171,886)	\$ 779,475	\$ 1,365,145
Other governmental activities	-	64,198,844	1,034,043
Total	<u>\$ (171,886)</u>	<u>\$ 64,978,319</u>	<u>\$ 2,399,188</u>
Business-type activities:			
Child Nutrition Program	\$ -	\$ 814,147	\$ 40,871
Tuition Programs	171,886	416,726	94,275
Total	<u>\$ 171,886</u>	<u>\$ 1,230,873</u>	<u>\$ 135,146</u>

Due from other governments consists of the following:

Governmental activities:			
General Fund	\$ 741,032	Sales tax refund from state	
	13,917	Miscellaneous revenue from county	
	24,526	Miscellaneous revenue from federal	
	<u>779,475</u>		
State Public School Fund	10,393,950	Operating funds from DPI	
Individual Schools Fund	41,131	Sales tax refund from state	
Capital Outlay Fund	457,974	Sales tax refund from state	
	<u>52,530,875</u>	County funds from county appropriations	
	<u>52,988,849</u>		
Direct Grants Fund	154,342	Federal grant funds	
State Administered Federal Grants Fund	<u>620,572</u>	Federal grant funds	
Total	<u>\$ 64,978,319</u>		
Business-type activities:			
Child Nutrition Program	\$ 774,741	Miscellaneous revenue from state	
	39,406	Sales tax refund from state	
	<u>814,147</u>		
Tuition Programs	410,000	Miscellaneous revenue from county	
	6,726	Sales tax refund from state	
	<u>416,726</u>		
Total	<u>\$ 1,230,873</u>		

All receivables are expected to be collected within the next fiscal year.

#### 4. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Transfers	Retirements	Ending Balances
Capital assets not being depreciated:					
Land	\$ 82,161,785	\$ 14,676,689	\$ -	\$ (31,071)	\$ 96,807,403
Construction in Progress	695,468,289	269,347,619	(56,718,913)	-	908,096,995
Total capital assets not being depreciated	<u>777,630,074</u>	<u>284,024,308</u>	<u>(56,718,913)</u>	<u>(31,071)</u>	<u>1,004,904,398</u>
Capital assets being depreciated:					
Land Improvements	6,049,245	921,207	-	(47,209)	6,923,243
Buildings	1,400,733,917	21,500	56,718,913	(212,380)	1,457,261,950
Equipment	14,700,357	2,120,719	-	(678,350)	16,142,726
Vehicles and motor equipment	38,994,394	685,653	-	(5,967,678)	33,712,369
Total capital assets being depreciated	<u>1,460,477,913</u>	<u>3,749,079</u>	<u>56,718,913</u>	<u>(6,905,617)</u>	<u>1,514,040,288</u>
Less accumulated depreciation for:					
Land Improvements	4,710,644	141,448	-	(47,209)	4,804,883
Buildings	294,895,198	27,571,227	-	(195,012)	322,271,413
Equipment	8,009,544	1,710,305	-	(507,313)	9,212,536
Vehicles and motor equipment	22,258,767	3,036,649	-	(5,954,257)	19,341,159
Total accumulated depreciation	<u>329,874,153</u>	<u>32,459,629</u>	<u>-</u>	<u>(6,703,791)</u>	<u>355,629,991</u>
Total capital assets being depreciated, net	<u>1,130,603,760</u>				<u>1,158,410,297</u>
Governmental activity capital assets, net	<u>\$ 1,908,233,834</u>				<u>\$ 2,163,314,695</u>

#### **Business-type Activities:**

	Beginning Balances	Increases	Retirements	Ending Balances
School Food Service Fund:				
Capital assets being depreciated:				
Equipment	\$ 15,474,688	\$ 1,074,683	\$ (1,491,639)	\$ 15,057,732
Vehicles	791,348	154,276	(139,108)	806,516
Total capital assets being depreciated	<u>16,266,036</u>	<u>1,228,959</u>	<u>(1,630,747)</u>	<u>15,864,248</u>
Less accumulated depreciation for:				
Equipment	9,281,021	760,756	(1,436,098)	8,605,679
Vehicles	580,188	68,399	(112,651)	535,936
Total accumulated depreciation	<u>9,861,209</u>	<u>829,155</u>	<u>(1,548,749)</u>	<u>9,141,615</u>
School food service capital assets, net	<u>6,404,827</u>			<u>6,722,633</u>
Other Business-type activities				
Capital assets being depreciated:				
Equipment	881,234	-	(83,307)	797,927
Less accumulated depreciation for:				
Equipment	684,545	19,543	(79,103)	624,985
Other enterprise funds capital assets, net	<u>196,689</u>			<u>172,942</u>
Business-type activities capital assets, net	<u>\$ 6,601,516</u>			<u>\$ 6,895,575</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 30,404,042
Operational support services	<u>2,055,587</u>
Total	<u>\$ 32,459,629</u>

5. Construction Commitments

The Board has active construction projects as of June 30, 2008. At year-end, the Board's commitments with contractors for school construction totaled approximately \$273,857,215. These commitments will be funded by future revenues from Wake County.

6. Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Wake County Board of Education has entered into an agreement to purchase 29 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the Board out of funds allocated to the Board. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2008, has been recorded.

The payments due in the fiscal year ended June 30, 2009 are as follows:

Total purchase price, 29 buses	\$2,207,713
Total payments due in fiscal year 2009	735,904
Remaining payments due in subsequent years	1,471,809

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

*Plan Description.* Wake County Board of Education contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 6.82% of annual covered payroll. The contribution requirements of plan members and Wake County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2008, 2007, and 2006 were \$56,406,617, \$46,565,368, and \$39,061,354, respectively, equal to the required contributions for each year.

b. Supplemental Retirement Income Plan

All permanent, full-time employees of the Board may participate in a supplemental retirement income plan 401(K), a defined contribution plan. Covered payroll for the year ended June 30, 2008, was \$131,797,087, total payroll was \$720,391,021. Participation is optional, and all contributions to the plan are made by the employees. All participants are immediately vested in their contributions and can increase or decrease their contribution rate at any time.

The voluntary contributions by employees amounted to \$7,096,389 (5.4% of covered payroll) for the year ended June 30, 2008.

The Department of State Treasurer, the Board of Trustees of the Teachers' and State Employees' Retirement System and the Board of Trustees of the Local Governmental Employees' Retirements System are the administrators of the plan. The plan provisions are established by the NC Legislature, Article 5, Chapter 135-90 of the General Statute as cited in the Supplemental Retirement Income Act of 1984.

c. Post-employment Benefits

The post-employment health care benefits are provided through multiple-employer cost-sharing plans administered by the State. The Board makes monthly contributions to the State for these benefits. Health care benefits are provided to retirees (at no charge to the retirees) of the Teachers' and State Employees' Retirement System (System) who have at least five years of contributing membership in the System. These benefits are provided through the State's Comprehensive Major Medical Plan. Once retirees become eligible for Medicare coverage, they must elect to participate in Part A and Part B coverage to maintain the level of coverage provided prior to retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits and disability benefits, which are the same for all boards of education across the State. For the fiscal year ended June 30, 2008, the Board made contributions to the State for post-employment healthcare benefits of \$29,536,032, these contributions represented 4.1% of covered payroll.

2. Other Employment Benefits

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

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered



cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

### 3. Accounts Payable

Accounts payable at the government-wide level at June 30, 2008, were as follows:

	Vendors	Salaries and benefits
Governmental Activities		
General	\$ 11,407,915	\$ 4,498,645
Other Governmental	69,197,171	10,702,943
Total Governmental activities	<u>\$ 80,605,086</u>	<u>\$ 15,201,588</u>
Business-type Activities		
Child Nutrition Program	\$ 796,134	\$ 1,647,919
Tuition Programs	379,738	10,395
Total Business-type activities	<u>\$ 1,175,872</u>	<u>\$ 1,658,314</u>

### 4. Unearned Revenue

The balance in unearned revenue at year-end is composed of grants not yet earned of \$2,679,176.

### 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 Public Risk & Insurance Management Association, a membership of public sectors risk management programs. Through the private insurance industry, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Board has an annual aggregate limit for general liability of \$3,000,000 and \$1,000,000 each loss and \$2,000,000 aggregate for errors and omissions. In addition, the Board carries commercial umbrella for another \$1,000,000 of liability coverage. The Board was approved effective August 1, 2002 as a qualified self-insurer for workers' compensation coverage up to statutory limits for employees to the extent they are paid from federal, local, and enterprise funds for 8/1/2007-08 with a self-insured specific retention of \$400,000; an aggregate limit of \$2,000,000; and an employer's liability limit of \$1,000,000. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State Public School Funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in the property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of

\$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake with a \$5,000,000 maximum payable to each insured per flood or earthquake occurrence.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

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. The amount of Public Officials Dishonest Bond on the finance officer is \$250,000. The amount of Public Employee Dishonesty Bond on budget managers and bookkeepers is \$100,000.

A summary of changes in the self-insured workers' compensation claims for fiscal years 2007 and 2006 are as follows:

	<u>2008</u>	<u>2007</u>
Estimated claims payable, beginning of year	\$ 2,174,002	\$ 2,153,011
Current year claims and changes in estimates	975,281	1,062,032
Claim payments	<u>(1,045,346)</u>	<u>(1,041,041)</u>
Estimated claims payable, end of year	<u>\$ 2,103,937</u>	<u>\$ 2,174,002</u>

## 6. Contingent Liabilities

At June 30, 2008, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

## 7. Leases

### a. Operating Leases

The Board leases building and office facilities and parking areas under operating leases. Total costs for such leases were \$2,952,999 for the year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2009	\$ 2,618,229
2010	2,045,237
2011	1,852,858
2012	801,678
2013 and after	<u>3,491,286</u>
Total	<u>\$ 10,809,288</u>

b. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board has one outstanding capital lease with Xerox for a printer. The term of the lease is five years, ending in June of 2010, with monthly payments of \$1,384. The lease agreement qualifies it as a capital lease for accounting purposes; therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

At June 30, 2008, assets recorded under the capital leases were as follows:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computers/computer equipment	\$ 60,000	\$ 35,999	\$ 24,001

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2008:

Year Ending June 30	Governmental Activities
2009	\$ 16,613
2010	16,612
Total Payments	33,225
Less: amount representing interest	4,433
Present value of the minimum lease payments	\$ 28,792

c. Installment Purchase

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. In fiscal year 2007, the Board entered into installment purchase contract to finance the purchase of 29 buses through a special third party financing arrangement offered by SunTrust Leasing Corporation. The cost for this installment purchase was \$1,398,800 for the year ended June 30, 2008. The final payment of \$223,018 is due in the year ending June 30, 2009.

8. 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, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 50,572,744	\$ 46,400,991	\$ 41,866,565	\$ 55,107,170	\$ 40,000,000
Capital leases	40,420	-	11,628	28,792	13,385
Worker's compensation	2,174,002	975,281	1,045,346	2,103,937	780,722
Installment purchase	1,621,818	-	1,398,800	223,018	223,018
Total	\$ 54,408,984	\$ 47,376,272	\$ 44,322,339	\$ 57,462,917	\$ 41,017,125

Business-type activities:	Compensated
	<u>Absences</u>
Beginning balance	\$ 777,536
Increases	841,832
Decreases	<u>646,503</u>
Ending Balance	<u>\$ 972,865</u>
Due within one year	<u>\$ 600,000</u>

Compensated absences, workers' compensation, and capital leases are typically liquidated by the general and other governmental funds. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

### C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
State Public School Fund	General Fund	\$ 8,154
General Fund	State Public School Fund	1,304
General Fund	State Administered Federal Grants Fund	13,969
General Fund	Individual Schools Fund	2,670
General Fund	Direct Grants Fund	698
General Fund	Capital Projects Fund	17,168
General Fund	Child Nutrition Program	14,450
General Fund	Tuition Program	5,777
State Administered Federal Grants Fund	General Fund	300
Tuition Program	Individual Schools Fund	192,113
Child Nutrition Program	Tuition Program	4,158
Direct Grants Fund	General Fund	<u>8,846</u>
		<u>\$ 269,607</u>

Most interfund balances are due to allocation of printing costs or benefit costs. The Individual Schools Fund owes \$192,113 to the Tuition Program from the Individual Schools Fund for tuition payments that are initially deposited into the Individual Schools Fund at the school level and then moved to the Tuition Program monthly.

The following is a summary of Transfers for the year ended June 30, 2008:

<u>Transfers From:</u>	<u>Transfers To:</u>		
	<u>General Fund</u>	<u>Individual Schools Fund</u>	<u>Total</u>
Governmental activities:			
Capital Projects Fund	\$ 5,905,650	\$ -	\$ 5,905,650
General Fund	-	13,540	13,540
Individual Schools Fund	82,585	-	82,585
Total	<u>\$ 5,988,235</u>	<u>\$ 13,540</u>	<u>\$ 6,001,775</u>

During the year, the Capital Projects Fund transferred \$5,905,650 to the General Fund for salaries paid that were related to the Board's building program. The General Fund transferred \$13,540 to the Individual School Fund due to a deficit at an individual school. The Individual School Fund transferred \$82,585 to the General Fund to fund the costs of additional positions in the schools.

#### **IV. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

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

## NON-MAJOR FUNDS

### Governmental Funds

#### Special Revenue Funds

Special revenue funds are used to account for specific revenues, other than major capital projects, that are legally restricted to expenditure for particular purposes. The non-major special revenue funds include:

Direct Grants Fund – The Direct Grants Fund is used to account for grant monies received directly from the grantors.

State Administered Federal Grants Fund – The State Administered Federal Grants Fund is used to account for federal grant monies administered through the State Department of Public Instruction.

### Enterprise Funds

#### Tuition Programs Fund

The Tuition Programs Fund is used to account for the before and after school programs, as well as preschool and adult education programs that are funded through tuition.

WAKE COUNTY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Direct Grants	State Administered Federal Grants	Total
<b>ASSETS</b>			
Cash	\$ 1,540,013	\$ 253,439	\$ 1,793,452
Due from other governments	154,342	620,572	774,914
Accounts receivable	1,030,892	1,100	1,031,992
Due from other funds	8,846	300	9,146
Total assets	\$ 2,734,093	\$ 875,411	\$ 3,609,504
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and benefits payable	\$ 30,200	\$ 552,580	\$ 582,780
Accounts payable	166,904	308,862	475,766
Due to other funds	698	13,969	14,667
Deferred revenues	2,536,291	-	2,536,291
Total liabilities	2,734,093	875,411	3,609,504
Fund balances	-	-	-
Total liabilities and fund balances	\$ 2,734,093	\$ 875,411	\$ 3,609,504

WAKE COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Direct Federal Grants	State Administered Federal Grants	Total
<b>REVENUES:</b>			
Federal	\$ 2,854,852	\$ 47,066,751	\$ 49,921,603
State	368,736	-	368,736
Other	2,676,693	-	2,676,693
Total revenues	<u>5,900,281</u>	<u>47,066,751</u>	<u>52,967,032</u>
<b>EXPENDITURES:</b>			
Instructional services:			
Regular instructional	1,260,804	1,782,568	3,043,372
Special populations	387,594	25,343,190	25,730,784
Alternative programs	1,098,601	13,299,284	14,397,885
School leadership	1,437	-	1,437
Co-curricular	14,262	-	14,262
School-based support	809,590	1,633,732	2,443,322
Systemwide support services			
Support and development	1,521,405	2,063,136	3,584,541
Special populations support and development	-	206,736	206,736
Alternative programs and services support and development	212,143	358,396	570,539
Technology support	-	178,773	178,773
Operational support	11,478	134,154	145,632
Financial and human resource	133,642	434,903	568,545
Accountability	25,567	-	25,567
Systemwide pupil support	23,124	-	23,124
Ancillary services	249,720	764	250,484
Non-program charges	150,914	1,631,115	1,782,029
Total expenditures	<u>5,900,281</u>	<u>47,066,751</u>	<u>52,967,032</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>			
Wake County:			
County appropriation	\$ 296,964,799	\$ 296,964,799	\$ -
Federal:			
ROTC	175,000	191,573	16,573
Other	10,000	9,335	(665)
Total	<u>185,000</u>	<u>200,908</u>	<u>15,908</u>
Other:			
Fines and forfeitures	3,775,000	4,163,007	388,007
Interest	2,500,000	3,475,399	975,399
Indirect cost	5,450,000	5,398,455	(51,545)
Other local	2,406,460	3,355,528	949,068
Total	<u>14,131,460</u>	<u>16,392,389</u>	<u>2,260,929</u>
Total revenues	<u>311,281,259</u>	<u>313,558,096</u>	<u>2,276,837</u>
<b>EXPENDITURES:</b>			
Regular instructional services			
Regular curricular		84,582,888	
CTE curricular		3,693,750	
	<u>88,385,284</u>	<u>88,276,638</u>	<u>108,646</u>
Special populations services			
Children with disabilities curricular		16,539,557	
Children with disabilities CTE curricular		1,391,111	
Pre-K children with disabilities curricular		558,415	
Speech and language pathology		2,646,530	
Audiology		566,743	
Academically/intellectually gifted curricular		999,704	
Limited English proficiency		1,856,142	
	<u>24,577,596</u>	<u>24,558,202</u>	<u>19,394</u>
Alternative programs and services			
Alternative instructional K-12		938,875	
Attendance and social work		665,948	
Remedial and supplemental K-12		7,499,290	
Pre-K readiness/remedial and supplemental		1,688,848	
Extended day/year instructional		1,235,038	
	<u>12,028,043</u>	<u>12,027,999</u>	<u>44</u>

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WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Budget	Actual	Variance- Positive (Negative)
School leadership	\$ 24,749,777	\$ 24,706,858	\$ 42,919
Co-Curricular services	7,093,618	6,867,257	226,361
School-based support services			
Educational media		5,111,595	
Student accounting		697,013	
Guidance		5,534,053	
Health		384,829	
Instructional technology		312,360	
Parent involvement		153,988	
Special		534,641	
	<u>12,861,611</u>	<u>12,728,479</u>	<u>133,132</u>
Support and development services			
Regular curricular support and development		4,727,588	
CTE curricular support and development		223,149	
	<u>5,039,436</u>	<u>4,950,737</u>	<u>88,699</u>
Special population support and development services	<u>3,382,529</u>	<u>3,382,450</u>	<u>79</u>
Alternative programs and services support and development services	<u>913,331</u>	<u>888,752</u>	<u>24,579</u>
Technology support services	<u>16,231,104</u>	<u>15,602,647</u>	<u>628,457</u>
Operational support services			
Communication		760,005	
Printing and copying		16,652	
Public utility and energy		25,967,185	
Custodial/housekeeping		11,432,256	
Transportation		17,279,909	
Warehouse and delivery		406,075	
Facilities planning		7,010,536	
Maintenance		27,386,408	
	<u>92,754,452</u>	<u>90,259,026</u>	<u>2,495,426</u>
Financial and human resource services			
Financial		8,947,132	
Human resource		6,480,445	
	<u>16,742,652</u>	<u>15,427,577</u>	<u>1,315,075</u>

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Budget	Actual	Variance- Positive (Negative)
Accountability services			
Student testing	\$ -	\$ 1,328,213	\$ -
Planning, research development and program evaluation		747,523	
	<u>2,108,752</u>	<u>2,075,736</u>	<u>33,016</u>
Systemwide pupil support services			
Educational media support		139,658	
Student accounting support		1,380,957	
Guidance support		450,060	
Safety and security support		2,106,562	
Instructional technology support		63,048	
	<u>4,204,091</u>	<u>4,140,285</u>	<u>63,806</u>
Policy, leadership and public relations services			
Board of education		211,975	
Legal		988,345	
Audit		615,769	
Leadership		3,744,390	
Public relations and marketing		1,542,939	
	<u>7,369,315</u>	<u>7,103,418</u>	<u>265,897</u>
Ancillary services			
Adult services	3,202	3,025	177
Nonprogram charges:			
Debt service principal		11,628	
Debt service interest		4,985	
Payments to charter schools		9,737,816	
	<u>15,696,563</u>	<u>9,754,429</u>	<u>5,942,134</u>
Total expenditures	<u>334,141,356</u>	<u>322,753,515</u>	<u>11,387,841</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(22,860,097)</u>	<u>(9,195,419)</u>	<u>13,664,678</u>
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	16,118,780	-	(16,118,780)
Transfers in	6,754,857	5,988,235	(766,622)
Transfers out	(13,540)	(13,540)	-
Total other financing sources (uses)	<u>22,860,097</u>	<u>5,974,695</u>	<u>(16,885,402)</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,220,724)</u>	<u>\$ (3,220,724)</u>
Fund balance, beginning of year		40,328,510	
Decrease in reserve for inventories		<u>(91,145)</u>	
Fund balance, end of year		<u>\$ 37,016,641</u>	

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STATE PUBLIC SCHOOL FUND  
YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>			
State of North Carolina	\$ 718,563,148	\$ 689,966,461	\$ (28,596,687)
Total revenues	718,563,148	689,966,461	(28,596,687)
<b>EXPENDITURES:</b>			
Regular instructional services			
Regular curricular		380,747,227	
CTE curricular		27,267,002	
	429,847,605	408,014,229	21,833,376
Special populations services			
Children with disabilities curricular		81,267,787	
Children with disabilities CTE curricular		2,812,376	
Pre-K children with disabilities curricular		382,021	
Speech and language pathology		2,009,094	
Audiology		315,070	
Academically/intellectually gifted curricular		6,452,262	
Limited English proficiency		8,308,360	
	101,622,461	101,546,970	75,491
Alternative programs and services			
Alternative instructional K-12		5,321,411	
Attendance and social work		4,106,307	
Remedial and supplemental K-12		13,930,339	
Extended day/year instructional		494,470	
	25,116,119	23,852,527	1,263,592
School leadership	36,695,317	35,854,205	841,112
School-based support services			
Educational media		16,013,549	
Student accounting		5,748,670	
Guidance		23,509,542	
Health		876,137	
Safety and security		833,848	
Instructional technology		789,814	
Parent involvement		526,271	
Special		744,786	
	52,301,716	49,042,617	3,259,099
Support and development services			
Regular curricular support and development		1,491,512	
CTE curricular support and development		1,110,552	
	2,634,379	2,602,064	32,315

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STATE PUBLIC SCHOOL FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Budget	Actual	Variance- Positive (Negative)
Special population support and development services	\$ 1,974,006	\$ 1,970,164	\$ 3,842
Alternative programs and services support and development services	414,707	389,189	25,518
Technology support services	2,477,352	1,288,695	1,188,657
Operational support services			
Communication		1,312,536	
Custodial/housekeeping		17,685,952	
Transportation		44,645,731	
Maintenance		18,569	
	63,733,651	63,662,788	70,863
Financial and human resource services			
Financial		118,320	
Human resource		102,974	
	221,302	221,294	8
Accountability services			
Student testing		38,954	
Planning, research development and program evaluation		2,810	
	44,537	41,764	2,773
Systemwide pupil support services			
Educational media support		107,494	
Student accounting support		46,682	
Instructional technology support		212,827	
	367,036	367,003	33
Policy, leadership and public relations services			
Leadership	1,112,960	1,112,952	8
Total expenditures	718,563,148	689,966,461	28,596,687
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	\$ -	\$ -	\$ -

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS FUNDS  
YEAR ENDED JUNE 30, 2008

	Direct			State Administered		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>						
State of North Carolina	\$ 524,408	\$ 368,736	\$ 155,672	\$ -	\$ -	\$ -
Federal:						
IDEA	-	-	-	24,783,303	24,750,604	32,699
IASA	-	-	-	21,730,286	15,178,829	6,551,457
Vocational Education						
Program Improvement	-	-	-	1,288,937	1,250,878	38,059
Improving Teacher Quality	-	-	-	4,351,575	3,093,795	1,257,780
Language Acquisition	-	-	-	1,330,456	1,298,650	31,806
Magnet School Assistance	3,582,151	1,038,751	2,543,400	-	-	-
Other federal	2,910,563	1,816,101	1,094,462	2,797,291	1,493,995	1,303,296
Total	6,492,714	2,854,852	3,637,862	56,281,848	47,066,751	9,215,097
Other:						
Medicaid	1,660,717	743,280	917,437	-	-	-
Other	2,520,925	1,933,413	587,512	-	-	-
Total	4,181,642	2,676,693	1,504,949	-	-	-
Total Revenues	11,198,764	5,900,281	5,298,483	56,281,848	47,066,751	9,215,097
<b>EXPENDITURES:</b>						
Regular instructional services						
Regular curricular		1,257,388			576,003	
CTE curricular		3,416			1,206,565	
	3,539,882	1,260,804	2,279,078	2,037,340	1,782,568	254,772
Special populations services						
Children with disabilities curricular		71,347			17,933,020	
Children with disabilities CTE curricular		97,732			-	
Pre-K children with disabilities curricular		12,389			436,464	
Speech and language pathology		206,126			5,532,232	
Audiology		-			18,821	
Limited English proficiency		-			1,422,653	
	493,423	387,594	105,829	26,078,365	25,343,190	735,175
Alternative programs and services						
Alternative instructional K-12		10,749			-	
Attendance and social work		14,291			161,211	
Remedial and supplemental K-12		29,036			11,732,620	
Pre-K readiness/remedial and supplemental		921,348			782,953	
Extended day/year instructional		123,177			622,500	
	1,493,585	1,098,601	394,984	16,496,620	13,299,284	3,197,336
School leadership	24,512	1,437	23,075	-	-	-
Co-Curricular services	41,693	14,262	27,431	-	-	-

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS FUNDS  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Direct			State Administered		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
School-based support services						
Educational media	\$ -	\$ 79,337	\$ -	\$ -	\$ 4,655	\$ -
Guidance		252,994			416,024	
Health		3,660			-	
Safety and security		147,453			-	
Instructional technology		56,139			-	
Parent involvement		1,121			264,406	
Special		268,886			948,647	
	<u>1,440,131</u>	<u>809,590</u>	<u>630,541</u>	<u>4,232,103</u>	<u>1,633,732</u>	<u>2,598,371</u>
Support and development services						
Regular curricular support and development	<u>2,987,323</u>	<u>1,521,405</u>	<u>1,465,918</u>	<u>2,836,791</u>	<u>2,063,136</u>	<u>773,655</u>
Special population support and development services	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,089</u>	<u>206,736</u>	<u>14,353</u>
Alternative programs and services support and development services	<u>281,153</u>	<u>212,143</u>	<u>69,010</u>	<u>467,249</u>	<u>358,396</u>	<u>108,853</u>
Technology support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,263</u>	<u>178,773</u>	<u>221,490</u>
Operational support services						
Transportation	<u>21,033</u>	<u>11,478</u>	<u>9,555</u>	<u>350,349</u>	<u>134,154</u>	<u>216,195</u>
Financial and human resource services						
Human resource	<u>203,516</u>	<u>133,642</u>	<u>69,874</u>	<u>534,053</u>	<u>434,903</u>	<u>99,150</u>
Accountability services						
Planning, research development and program evaluation	<u>25,572</u>	<u>25,567</u>	<u>5</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Systemwide pupil support services						
Guidance support		3,319			-	
Safety and security support		19,805			-	
	<u>99,527</u>	<u>23,124</u>	<u>76,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ancillary services						
Community services		249,222			-	
Nutrition services		498			764	
	<u>264,456</u>	<u>249,720</u>	<u>14,736</u>	<u>950</u>	<u>764</u>	<u>186</u>
Nonprogram charges:						
Indirect Cost	<u>282,958</u>	<u>150,914</u>	<u>132,044</u>	<u>2,616,676</u>	<u>1,631,115</u>	<u>985,561</u>
Total expenditures	<u>11,198,764</u>	<u>5,900,281</u>	<u>5,298,483</u>	<u>56,281,848</u>	<u>47,066,751</u>	<u>9,215,097</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGET BASIS)  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES:</b>			
Wake County:			
Appropriation	\$ 3,779,301	\$ 3,779,301	\$ -
Capital Improvements fund	915,085,745	277,181,371	(637,904,374)
	<u>918,865,046</u>	<u>280,960,672</u>	<u>(637,904,374)</u>
State			
Passed through Wake County			
Public School Building Capital Fund	7,067,905	7,067,905	-
Public School Capital Fund - Lottery	7,785,492	7,785,492	-
LEA Financed Purchase of School Buses	1,398,800	1,398,800	-
	<u>16,252,197</u>	<u>16,252,197</u>	<u>-</u>
Other:			
Sale of school property	-	490,994	490,994
Interest	150,000	203,533	53,533
Other local	7,014,114	7,186,784	172,670
	<u>7,164,114</u>	<u>7,881,311</u>	<u>717,197</u>
Total revenues	<u>942,281,357</u>	<u>305,094,180</u>	<u>(637,187,177)</u>
<b>EXPENDITURES:</b>			
Land and buildings:			
Land: Purchase of new sites	51,435,756	14,647,515	36,788,241
Buildings:			
General contracts		37,377,298	
Heating contracts		3,021,236	
Plumbing contracts		40,975	
Electrical contracts		6,647	
Architect fees		13,564,031	
Equipment contracts		23,066,179	
Miscellaneous contracts		193,207,206	
Lottery			
East Millbrook Middle		2,000,000	
East Wake High		2,000,000	
Heritage High		2,000,000	
Lynn Road Elementary		1,785,492	
	<u>878,367,444</u>	<u>278,069,064</u>	<u>600,298,380</u>
Other:			
Library books	4,469,437	2,130,617	2,338,820
	<u>934,272,637</u>	<u>294,847,196</u>	<u>639,425,441</u>
Equipment:			
Instructional		183,878	
Administrative		364,669	
	<u>744,610</u>	<u>548,547</u>	<u>196,063</u>

Continued on Following Page



WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGET BASIS)  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2008  
 (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Vehicles:			
Administration	\$ -	\$ 384,281	\$ -
Transportation		221,692	
	<u>1,845,389</u>	<u>605,973</u>	<u>1,239,416</u>
Debt service:			
Principal	<u>1,398,800</u>	<u>1,398,800</u>	<u>-</u>
Total expenditures	<u>938,261,436</u>	<u>297,400,516</u>	<u>640,860,920</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>4,019,921</u>	<u>7,693,664</u>	<u>3,673,743</u>
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	2,651,572	-	(2,651,572)
Transfer out	<u>(6,671,493)</u>	<u>(5,905,650)</u>	<u>765,843</u>
Total other financing sources (uses)	<u>(4,019,921)</u>	<u>(5,905,650)</u>	<u>(1,885,729)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,788,014</u>	<u>\$ 1,788,014</u>

**WAKE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	Child Nutrition Program			Tuition Programs		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>						
Federal:						
Regular USDA Grants	\$17,279,952	\$17,524,774	\$ 244,822	\$ -	\$ -	\$ -
Other:						
Food sales	25,603,099	22,800,190	2,802,909	-	-	-
Participant Fees	-	-	-	13,544,577	8,718,132	4,826,445
State of North Carolina	-	-	-	338,290	344,967	(6,677)
Interest	555,305	612,750	(57,445)	-	305,492	(305,492)
NCDPI kindergarten breakfast	46,342	32,582	13,760	-	-	-
Miscellaneous	83,167	1,014,145	(930,978)	-	-	-
	<u>26,287,913</u>	<u>24,459,667</u>	<u>1,828,246</u>	<u>13,882,867</u>	<u>9,368,591</u>	<u>4,514,276</u>
Total revenues	<u>43,567,865</u>	<u>41,984,441</u>	<u>(1,583,424)</u>	<u>13,882,867</u>	<u>9,368,591</u>	<u>(4,514,276)</u>
<b>EXPENDITURES:</b>						
Business supporting services:						
Salaries		15,310,949			3,839,189	
Food		16,297,770			-	
Supplies		1,854,546			1,362,321	
Purchased services		1,940,840			1,259,688	
Indirect costs paid		2,761,685			854,521	
Equipment purchases		214,814			-	
	<u>38,367,285</u>	<u>38,380,604</u>	<u>(13,319)</u>	<u>13,088,995</u>	<u>7,315,719</u>	<u>5,773,276</u>
Other supporting services:						
Employee benefits	<u>5,200,580</u>	<u>4,698,775</u>	<u>501,805</u>	<u>793,872</u>	<u>562,208</u>	<u>231,664</u>
Total Expenditures	<u>43,567,865</u>	<u>43,079,379</u>	<u>488,486</u>	<u>13,882,867</u>	<u>7,877,927</u>	<u>6,004,940</u>
Excess (deficiency) of revenues over expenditures - budgetary (non-GAAP) basis	<u>\$ -</u>	<u>(1,094,938)</u>	<u>\$ (1,094,938)</u>	<u>\$ -</u>	<u>1,490,664</u>	<u>\$1,490,664</u>
Reconciliation from budgetary (Non-GAAP) basis to GAAP.						
Equipment purchases, net of contributions		214,814			-	
Depreciation		(829,155)			(19,543)	
Loss on sale of capital assets		(77,440)			(4,203)	
Change in Net Assets		<u>\$ (1,786,719)</u>			<u>\$1,466,918</u>	

Note: Revenues and expenditures related to donated services and commodities are excluded from the above revenues and expenditures compared to budget

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDIVIDUAL SCHOOLS FUND  
YEAR ENDED JUNE 30, 2008

	Fund Balance July 1, 2007	Revenues	Expenditures	Fund Balance June 30, 2008
<b>HIGH SCHOOLS:</b>				
Apex	\$ 401,964	\$ 455,352	\$ 438,264	\$ 419,052
Athens	256,568	329,950	399,678	186,840
Broughton	297,658	440,725	420,205	318,178
Cary	155,488	316,398	374,115	97,771
East Wake (includes 4 schools)	81,642	178,416	183,504	76,554
Enloe	461,830	556,998	514,898	503,930
Fuquay-Varina	421,701	317,216	374,264	364,653
Garner	75,258	269,473	237,602	107,129
Green Hope	248,929	411,272	406,410	253,791
Holly Springs	16,803	193,190	185,476	24,517
Knightdale	61,396	167,382	148,551	80,227
Leesville Road	298,321	449,543	433,890	313,974
Middle Creek	271,411	269,645	291,039	250,017
Millbrook	196,816	390,369	359,065	228,120
Panther Creek	27,990	245,621	214,737	58,874
Sanderson	269,656	384,415	354,314	299,757
Southeast Raleigh	163,063	277,625	261,910	178,778
Wake Early	5,703	14,521	19,519	705
Wake Forest-Rolesville	171,042	393,825	381,978	182,889
Wakefield	264,823	531,200	572,634	223,389
	<u>4,148,062</u>	<u>6,593,136</u>	<u>6,572,053</u>	<u>4,169,145</u>
<b>MIDDLE SCHOOLS:</b>				
Apex	86,267	217,566	217,832	86,001
Carnage	43,105	87,132	79,392	50,845
Carroll	80,934	67,975	77,280	71,629
Centennial	25,420	78,165	65,556	38,029
Daniels	46,598	144,335	144,176	46,757
Davis Drive	67,382	107,493	120,673	54,202
Dillard Drive	92,395	67,365	56,780	102,980
Durant Road	44,471	111,478	125,445	30,504
East Cary	-	5,970	4,818	1,152
East Garner	44,934	80,276	57,689	67,521
East Millbrook	20,247	128,441	138,081	10,607
East Wake	35,638	42,260	36,276	41,622
Fuquay-Varina	48,712	101,592	100,979	49,325
Heritage	53,641	145,399	144,473	54,567
Holly Ridge	84,023	83,834	82,472	85,385
Leesville Road	3,793	164,979	107,154	61,618
Ligon	51,883	124,313	127,554	48,642
Lufkin Road	47,134	118,756	112,696	53,194
Martin	51,006	101,182	98,214	53,974
Moore Square	27,717	16,537	18,696	25,558
North Garner	22,813	65,403	54,192	34,024
Reedy Creek	63,211	60,826	67,435	56,602
Salem	42,164	178,157	178,373	41,948
Wake Forest-Rolesville	122,068	96,818	82,917	135,969
Wakefield	65,835	103,362	96,142	73,055

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDIVIDUAL SCHOOLS FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Fund Balance July 1, 2007	Revenues	Expenditures	Fund Balance June 30, 2008
Wendell	\$ -	\$ 3,114	\$ 794	\$ 2,320
West Cary	32,450	66,921	71,941	27,430
West Lake	93,146	162,287	181,985	73,448
West Millbrook	40,364	106,845	94,267	52,942
Zebulon	74,914	81,939	85,993	70,860
	<u>1,512,265</u>	<u>2,920,720</u>	<u>2,830,275</u>	<u>1,602,710</u>

**ELEMENTARY SCHOOLS:**

Adams	17,085	55,070	45,320	26,835
Apex	51,354	43,177	42,251	52,280
Aversboro	25,887	38,726	37,367	27,246
Baileywick	30,421	43,101	45,639	27,883
Ballentine	63,899	15,015	12,799	66,115
Baucom	71,569	41,524	38,226	74,867
Barwell Road	7,678	21,637	14,557	14,758
Brassfield	30,327	69,075	59,710	39,692
Brentwood	25,654	20,446	22,671	23,429
Briarcliff	14,771	28,940	32,296	11,415
Brier Creek	13,327	33,939	22,871	24,395
Brooks	29,050	24,848	19,338	34,560
Bugg	11,706	29,829	29,800	11,735
Carpenter	9,490	31,791	22,438	18,843
Carver	35,965	41,331	33,746	43,550
Cary	49,200	27,349	26,813	49,736
Cedar Fork	14,415	38,703	30,861	22,257
Combs	18,644	91,805	99,593	10,856
Conn	7,730	34,368	34,674	7,424
Creech Road	11,100	18,223	19,632	9,691
Davis Drive	19,521	83,123	69,722	32,922
Dillard Drive	77,344	25,210	55,088	47,466
Douglas	23,633	26,486	21,731	28,388
Douglas Discretionary Funds	3,153	1,830	114	4,869
Durant Road	24,709	54,793	60,435	19,067
East Garner	-	13,964	10,115	3,849
Farmington Woods	22,403	44,143	38,839	27,707
Forestville	16,229	29,026	41,444	3,811
Forest Pines	9,598	27,699	18,397	18,900
Fox Road	26,159	33,459	29,323	30,295
Fuller	13,891	32,502	20,013	26,380
Fuquay-Varina	7,747	53,258	48,412	12,593
Green	20,321	26,656	23,824	23,153
Green Hope	40,124	64,664	39,026	65,762
Harris Creek	24,058	57,260	51,422	29,896
Heritage	10,046	50,229	43,633	16,642
Highcroft	20,268	89,373	84,829	24,812
Hilburn	31,497	44,092	34,152	41,437
Hodge Road	20,305	15,895	30,056	6,144

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDIVIDUAL SCHOOLS FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Fund Balance July 1, 2007	Revenues	Expenditures	Fund Balance June 30, 2008
Holly Grove	\$ 5,201	\$ 46,556	\$ 42,798	\$ 8,959
Holly Ridge	53,687	40,962	42,016	52,633
Holly Springs	47,738	35,716	50,911	32,543
Hunter	30,459	45,817	29,466	46,810
Jeffreys Grove	26,639	19,682	27,982	18,339
Jones Dairy	28,302	38,637	42,088	24,851
Joyner	15,116	28,774	37,499	6,391
Kingswood	8,707	21,713	16,757	13,663
Knightdale	12,399	20,054	17,023	15,430
Lacy	14,970	87,645	72,749	29,866
Lead Mine	28,977	25,893	26,041	28,829
Leesville Road	39,128	51,468	42,022	48,574
Lincoln Heights	31,543	31,108	36,705	25,946
Lockhart	51,588	20,740	31,457	40,871
Lynn Road	2,881	25,255	17,731	10,405
Middle Creek	18,003	27,606	33,684	11,925
Millbrook	21,403	26,429	37,269	10,563
Morrisville	30,807	50,372	62,418	18,761
North Forest Pines	-	26,846	14,705	12,141
North Ridge	22,247	39,357	42,544	19,060
Northwoods	15,744	32,166	25,575	22,335
Oak Grove	32,785	75,630	80,417	27,998
Olds	28,635	27,958	19,178	37,415
Olive Chapel	108,018	84,176	99,199	92,995
Partnership Primary	5,579	22,460	15,245	12,794
Penny Road	31,368	52,749	52,536	31,581
Pleasant Union	9,688	53,179	45,404	17,463
Poe	16,401	12,906	17,316	11,991
Powell	9,248	11,728	13,435	7,541
Rand Road	38,542	47,735	51,421	34,856
Reedy Creek	43,205	45,724	47,548	41,381
River Bend	3,939	15,774	8,325	11,388
Rolesville	28,675	123,225	76,097	75,803
Root	12,087	8,293	10,151	10,229
Salem	34,346	72,736	48,933	58,149
Sanford Creek	-	18,105	15,892	2,213
Smith	16,542	10,764	11,624	15,682
Stough	8,661	43,642	26,695	25,608
Swift Creek	23,663	37,779	36,045	25,397
Timber Drive	32,703	72,369	51,006	54,066
Turner Creek	37,675	46,893	44,427	40,141
Underwood	16,090	28,023	29,415	14,698
Vance	22,328	27,517	32,375	17,470
Vandora Springs	60,528	27,066	30,565	57,029
Wake Forest	76,018	28,505	33,597	70,926
Wakefield	20,034	68,765	65,397	23,402
Wakelon	8,402	17,540	18,552	7,390
Washington	46,205	48,683	48,727	46,161

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDIVIDUAL SCHOOLS FUND  
YEAR ENDED JUNE 30, 2008  
(Continued)

	Fund Balance July 1, 2007	Revenues	Expenditures	Fund Balance June 30, 2008
Weatherstone	\$ 44,470	\$ 36,220	\$ 32,245	\$ 48,445
Wendell	12,461	45,443	45,267	12,637
West Lake	42,616	89,985	74,538	58,063
Wilburn	30,134	19,425	26,043	23,516
Wildwood Forest	16,832	83,763	99,146	1,449
Wiley	44,662	20,438	14,558	50,542
Willow Springs	28,316	46,633	46,673	28,276
Yates Mill	32,066	32,059	32,178	31,947
York	26,736	27,733	27,478	26,991
Zebulon	10,362	14,217	19,261	5,318
	<u>2,515,837</u>	<u>3,811,195</u>	<u>3,607,526</u>	<u>2,719,506</u>
<b>OTHER:</b>				
Longview School	19,338	32,903	31,842	20,399
Mt. Vernon	113	11,801	10,743	1,171
Phillips High School	6,682	12,447	9,893	9,236
River Oaks	1,146	475	536	1,085
	<u>27,279</u>	<u>57,626</u>	<u>53,014</u>	<u>31,891</u>
<b>TOTAL</b>	<u>\$ 8,203,443</u>	<u>\$ 13,382,677</u>	<u>\$ 13,062,868</u>	<u>\$ 8,523,252</u>

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# STATISTICAL SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2008

**Prepared by the Finance Department**



## Statistical Section

This section of the Board's Comprehensive Annual Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial position.

Contents:

### Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial position has changed over time.

### Revenue Capacity

Since the Board's revenues are primarily provided by Wake County, these schedules contain information to help the reader access Wake County's major revenue sources.

### Debt Capacity

Since the Board's construction funding is primarily provided by Wake County, these schedules present information to help the reader assess the affordability of Wake County's current levels of outstanding debt and their ability to issue additional debt in the future.

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

### Operating Information

These schedules contain staffing, key operating statistics comparisons and capital asset data to help the reader understand how the information in the Board's financial report related to the services the Board provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports and budget documents for the relevant year. The Board implemented GASB 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

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WAKE COUNTY BOARD OF EDUCATION

NET ASSETS BY COMPONENT  
LAST SEVEN YEARS  
 (accrual basis of accounting)

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities		
	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total Net Assets	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Assets
2008	\$ 2,163,062,885	\$ 8,523,252	\$(14,537,635)	\$ 2,157,048,502	\$ 6,895,575	\$ 17,461,850	\$ 24,357,425
2007	1,906,571,596	8,203,443	(8,636,100)	1,906,138,939	6,601,516	18,075,710	24,677,226
2006	1,707,105,617	8,185,487	5,878,530	1,721,169,634	2,287,185	16,625,152	18,912,337
2005	1,511,403,239	-	8,347,146	1,519,750,385	2,219,436	15,902,370	18,121,806
2004	1,403,289,473	-	17,026,939	1,420,316,412	2,483,893	13,222,825	15,706,718
2003	1,280,865,426	-	15,132,611	1,295,998,037	2,393,879	11,408,713	13,802,592
2002	1,144,447,775	10,666,039	9,369,362	1,164,483,176	2,901,624	9,306,931	12,208,555

Note: The system began to report accrual information when it implemented GASB Statement 34 in 2002.

WAKE COUNTY BOARD OF EDUCATION

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE  
LAST SEVEN YEARS  
 (accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
<b>Expenses</b>				
Governmental activities:				
Instructional programs				
Regular	\$ 499,787,125	\$ -	\$ -	\$ -
Special populations	154,036,707	-	-	-
Alternative programs and services	51,795,462	-	-	-
School leadership	60,295,993	-	-	-
Co-curricular	19,897,732	-	-	-
School-based support services	66,510,312	-	-	-
Systemwide support services				
Support and development	10,788,721	-	-	-
Special populations support and development	6,095,269	-	-	-
Alternative programs and services support and development	2,001,281	-	-	-
Technology support	26,328,759	-	-	-
Operational support	148,183,392	-	-	-
Financial and human resource	16,757,435	-	-	-
Accountability	2,147,180	-	-	-
Systemwide pupil support	3,844,828	-	-	-
Policy, leadership and public relations	8,550,793	-	-	-
Ancillary Services	253,544	-	-	-
Instruction	-	709,746,607	626,497,392	581,298,217
Support services	-	269,002,952	259,029,601	236,913,262
Nonprogram charges	9,742,580	9,497,563	9,017,665	7,747,097
Interest on long-term debt	-	780	487,882	1,230,508
Depreciation - unallocated	30,404,042	26,695,661	24,952,001	24,032,883
Total governmental activities expenses	<u>1,117,421,155</u>	<u>1,014,943,563</u>	<u>919,984,541</u>	<u>851,221,967</u>
Business-type activities:				
Food service	45,846,155	40,130,227	36,208,155	32,275,494
Tuition programs	7,897,470	7,776,611	8,583,453	6,683,746
Print shop	-	-	-	1,725
Total business-type activities	<u>53,743,625</u>	<u>47,906,838</u>	<u>44,791,608</u>	<u>38,960,965</u>
Total school district expenses	<u>1,171,164,780</u>	<u>1,062,850,401</u>	<u>964,776,149</u>	<u>890,182,932</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services	853,103	910,472	1,094,629	929,092
Operating grants and contributions	756,603,642	688,176,379	616,013,072	560,329,447
Capital grants and contributions	7,387,758	3,440,673	10,502,567	62,587
Total governmental activities program revenues	<u>764,844,503</u>	<u>692,527,524</u>	<u>627,610,268</u>	<u>561,321,126</u>
Business-type activities:				
Charges for services -food services	22,800,190	22,738,873	28,879,946	26,898,296
Charges for services-tuition programs	9,063,099	8,087,758		
Operating grants and contributions	19,628,148	17,396,233	16,066,026	14,007,917
Total business-type activities program revenues	<u>51,491,437</u>	<u>48,222,864</u>	<u>44,945,972</u>	<u>40,906,213</u>
Total school district program revenues	<u>816,335,940</u>	<u>740,750,388</u>	<u>672,556,240</u>	<u>602,227,339</u>
<b>Net (expense)/revenue</b>				
Governmental activities	(352,576,652)	(322,416,039)	(292,374,273)	(289,900,841)
Business-type activities	(2,252,188)	316,026	154,364	1,945,248
Total school district net expense	<u>\$ (354,828,840)</u>	<u>\$ (322,100,013)</u>	<u>\$ (292,219,909)</u>	<u>\$ (287,955,593)</u>

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002. Significant changes in function-level expenses coding classification occurred in fiscal year 2008.

Fiscal Year		
2004	2003	2002
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
526,728,536	499,686,781	480,884,934
222,483,556	213,078,903	204,269,106
7,077,757	5,649,370	4,482,626
1,334,307	1,455,731	243,491
23,960,590	21,167,432	20,071,300
<u>781,584,746</u>	<u>741,038,217</u>	<u>709,951,457</u>
30,472,447	28,662,693	27,597,101
6,669,789	5,148,918	4,546,443
636,617	590,661	651,909
<u>37,778,853</u>	<u>34,402,272</u>	<u>32,795,453</u>
<u>819,363,599</u>	<u>775,440,489</u>	<u>742,746,910</u>
1,101,657	780,885	2,671,904
515,294,495	486,341,647	470,791,212
436,798	67,685	104,774
<u>516,832,950</u>	<u>487,190,217</u>	<u>473,567,890</u>
25,834,374	24,866,619	21,780,687
<u>12,679,641</u>	<u>10,714,253</u>	<u>10,307,000</u>
38,514,015	35,580,872	32,087,687
<u>555,346,965</u>	<u>522,771,089</u>	<u>505,655,577</u>
(264,751,796)	(253,848,000)	(236,383,567)
735,162	1,178,600	(707,766)
<u>\$ (264,016,634)</u>	<u>\$ (252,669,400)</u>	<u>\$ (237,091,333)</u>

WAKE COUNTY BOARD OF EDUCATION

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS  
LAST SEVEN YEARS  
 (accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (352,576,652)	\$ (322,416,039)	\$ (292,374,273)	\$ (289,900,841)
Business-type activities	(2,252,188)	316,026	154,364	1,945,248
Total school district net expense	<u>(354,828,840)</u>	<u>(322,100,013)</u>	<u>(292,219,909)</u>	<u>(287,955,593)</u>
<b>General revenues and other changes in Net Assets</b>				
Governmental activities:				
Unrestricted county appropriations - operating	296,964,799	274,229,013	251,247,744	233,570,793
Unrestricted county appropriations - capital	280,960,672	227,836,179	227,358,357	142,056,287
Unrestricted state appropriation - capital	14,853,397	-	-	1,368,603
Investment earnings, unrestricted	3,686,700	3,724,919	2,528,306	1,843,816
Miscellaneous, unrestricted	8,034,792	6,161,693	10,831,136	10,571,156
Transfer	(1,014,145)	(4,566,460)	(75,762)	(75,841)
Total governmental activities	<u>603,486,215</u>	<u>507,385,344</u>	<u>491,889,781</u>	<u>389,334,814</u>
Business-type activities:				
Investment earnings, unrestricted	918,242	951,692	560,405	393,999
Loss on sale of capital assets	-	(69,289)	-	-
Transfer	1,014,145	4,566,460	75,762	75,841
Total business-type activities	<u>1,932,387</u>	<u>5,448,863</u>	<u>636,167</u>	<u>469,840</u>
Total school district	<u>605,418,602</u>	<u>512,834,207</u>	<u>492,525,948</u>	<u>389,804,654</u>
<b>Change in net assets</b>				
Governmental activities	250,909,563	184,969,305	199,515,508	99,433,973
Business-type activities	(319,801)	5,764,889	790,531	2,415,088
Total school district	<u>\$ 250,589,762</u>	<u>\$ 190,734,194</u>	<u>\$ 200,306,039</u>	<u>\$ 101,849,061</u>

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002.

Fiscal Year		
2004	2003	2002
\$ (264,751,796)	\$ (253,848,000)	\$ (236,383,567)
735,162	1,178,600	(707,766)
<u>(264,016,634)</u>	<u>(252,669,400)</u>	<u>(237,091,333)</u>
223,700,000	202,999,990	194,529,610
153,394,820	167,596,189	131,388,257
4,338,486	5,244,967	9,525,356
1,906,244	2,470,238	3,236,177
6,551,451	7,115,900	7,557,832
(820,830)	(67,423)	-
<u>389,070,171</u>	<u>385,359,861</u>	<u>346,237,232</u>
348,134	348,014	383,950
-		
820,830	67,423	-
<u>1,168,964</u>	<u>415,437</u>	<u>383,950</u>
<u>390,239,135</u>	<u>385,775,298</u>	<u>346,621,182</u>
124,318,375	131,511,861	109,853,665
1,904,126	1,594,037	(323,816)
<u>\$ 126,222,501</u>	<u>\$ 133,105,898</u>	<u>\$ 109,529,849</u>

WAKE COUNTY BOARD OF EDUCATION

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year				
	2008	2007	2006	2005	2004
General fund					
Reserved	\$ 11,396,146	\$ 11,498,660	\$ 12,007,123	\$ 12,956,900	\$ 14,175,112
Unreserved					
Designated	8,289,294	13,496,165	8,433,413	8,066,696	15,511,983
Undesignated	17,331,201	15,333,685	22,208,771	15,893,117	9,980,752
Total general fund	<u>\$ 37,016,641</u>	<u>\$ 40,328,510</u>	<u>\$ 42,649,307</u>	<u>\$ 36,916,713</u>	<u>\$ 39,667,847</u>
All other governmental funds					
Reserved	\$ 2,621,011	\$ 2,886,995	\$ 9,365,049	\$ 4,897,467	\$ 6,548,059
Unreserved					
Designated					
Capital projects fund	-	-	587,412	2,000,000	-
Undesignated					
Individual schools fund	8,523,252	8,203,443	8,185,487	7,563,138	7,006,723
Capital projects fund	2,367,719	313,721	673,596	587,412	2,229,032
Total all other governmental funds	<u>\$ 13,511,982</u>	<u>\$ 11,404,159</u>	<u>\$ 18,811,544</u>	<u>\$ 15,048,017</u>	<u>\$ 15,783,814</u>



Fiscal Year				
2003	2002	2001	2000	1999
\$ 14,937,801	\$ 12,222,449	\$ 16,586,685	\$ 11,657,328	\$ 12,203,185
8,372,177	11,204,829	7,129,374	1,658,926	9,684,184
17,192,374	16,121,162	12,278,509	17,156,880	13,486,465
<u>\$ 40,502,352</u>	<u>\$ 39,548,440</u>	<u>\$ 35,994,568</u>	<u>\$ 30,473,134</u>	<u>\$ 35,373,834</u>
\$ 1,597,379	\$ 1,565,227	\$ 3,701,428	\$ 5,600,500	\$ 2,050,961
-	-	3,441,573	1,516,640	1,189,187
6,967,157	6,947,428	6,708,122	5,254,191	4,295,314
4,058,638	3,164,465	742,592	730,541	373,810
<u>\$ 12,623,174</u>	<u>\$ 11,677,120</u>	<u>\$ 14,593,715</u>	<u>\$ 13,101,872</u>	<u>\$ 7,909,272</u>

WAKE COUNTY BOARD OF EDUCATION

GENERAL GOVERNMENTAL REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

<u>Fiscal Year Ended June 30,</u>	<u>State</u>	<u>County Appropriation</u>	<u>County Capital Improvements</u>	<u>Fines and Forfeitures</u>	<u>Federal</u>
2008	\$ 706,587,394	\$ 300,744,100	\$ 277,181,371	\$ 4,163,007	\$ 50,122,511
2007	622,386,114	275,827,002	226,402,201	4,964,660	49,395,645
2006	552,196,750	254,376,000	224,230,100	6,604,711	50,736,486
2005	500,863,537	233,570,793	142,056,287	3,857,772	46,268,755
2004	464,651,464	223,700,000	153,394,820	3,984,824	41,278,288
2003	442,874,719	202,999,990	167,528,766	3,002,434	34,866,434
2002	432,238,355	194,529,610	131,388,257	4,609,809	32,779,104
2001	451,647,028	181,140,514	70,436,231	3,535,425	26,467,265
2000	426,076,231	148,440,272	107,370,237	2,489,408	21,226,667
1999	370,421,837	133,584,000	146,726,034	2,655,573	16,426,140

<u>Interest</u>	<u>Other</u>	<u>Total</u>
\$ 3,678,932	\$ 32,477,591	\$ 1,374,954,906
3,674,519	25,460,444	1,208,110,585
2,573,801	35,293,414	1,126,011,262
1,793,600	14,512,755	942,923,499
1,891,545	10,982,853	899,883,794
2,470,137	11,703,367	865,445,847
3,236,177	24,606,194	823,387,506
3,615,889	9,503,556	746,345,908
3,542,454	12,184,611	721,329,880
3,401,115	12,091,010	685,305,709

WAKE COUNTY BOARD OF EDUCATION

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
PER PUPIL AND IN TOTAL  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Average Daily Membership	Instructional Services	Systemwide Support Services	Ancillary Services	Nonprogram Charges	Instruction
		6,314	1,648	2	86	-
2008	134,002	\$ 846,087,326	\$ 220,789,998	\$ 253,509	\$ 11,519,845	\$ -
2007	128,070	-	-	-	-	5,411 693,044,004
2006	120,379	-	-	-	-	5,085 612,134,239
2005	114,068	-	-	-	-	4,939 563,388,558
2004	108,970	-	-	-	-	4,746 517,131,365
2003	104,373	-	-	-	-	4,639 484,186,512
2002	101,397	-	-	-	-	4,621 468,533,789
2001	97,583	-	-	-	-	4,597 448,605,074
2000	94,353	-	-	-	-	4,331 408,644,251
1999	91,580	-	-	-	-	3,997 366,058,119

Significant changes in function-level expenses coding classification occurred in fiscal year 2008.

Pupil and Instructional Services	Administration and Business	Debt Service	Capital Outlay	Other	Total
-	-	11	2,209	-	10,270
\$ -	\$ -	\$ 1,415,413	\$ 296,001,716	\$ -	\$ 1,376,067,807
97	1,514	1	1,832	566	9,421
12,374,956	193,889,905	109,073	234,655,146	72,424,079	1,206,497,163
95	1,441	5	1,968	572	9,166
11,421,250	173,463,534	556,992	236,915,221	68,828,783	1,103,320,019
105	1,411	12	1,276	555	8,298
11,979,497	160,969,303	1,365,812	145,514,650	63,339,246	946,557,066
95	1,383	13	1,481	528	8,246
10,376,118	150,673,320	1,391,607	161,367,459	57,582,450	898,522,319
79	1,347	14	1,690	534	8,303
8,227,984	140,572,412	1,503,647	176,360,895	55,769,882	866,621,332
83	1,331	19	1,414	521	7,989
8,379,383	134,949,602	1,912,896	143,424,082	52,813,289	810,013,041
75	1,240	37	1,144	523	7,616
7,325,884	121,024,690	3,573,154	111,659,932	51,082,865	743,271,599
69	1,147	33	1,626	430	7,636
6,553,096	108,178,786	3,073,589	153,437,222	40,591,236	720,478,180
63	1,063	22	1,891	463	7,499
5,786,761	97,344,423	2,016,575	173,143,329	42,401,750	686,750,957

WAKE COUNTY BOARD OF EDUCATION

OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES,  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Excess of Revenues over (under) Expenditures	Transfers In	Transfers out	Installment Purchase and Capitalized Leases	Total Other Financing Sources(Uses)	Net Change In Fund Balance	Debt Service As A Percentage of Noncapital Expenditures
2008	\$ (1,112,901)	\$ 6,001,775	\$ (6,001,775)	\$ -	\$ -	\$ (1,112,901)	0.1306%
2007	(11,745,935)	4,814,767	(4,814,767)	1,932,850	1,932,850	(9,813,085)	0.0736%
2006	9,239,488	10,429,873	(10,429,873)	-	-	9,239,488	0.2268%
2005	(3,077,152)	4,033,616	(3,976,078)	-	57,538	(3,019,614)	0.1705%
2004	1,401,041	7,524,462	(7,524,462)	244,494	244,494	1,645,535	0.1888%
2003	(1,155,756)	3,058,105	(3,058,105)	2,584,150	2,584,150	1,428,394	0.2178%
2002	827,068	3,204,753	(3,204,753)	197,082	197,082	1,024,150	0.2870%
2001	4,528,240	3,163,509	(3,163,509)	2,456,150	2,456,150	6,984,390	0.5657%
2000	1,810,577	3,553,827	(3,553,827)	89,082	89,082	1,899,659	0.5420%
1999	(2,960,567)	2,798,916	(2,798,916)	4,483,724	4,483,724	1,523,157	0.3926%

WAKE COUNTY BOARD OF EDUCATION

ENTERPRISE FUND EXPENSES  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Employee Salaries	Benefits	Food	Donated Commodities	Indirect Costs	Other	Total
2008	\$ 19,150,138	\$ 5,260,983	\$ 16,297,770	\$ 2,152,435	\$ 3,616,206	\$ 7,266,093	\$ 53,743,625
2007	16,412,178	5,087,746	14,074,390	1,802,152	3,556,706	6,973,666	47,906,838
2006	14,754,445	4,543,460	12,481,744	1,649,019	3,849,726	7,513,214	44,791,608
2005	13,608,931	3,914,007	11,105,915	1,431,714	3,066,313	5,832,360	38,959,240
2004	13,336,985	3,469,277	10,187,202	1,663,322	3,091,723	6,030,344	37,778,853
2003	12,741,778	3,128,850	9,884,383	1,335,204	2,730,192	4,581,865	34,402,272
2002	12,422,508	3,188,022	9,322,349	1,388,357	2,329,565	4,144,652	32,795,453
2001	11,819,135	2,934,167	9,107,230	1,176,275	2,340,863	4,631,334	32,009,004
2000	10,974,128	2,892,360	8,800,178	1,022,762	1,973,022	3,471,357	29,133,807
1999	7,246,219	2,120,885	8,257,202	1,004,370	1,308,195	2,204,053	22,140,924

WAKE COUNTY BOARD OF EDUCATION

ENTERPRISE FUND REVENUES AND TRANSFERS IN BY SOURCE  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Food Sales		Participant Fees		USDA Reimbursement		Donated Commodities	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2008	\$ 22,800,190	42.68%	\$ 9,063,099	16.96%	\$ 17,524,774	32.80%	\$ 2,152,435	4.03%
2007	22,738,873	42.37	8,087,758	15.07	15,475,657	28.83	1,802,152	3.36
2006	21,117,778	46.33	7,762,168	17.03	14,309,759	31.39	1,649,019	3.62
2005	19,755,708	47.68	7,142,588	17.24	12,508,106	30.19	1,431,714	3.46
2004	18,422,471	46.42	6,724,366	16.95	10,888,909	27.44	1,663,322	4.19
2003	17,555,871	48.68	6,742,024	18.69	9,119,916	25.29	1,335,204	3.70
2002	16,644,230	51.26	4,501,694	13.86	8,432,761	25.97	1,827,158	5.63
2001	16,548,073	51.96	5,298,301	16.63	7,518,059	23.60	1,176,275	3.70
2000	15,240,881	52.22	5,348,346	18.32	7,132,514	24.44	1,022,762	3.50
1999	14,166,860	63.42	-	-	6,817,101	30.52	1,004,370	4.49



Transfers		Other		Total	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 1,014,145	1.90%	\$ 869,181	1.63%	\$ 53,423,824	100%
4,566,460	8.51	1,000,827	1.86	53,671,727	100
75,762	0.16	667,653	1.47	45,582,139	100
133,379	0.32	462,096	1.11	41,433,591	100
820,830	2.07	1,163,081	2.93	39,682,979	100
67,423	0.19	1,243,294	3.45	36,063,732	100
-	-	1,065,794	3.28	32,471,637	100
-	-	1,308,668	4.11	31,849,376	100
-	-	442,886	1.52	29,187,389	100
-	-	352,523	1.57	22,340,854	100

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WAKE COUNTY BOARD OF EDUCATION

ASSESSED VALUE OF TAXABLE PROPERTY FOR WAKE COUNTY  
LAST TEN FISCAL YEARS  
 (Amounts Expressed in Millions)

Fiscal Year Ended June 30,	Real Property	Personal Property	Public Service Companies	Total	County- wide Tax Rate (3)	Special Tax Districts Tax Rate (3)	Average County Tax Rate (3)
2008	\$ 66,679,502,469	\$13,556,157,155	\$2,887,291,656	\$83,122,951,280	\$ 0.678	\$ 0.100	\$ 0.778
2007	62,996,405,923	12,506,221,915	3,341,976,693	78,844,604,531	0.634	0.100	0.734
2006	59,644,957,346	12,084,539,414	3,405,223,801	75,134,720,561	0.604	0.100	0.704
2005	56,733,308,581	10,954,988,975	3,436,614,540	71,124,912,096	0.604	0.100	0.704
2004	54,347,709,322	10,601,740,204	3,477,604,369	68,427,053,895	0.604	0.100	0.704
2003	51,858,523,059	10,521,444,050	4,074,884,981	66,454,852,090	0.564	0.100	0.664
2002	49,086,983,833	10,391,893,495	3,887,953,582	63,366,830,910	0.564	0.090	0.654
2001	46,042,127,552	9,778,590,453	3,704,776,332	59,525,494,337	0.564	0.070	0.634
2000	29,470,677,149	9,153,582,837	2,834,533,948	41,458,793,934	0.73	0.085	0.815
1999	27,626,003,323	8,515,277,492	2,809,577,045	38,950,857,860	0.63	.0211-.10	0.712

Notes:

(1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is subject to special district taxes. The County's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County except for certain registered motor vehicles which are assessed and collected throughout the year. Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value for real property and 100% of actual value for personal property. Public service company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.

(2) A revaluation of real property is required by N.C. General Statutes at least every eight years. The last revaluation was completed for tax fiscal year 2001.

(3) Per \$1000 of value.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

WAKE COUNTY BOARD OF EDUCATION

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS FOR WAKE COUNTY  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied by Wake County			Direct and Overlapping Taxes Levied by Municipalities						
	County- Wide Rate	Various Special Tax Districts	Average County Rate	Town of Angier	Town of Apex	Town of Cary	Town of Clayton	Town of Fuquay- Varina	Town of Garner	Town of Holly Springs
2008	\$.678	\$.080	\$.758	\$.53	\$.40	\$.52	\$.54	\$.52	\$.575	\$.530
2007	.634	.100	.734	.53	.40	.42	.49	.52	.575	.53
2006	.604	.100	.704	.50	.40	.42	0	.52	.56	.53
2005	.604	.100	.704	.46	.40	.42	-	.52	.56	.53
2004	.604	.100	.704	0	.40	.42	-	.52	.56	.53
2003	.564	.100	.664	-	.40	.42	-	.52	.56	.53
2002	.564	.090	.654	-	.40	.42	-	.49	.52	.53
2001 (2)	.564	.070	.634	-	.42	.43	-	.49	.52	.53
2000	.73	.085	.815	-	.52	.54	-	.59	.64	.62
1999	.63	.06-.10	.719	-	.52	.54	-	.59	.64	.62

- Notes: (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is also subject to special district taxes.  
(2) A revaluation of real property is required by North Carolina General Statutes at least every eight years. Revaluation was completed for fiscal year 2001.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

Direct and Overlapping Taxes Levied by Municipalities

Town of Knightdale	Town of Morrisville	City of Raleigh	Town of Rolesville	Town of Wake Forest	Town of Wendell	Town of Zebulon
\$.50	\$.468	\$.435	\$.515	\$.550	\$.540	\$.55
.50	.468	.435	.485	.54	.54	.50
.50	.468	.395	.485	.54	.54	.49
.50	.47	.395	.485	.54	.54	.48
.48	.47	.385	.485	.53	.54	.48
.46	.47	.385	.485	.52	.54	.48
.44	.47	.385	.485	.52	.54	.46
.44	.47	.385	.485	.50	.54	.46
.53	.60	.525	.62	.60	.59	.525
.52	.60	.525	.62	.56	.59	.525

WAKE COUNTY BOARD OF EDUCATION

TEN PRINCIPAL TAXPAYERS FOR WAKE COUNTY  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Fiscal Year 2008			Fiscal Year 1999		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Progress Energy Carolinas, Inc.	\$1,693,608,662	1	2.04 %	\$ -	-	- %
Cisco Systems, Inc.	523,663,992	2	0.63	375,509,383	2	0.45
SAS Institute Inc	318,149,338	3	.38	286,136,802	5	0.34
Bellsouth Tel Co	254,470,658	4	0.31	329,649,564	3	0.40
NC Eastern Municipal Power Agency	238,719,791	5	0.29	321,779,094	4	0.39
Weeks Realty LP	223,226,136	6	0.27	269,314,407	6	0.32
Smithkline Beecham Corporation	220,149,701	7	0.26	133,514,091	10	.16
Highwoods Realty Ltd Partnership	175,116,146	8	0.21	165,141,699	8	0.20
CVM Holdings LLC	172,726,420	9	0.21	173,085,658	7	0.21
Summit Properties Partnership LP	166,887,397	10	0.20	-	-	-
Carolina Power & Light	-			1,523,344,283	1	1.83
Public Service Co of NC Inc	-			150,686,129	9	0.18
	<u>\$3,986,718,241</u>		<u>4.80 %</u>	<u>\$3,728,161,110</u>		<u>4.30 %</u>

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

WAKE COUNTY BOARD OF EDUCATION

PROPERTY TAX LEVIES AND COLLECTIONS FOR WAKE COUNTY  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 582,905,166	\$ (4,123,930)	\$ 578,781,236	\$ 571,250,089	98.70%	\$ -	\$ 571,250,089	98.70%
2007	518,390,324	(3,827,251)	514,563,073	508,311,272	98.79%	4,326,058	512,637,330	99.63%
2006	471,423,336	(4,606,253)	466,817,083	461,233,986	98.80%	4,474,557	465,708,543	99.76%
2005	447,296,073	(2,915,368)	444,380,705	439,305,034	98.86%	4,178,239	443,483,273	99.80%
2004	429,108,412	(2,841,221)	426,267,191	421,511,979	98.88%	3,968,262	425,480,241	99.82%
2003	388,161,413	(2,532,263)	385,629,150	379,113,991	98.31%	5,688,754	384,802,745	99.79%
2002	371,311,309	(4,175,679)	367,135,630	360,581,007	98.21%	4,562,795	365,143,802	99.46%
2001	349,753,540	(3,955,817)	345,797,723	340,645,895	98.51%	4,526,817	345,172,712	99.82%
2000	309,811,633	(2,110,379)	307,701,254	302,815,101	98.41%	4,221,088	307,036,189	99.78%
1999	253,279,255	(1,158,536)	252,120,719	247,636,243	98.22%	4,019,324	356,520,352	99.78%

Notes:

Taxes for the fiscal year ended June 30, 2008 at the collection rate of 98.70% are a composite of the following collections by category:

Vehicle taxes	89.97%
Real and personal property taxes	99.59%

Amounts included above represent taxes in the General Fund and Special Tax District Fund.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

WAKE COUNTY BOARD OF EDUCATION

RATIOS OF OUTSTANDING DEBT BY TYPE FOR WAKE COUNTY  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities					
	General Obligation Bonds	General Obligation Commercial Paper	Installment Purchases	Quality Zoning Academy Bonds	Clean Water Revolving Loans	Capital Leases
2008	\$ 1,434,595,000	\$ -	\$ 8,472,500	\$ 1,471,155	\$ -	\$ 419,418
2007	1,505,200,000	-	7,778,972	1,634,616	-	571,090
2006	1,020,850,000	58,250,000	7,763,477	1,798,077	237,923	733,181
2005	1,049,485,000	-	8,570,962	1,961,538	475,843	607,239
2004	1,123,210,000	-	9,474,957	2,124,999	713,763	200,710
2003	926,625,000	-	-	2,288,460	951,683	118,956
2002	782,130,000	-	-	-	1,189,604	86,536
2001	637,515,000	-	-	-	1,427,525	303,265
2000	516,895,000	-	143,112	-	1,665,445	605,595
1999	529,295,000	-	418,700	-	1,903,365	1,000,769

Notes:

2005 and 2006 ratios are calculated using 2004 personal income.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.



Total Governmental Activities	Business- Type Activities  Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 1,444,958,073	\$ -	\$ 1,444,958,073	4.61%	\$ 1,643.30
1,515,184,678	-	1,515,184,678	5.30%	1,819
1,089,632,658	-	1,089,632,658	4.12%	1,385.38
1,061,100,582	-	1,061,100,582	4.01%	1,413.17
1,135,724,429	-	1,135,724,429	4.30%	1,577.02
929,984,099	6,998,403	936,982,502	3.80%	1,340.62
783,406,140	10,287,604	793,693,744	3.30%	1,169.90
639,245,790	13,441,805	652,687,595	2.73%	992.32
519,309,152	16,476,006	535,785,158	2.35%	846.00
532,617,834	19,390,207	552,008,041	2.69%	900.90

WAKE COUNTY BOARD OF EDUCATION

RATIOS OF GENERAL BONDED DEBT OUTSTANDING FOR WAKE COUNTY  
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Total General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	General Obligation Commercial Paper	Less: Amounts Restricted to Repaying Principal			
2008	\$ 1,434,595,000	\$ -	\$ (100,047,606)	\$ 1,334,547,394	1.61%	\$ 1,517.74
2007	1,505,200,000	-	(99,367,454)	1,405,832,546	1.78%	1,687.73
2006	1,020,850,000	58,280,000	(63,781,795)	1,015,348,205	1.35%	1,290.90
2005	1,049,485,000	-	(59,356,526)	990,128,474	1.39%	1,318.65
2004	1,123,210,000	-	(52,003,056)	1,071,206,944	1.57%	1,487.44
2003	926,625,000	-	(39,601,655)	887,023,345	1.33%	1,269.14
2002	782,130,000	-	(21,797,140)	760,332,860	1.20%	1,120.73
2001	637,515,000	-	-	637,515,000	1.07%	969.25
2000	516,895,000	-	-	516,895,000	1.25%	816.18
1999	529,295,000	-	-	529,295,000	1.36%	863.83

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008

WAKE COUNTY BOARD OF EDUCATION

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT FOR WAKE COUNTY  
AS OF JUNE 30, 2008

Municipality:	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Apex	\$ 12,640,000	100%	\$ 12,640,000
Cary	134,643,399	100%	134,643,399
Fuquay-Varina	7,650,000	100%	7,650,000
Garner	680,000	100%	680,000
Holly Springs	16,420,400	100%	16,420,400
Knightdale	5,082,283	100%	5,082,283
Morrisville	12,936,923	100%	12,936,923
Raleigh	185,435,000	100%	185,435,000
Rolesville	539,448	100%	539,448
Wake Forest	10,986,359	100%	10,986,359
Wendell	396,742	100%	396,742
Zebulon	6,040,000	100%	6,040,000
Overlapping debt	393,450,554		393,450,554
Direct debt	<u>1,444,958,073</u>		<u>1,444,958,073</u>
Total direct and overlapping debt	<u><u>\$ 1,838,408,627</u></u>		<u><u>\$ 1,838,408,627</u></u>

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

WAKE COUNTY BOARD OF EDUCATION

LEGAL DEBT MARGIN INFORMATION FOR WAKE COUNTY  
LAST TEN YEARS

	Fiscal Year			
	2008	2007	2006	2005
Assessed value of property	\$ 83,122,951,280	\$ 78,844,604,531	\$ 75,134,720,561	\$ 71,124,912,096
Debt limit, 8% of assessed value (Statutory Limitation)	6,649,836,102	6,307,568,362	6,010,777,645	5,689,992,968
Amount of debt applicable to limit				
General obligation bonds	1,434,595,000	1,505,200,000	1,020,850,000	1,049,485,000
General obligation commercial paper	-	-	58,250,000	-
Less: Resources restricted to paying Principal	(100,047,606)	(99,367,454)	(63,781,795)	(59,356,526)
Total net debt applicable to limit	1,334,547,394	1,405,832,546	1,015,318,205	990,128,474
Legal debt margin	\$ 5,315,288,708	\$ 4,901,735,816	\$ 4,995,459,440	\$ 4,699,864,494
Total net debt applicable to limit as a percentage of debt limit	20.07%	22.29%	16.89%	17.40%

Note: The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8 percent of the appraised value of property subject to taxation. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

Fiscal Year					
2004	2003	2002	2001	2000	1999
<u>\$ 68,427,053,895</u>	<u>\$ 66,454,852,090</u>	<u>\$ 63,366,830,910</u>	<u>\$ 59,525,494,337</u>	<u>\$ 41,458,793,934</u>	<u>\$ 38,950,857,860</u>
<u>5,474,164,312</u>	<u>5,316,388,167</u>	<u>5,069,346,473</u>	<u>4,762,039,547</u>	<u>3,316,703,515</u>	<u>3,116,068,629</u>
1,123,210,000	926,625,000	782,130,000	637,515,000	516,895,000	529,295,000
-	-	-	-	-	-
<u>(52,003,056)</u>	<u>(39,601,655)</u>	<u>(21,797,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,071,206,944</u>	<u>887,023,345</u>	<u>760,332,860</u>	<u>637,515,000</u>	<u>516,895,000</u>	<u>529,295,000</u>
<u>\$ 4,402,957,368</u>	<u>\$ 4,429,364,822</u>	<u>\$ 4,309,013,613</u>	<u>\$ 4,124,524,547</u>	<u>\$ 2,799,808,515</u>	<u>\$ 2,586,773,629</u>
<u>19.57%</u>	<u>16.68%</u>	<u>15.00%</u>	<u>13.39%</u>	<u>15.58%</u>	<u>16.99%</u>

WAKE COUNTY BOARD OF EDUCATION

DEMOGRAPHIC AND ECONOMIC STATISTICS FOR WAKE COUNTY  
LAST TEN YEARS

<u>Year</u>	<u>Population Estimates</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	879,301	*	*	134,002	4.8%
2007	820,522	*	*	128,070	3.9%
2006	786,522	\$ 31,365,979	\$ 39,497	119,306	3.5%
2005	750,865	28,609,355	37,851	113,547	4.0%
2004	720,170	26,438,008	36,479	108,620	4.2%
2003	698,917	24,634,866	35,064	104,373	5.2%
2002	678,426	24,024,425	35,267	101,397	5.6%
2001	657,738	23,901,757	36,242	97,583	4.0%
2000	633,313	22,767,434	35,931	94,353	2.4%
1999	612,728	20,486,325	33,435	92,865	1.4%

\* Information not yet available

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008.

WAKE COUNTY BOARD OF EDUCATION

PRINCIPAL EMPLOYERS FOR WAKE COUNTY  
CURRENT YEAR AND NINE YEARS AGO

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of North Carolina	25,458	1	5.98%	23,230	1	6.46%
Wake County Public Schools	16,566	2	3.89%	12,500	3	3.47%
International Business Machines (IBM)	10,800	3	2.54%	13,000	2	3.61%
North Carolina State University	8,000	4	1.88%	7,787	4	2.16%
WakeMed Health and Hospitals	6,893	5	1.62%	5,000	5	1.39%
GlaxoSmithKline, Inc.	6,400	6	1.50%	4,800	7	1.33%
Progress Energy	3,246	7	0.76%	3,428	10	0.95%
Rex Healthcare	4,400	8	1.03%	3,779	8	1.05%
SAS Institute, Inc.	4,149	9	0.98%	3,600	9	1.00%
University of North Carolina	3,058	10	0.72%			
NORTEL/Northern Telecom, Inc.	-	-	-	4,848	6	1.35%
	<u>88,970</u>		<u>20.90%</u>	<u>81,972</u>		<u>22.77%</u>

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2008

WAKE COUNTY BOARD OF EDUCATION

FULL TIME EMPLOYEES BY CATEGORY  
LAST TEN YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
School & School Based Support										
Principals	152	147	138	132	125	123	122	118	111	106
Assistant Principals, Nonteaching	286	262	236	228	210	209	184	168	167	154
Elementary Teachers	4,036	3,274	2,750	2,592	2,416	2,160	3,033	3,032	2,926	2,810
Secondary Teachers	3,517	2,861	2,781	2,660	2,518	2,298	2,741	3,000	2,873	2,756
Other Teachers	1,651	2,467	2,592	2,488	2,320	2,292	598	326	173	90
Guidance	311	296	276	262	260	259	242	225	220	215
Psychological	61	74	72	71	65	56	46	48	44	45
Librarian, Audiovisual	201	195	183	176	168	171	152	141	141	144
Consultant, Supervisor	86	99	103	101	96	108	104	77	81	66
Teacher Assistants	2,292	2,191	1,907	1,852	1,727	1,700	1,417	1,587	1,587	1,718
Total School & School Based Support	<u>12,593</u>	<u>11,866</u>	<u>11,038</u>	<u>10,562</u>	<u>9,905</u>	<u>9,376</u>	<u>8,639</u>	<u>8,722</u>	<u>8,323</u>	<u>8,104</u>
Central Services										
Administrators, Managers	19	16	17	19	19	24	17	16	15	26
Technicians	98	94	106	106	99	124	82	55	56	61
Clerical, Secretarial	1,071	945	899	879	837	878	797	699	695	669
Service Workers	2,132	2,023	2,016	1,981	1,850	1,844	1,662	1,655	1,636	1,616
Skilled Crafts	164	148	130	126	124	175	94	166	185	179
Other Professionals	489	663	648	606	575	556	414	320	301	280
Laborers, Unskilled	-	-	-	-	-	-	63	4	5	5
Total Central Services	<u>3,973</u>	<u>3,889</u>	<u>3,816</u>	<u>3,717</u>	<u>3,504</u>	<u>3,601</u>	<u>3,129</u>	<u>2,915</u>	<u>2,893</u>	<u>2,836</u>
Total Full Time Employees	<u>16,566</u>	<u>15,755</u>	<u>14,854</u>	<u>14,279</u>	<u>13,409</u>	<u>12,977</u>	<u>11,768</u>	<u>11,637</u>	<u>11,216</u>	<u>10,940</u>

Source: Wake County Public Schools Human Resources Department



WAKE COUNTY BOARD OF EDUCATION

OPERATING STATISTICS  
LAST TEN YEARS

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Percentage Increase In Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Schools</u>	<u>Graduating Class</u>
2008	134,002	4.63%	\$ 1,080,066,091	\$ 8,060	6.22%	153	7,756
2007	128,070	6.39%	971,842,017	7,588	5.43%	147	7,249
2006	120,379	5.53%	866,404,798	7,197	2.49	139	6,804
2005	114,068	4.68%	801,042,416	7,022	3.80	132	6,215
2004	108,970	4.40%	737,154,860	6,765	2.30	125	6,071
2003	104,373	2.93%	690,260,437	6,613	0.59	123	5,431
2002	101,397	3.91%	666,588,959	6,574	1.56	122	5,406
2001	97,583	3.42%	631,611,667	6,473	7.70	120	5,140
2000	94,353	3.03%	567,040,958	6,010	7.17	115	4,804
1999	91,580	2.27%	513,607,628	5,608	10.00	107	4,437

Source: Wake County Public Schools Growth Management Department

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WAKE COUNTY BOARD OF EDUCATION

TEACHER BASE SALARIES  
LAST TEN YEARS

<u>Fiscal Year</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>System Average Salary</u>
2008	\$ 33,691.90	\$ 77,436.80	\$ 45,368.70
2007	32,287.60	74,191.20	43,952.00
2006	29,673.80	69,401.00	41,290.80
2005	28,724.60	68,096.20	40,299.00
2004	28,532.50	67,665.20	40,025.40
2003	28,153.80	67,528.40	39,849.90
2002	28,153.80	67,528.40	39,849.90
2001	27,750.00	66,320.88	39,278.80
2000	26,695.50	62,621.35	37,787.20
1999	25,641.00	59,878.40	35,289.90

Source: Wake County Public Schools Human Resources Department

WAKE COUNTY BOARD OF EDUCATION

CAPITAL ASSET INFORMATION  
LAST TEN YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Schools					
Elementary					
Buildings	214	209	204	202	201
Square feet	8,173,730	7,410,687	7,024,803	6,814,920	6,674,075
Capacity	70,674	68,484	55,572	52,575	49,452
Enrollment	67,468	65,641	58,220	54,731	52,221
Mobile classrooms	696	636	613	402	352
Middle					
Buildings	104	102	102	99	97
Square feet	4,652,335	4,482,347	4,479,713	4,360,162	4,290,499
Capacity	32,316	30,818	28,099	27,670	27,148
Enrollment	30,813	29,895	27,686	26,647	25,947
Mobile classrooms	193	217	173	122	132
High					
Buildings	209	209	203	203	196
Square feet	5,966,408	5,620,679	5,288,295	5,178,676	4,640,956
Capacity	41,862	39,607	34,270	33,589	30,486
Enrollment	39,075	38,127	34,284	32,351	30,433
Mobile classrooms	302	243	221	185	163
Special					
Buildings	7	7	7	6	5
Square feet	195,471	195,877	195,877	122,032	122,032
Capacity	422	422	471	418	685
Enrollment	350	339	314	329	369
Mobile classrooms	1	1	-	-	-
Administrative					
Buildings	23	22	21	21	20
Square Feet	523,725	491,868	444,620	444,620	432,231
Transportation					
Buses	874	838	798	767	747

Source: Wake County Public Schools Facility, Transportation and Growth Management Departments

2003	2002	2001	2000	1999
192	184	179	175	168
6,220,015	5,927,268	5,633,380	5,517,459	5,207,121
48,925	51,068	50,381	49,683	*
50,431	49,635	48,514	48,151	47,114
336	312	293	283	312
96	92	90	90	88
4,097,391	3,539,558	3,345,440	3,345,440	3,146,534
26,436	24,952	24,163	21,744	*
25,225	24,415	23,166	21,848	20,805
153	125	112	123	89
192	191	190	185	178
4,368,488	4,345,450	4,256,819	3,972,213	3,925,028
30,382	27,454	27,105	25,086	*
28,420	27,032	25,661	24,622	23,769
158	121	112	118	102
4	4	4	4	4
75,294	61,805	61,805	61,805	61,805
481	402	526	355	*
297	315	242	229	223
-	-	-	-	-
20	20	20	20	20
432,231	432,231	432,231	432,231	432,231
731	714	713	693	694

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# SINGLE AUDIT SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2008

**Prepared by the Finance Department**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Wake County Board of Education  
Raleigh, North Carolina

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Wake County Board of Education (the "Board") as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 11, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

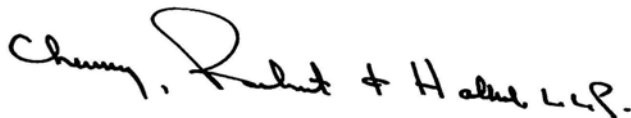
#### Compliance and Other Matters

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

The Board's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." in a cursive script.

Raleigh, North Carolina  
November 11, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Wake County Board of Education  
Raleigh, North Carolina

Compliance

We have audited the compliance of Wake County Board of Education (the "Board") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

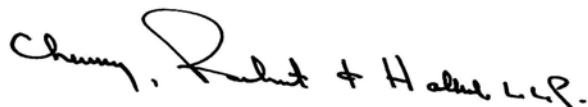
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Board's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

A handwritten signature in cursive script that reads "Cherry, Bekaert & Holland L.L.P.".

Raleigh, North Carolina  
November 11, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF  
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Wake County Board of Education  
Raleigh, North Carolina

Compliance

We have audited the compliance of Wake County Board of Education (the "Board"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The Board's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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 OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 08-03 and 08-04.

## Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Board's internal control.

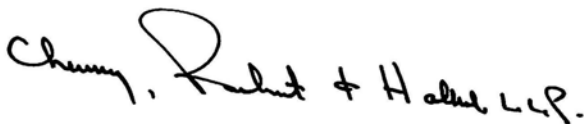
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Board's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

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Raleigh, North Carolina  
November 11, 2008

Wake County Board of Education, North Carolina  
 Schedule of Findings And Questioned Costs  
 Year Ended June 30, 2008

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

Financial Statements

Type of auditors' opinion issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes       X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?  X yes      \_\_\_none reported
- Noncompliance material to financial statements noted? \_\_\_yes       X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_yes       X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes       X none reported

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
10.550	Donated Commodities

Wake County Board of Education, North Carolina  
Schedule of Findings And Questioned Costs  
Year Ended June 30, 2008

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

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Dollar threshold used to distinguish  
between Type A and Type B Programs                    \$2,092,645

Auditee qualified as low-risk auditee?                     X  yes                    \_\_\_ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified?                    \_\_\_ yes                     X  no
- Significant Deficiency(s) identified  
that are not considered to be  
material weakness(es)?                    \_\_\_ yes                     X  none reported

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

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

Identification of major State programs:

Program Name  
State Public School Fund  
School Technology Fund - SPSF  
Drivers Training – SPSF

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**Section II – Financial Statement Findings**

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**Finding 08-01**

**SIGNIFICANT DEFICIENCY**

**SEGREGATION OF DUTIES AT INDIVIDUAL SCHOOLS**

**Criteria:** Duties within a department or function should be separated so that one person does not perform processing from the beginning to the end of a process.

**Condition:** In the current school environment, there is a lack of segregation of duties and numerous instances of noncompliance with established school system procedures. Areas of non-compliance include segregation of duties over cash receipts, checks preparation not performed by employee independent of voucher approval and check signing duties, invoices not properly cancelled, and purchasing is not independent from receiving and accounting functions.

**Effect:** Many individual schools have a lack of segregation of duties at the school treasurer level that has created an environment that is more susceptible to innocent errors or fraud.

Wake County Board of Education, North Carolina  
Schedule of Findings And Questioned Costs  
Year Ended June 30, 2008

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**Section II – Financial Statement Findings (continued)**

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**Cause:** Insufficient management oversight over the treasurer's function and a lack of personnel at the sites available to segregate duties properly.

**Recommendation:** Continued improvement of policies and enforcement of non-compliance with established policies.

**Management Response:** We share the concern over the lack of segregation of duties at the individual schools and have implemented several procedures to minimize this risk. The treasurer can no longer be the first person to receipt cash or checks. All receipts flow through the teacher or a check log maintained by an individual other than the treasurer at the school. Principals are now required to sign monthly check and receipt registers. Numerous forms were updated to provide a clearer audit trail. We are also in the process of implementing a centralized version of the school software that will allow more oversight and easier auditing of this area. Unfortunately, current funding levels do not allow for additional financial staff at each school site.

**Finding 08-02**

**SIGNIFICANT DEFICIENCY**

**CERTIFICATION OF FUNDS BEFORE BOARD APPROVAL**

**Criteria:** Board Policy 8361 and R&P 8361 require that funds be certified before Board approval.

**Condition:** Services were performed in excess of the existing contract and invoices were paid after vendor terms of net 30 days.

**Effect:** Unnecessary finance charges were incurred.

**Cause:** This occurred because invoices were held by the department and not submitted for payment and management did not ensure that proper contract procedures were followed.

**Recommendation:** Procedures should be put in place to ensure that proper contract procedures are not exceeded.

**Management Response:** Management agrees with the finding. Our fiscal procedures have been revised to ensure this situation will not occur in the future. Funds are encumbered on a purchase order before a contract is routed. In addition, our fiscal administrator reviews all purchase orders to ensure funds are available. The contract is routed with the purchase order attached, showing funds have been encumbered. It is only after this process has been completed that a contract is submitted for Board approval. The complete packet, including the purchase order, the contract and the routing form is then submitted to the Board for approval.



Wake County Board of Education, North Carolina  
Schedule of Findings And Questioned Costs  
Year Ended June 30, 2008

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

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None reported.

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

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**Finding 08-03**

**NON MATERIAL NONCOMPLIANCE**

N.C. Department of Public Instruction  
Program Name: State Public School Fund

**Criteria:** DPI allocates to LEA's a specific number of months of employment for classroom teachers, school building administration, instructional support and vocational education.

**Condition:** Wake County Schools exceed the months of employment in classroom teachers and instructional support.

**Questioned Cost:** \$565,419.52

**Effect:** Wake County Schools had to refund the State from the General Fund. This could have resulted in a budgetary problem in the General Fund.

**Cause:** Too many employees were paid from the State Fund.

**Recommendation:** Management should work on systems and/or processes to better comply with the requirement of not overspending the state allotments.

**Management Response:** In June, WCPSS must close our fiscal year in order to comply with reporting requirements for end-of-year financial data to NCDPI. The June payroll will typically post on a Friday in mid-June. The budget department then has two to three days to request changes to any transactions in order to make sure we have fully maximized our state programs. We must do these adjustments using the projection of the impact of the June payroll. The actual usage does not post to the state website until after the fiscal year is closed, and it is too late to then correct.

Our goal is to zero out state dollars and months of employment. If we err, it is best to "over" use the resources rather than leave a balance. If we "under" use the resources, we left state dollars unspent, and we used local funds to pay for things that could have been paid from the state budget. That is a double-cost to the system. If we "over" use the state allotments, the penalty is that we must pay back NCDPI from our local funds for the amount of the overage. This is a single-cost to the system for something that we would have paid from the local budget.

The compensation services department will pay back NCDPI for the number of months of overage. The costs will be paid from the local budget in 2008-09 for the 2007-08 overage. These audit costs, as well as other salary audit costs are paid from a specific program and level code. This allows us to track over time the net cost to the system for these issues.

Wake County Board of Education, North Carolina  
Schedule of Findings And Questioned Costs  
Year Ended June 30, 2008

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**Section IV – State Award Findings and Questioned Costs (continued)**

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**Finding 08-04**

**NON MATERIAL NONCOMPLIANCE**

N.C. Department of Public Instruction  
Program Name: State Public School Fund

**Criteria:** The North Carolina Department of Public Instruction requires LEA's to resolve over and under paid individuals.

**Condition:** Wake County Schools had unresolved over and under paid individuals as of June 30, 2008.

**Questioned Cost:** \$243,631.61

**Effect:** These salary exceptions are potentially due back to the State if they are not resolved in the School's favor.

**Cause:** Due to the large number of employees many salary exceptions are still unresolved at fiscal year end.

**Recommendation:** Management should work on systems and/or processes to better comply with the requirement to resolve over and under paid individuals.

**Management Response:** Management has plans to make a change in this process. The new process will automate the internal salary audit form and create an interface for reporting to the State's Budget Utilization and Development System (BUD). The turnaround time for clearing salary exception date will improve with the new process.

The original implementation schedule was fiscal year 2006-07. Due to state mandated requirements, the development of this process was reprioritized and will be completed at a future date.

Wake County Board of Education, North Carolina  
Corrective Action Plan  
Year Ended June 30, 2008

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**Section II – Financial Statement Findings**

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**Finding 08-01**

Name of contact person: Mark Winters

Corrective action: See "Management Response Section" in Section II - Financial Statement Findings.

Proposed Completion Date: Immediately

**Finding 08-02**

Name of contact person: Mark Winters

Corrective action: See "Management Response Section" in Section II - Financial Statement Findings.

Proposed Completion Date: Immediately

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

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None reported.

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

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**Finding 08-03**

Name of contact person: Mark Winters

Corrective action: See "Management Response Section" in Section IV - State Award Findings and Questioned Costs

Proposed Completion Date: Immediately

**Finding 08-04**

Name of contact person: Mark Winters

Corrective action: See "Management Response Section" in Section IV - State Award Findings and Questioned Costs

Proposed Completion Date: As soon as possible

Wake County Board of Education, North Carolina  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2008

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**Finding:** 07-01  
**Status:** See current year finding 08-01

**Finding:** 07-02  
**Status:** Corrected

**Finding:** 07-03  
**Status:** Corrected

**Finding:** 07-04  
**Status:** Corrected

**Finding:** 07-05  
**Status:** Corrected

**Finding:** 07-06  
**Status:** See current year finding 08-03

**Finding:** 07-07  
**Status:** See current year finding 08-04

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2008

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>FEDERAL GRANTS:</u>		
<u>U.S. Department of Education</u>		
Passed through the N. C. Department of Public Instruction:		
I.A.S.A., Title I:		
Low Income	84.010	98-50-920
E.S.E.A., Title V - Innovative Education Programs	84.151	98-59-920
Special Education Cluster:		
Preschool Grant	84.173	98-49-920
Grants to States	84.027	98-60-920
Capacity Building Improvement	84.027	99-44-920
Total Special Education Cluster		
Vocational Education: Federal Tech Preparation	84.048	98-17-920
Drug Free Schools and Communities	84.186	98-48-920
Education for Homeless Children	84.196	98-26-920
Educational Technology	84.318X	107
Improving Teacher Quality	84.367A	103
Language Acquisition	84.365A	104
Title III Immigrant & Youth	84.365A	111
Title I - School Improvement	84.010A	105
IDEA VI B - Special Education State Improvement	84.323A	082
Emergency Impact Aid - IDEA	84.938C	114
Direct Programs:		
Indian Education Act	84.060A	310
Mentoring Program	84.184B	351
Project Quest	84.330C	357
Elementary Counseling	84.215E	359
Emergency Response	84.184E	347
Early Reading First	84.359	329
Smaller Learning Communities	84.215L	330
Carol M White Physical Education	84.215	332
NCSU Quest	84.376B	360
Magnet School	84.165A	317
Transition to Teaching Program	84.350A	346
Total U.S. Department of Education		
<u>U.S. Department of Agriculture</u>		
Passed through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
National School Lunch Program	10.555	
School Breakfast Program	10.553	
Summer Food Service Program	10.559	
Total Child Nutrition Cluster		

Continued on Following Page

Program or Award Amount	Revenues		Expenditures	
	Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
\$ 21,730,286	\$ 15,178,829	\$ -	\$ 15,178,829	\$ -
180,620	175,424	-	175,424	-
530,904	504,332	-	504,332	-
23,934,559	23,944,541	-	23,944,541	-
317,840	301,731	-	301,731	-
	<u>24,750,604</u>	<u>-</u>	<u>24,750,604</u>	<u>-</u>
1,288,937	1,250,878	-	1,250,878	-
432,478	459,223	-	459,223	-
66,890	47,060	-	47,060	-
431,337	191,353	-	191,353	-
4,351,575	3,093,795	-	3,093,795	-
1,330,456	1,298,650	-	1,298,650	-
837,473	153,383	-	153,383	-
352,677	111,504	-	111,504	-
60,000	25,780	-	25,780	-
239,868	231,127	-	231,127	-
39,289	39,226	-	39,226	-
134,773	83,360	-	83,360	-
507,487	327,422	-	327,422	-
741,778	278,304	-	278,304	-
201,456	158,389	-	158,389	-
116,658	84,857	-	84,857	-
46,312	38,218	-	38,218	-
394,430	321,729	-	321,729	-
86,820	61,564	-	61,564	-
3,582,151	1,038,751	-	1,038,751	-
598,621	378,158	-	378,158	-
	<u>49,777,588</u>	<u>-</u>	<u>49,777,588</u>	<u>-</u>
13,546,839	13,791,661	-	13,791,661	-
3,669,515	3,669,515	-	3,669,515	-
63,598	63,598	-	63,598	-
	<u>17,524,774</u>	<u>-</u>	<u>17,524,774</u>	<u>-</u>

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2008  
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Passed through the N.C. Department of Agriculture: Food Distribution Program- Donated Commodities (Non-Cash Program)	10.550	
Total U.S. Department of Agriculture		
<u>U.S. Department of Education - Impact Area Grants</u>	84.041	
<u>Corporation for National and Community Service - Learn and Serve America</u>	94.004	00-64-920
<u>Other Federal Assistance:</u>		
U.S. Department of Defense Direct Program - ROTC	12.xxx	
<u>U.S. Dept. of Health &amp; Human Services</u>		
Passed through the N.C. Department of Public Instruction: Abstinence Education	93.235	98-57-920
Total Federal Assistance		
<b><u>STATE GRANTS:</u></b>		
<u>N. C. Department of Public Instruction</u>		
State Public School Fund		
Textbooks		
Technology Fund		
Vocational Education:		
Months of Employment		
Support Funds		
Drivers Training		
State Kindergarten Breakfast		
Project Enlightenment		
Financed Purchase of School Buses		120
Reading/Language Development		445
Preschool Literacy Training		331
Professional Leave Funding		509
Early Literacy		331
Dropout Prevention		419
<u>N. C. Department of Cultural Resources</u>		
United Arts		452
<u>N. C. Department of Cultural Resources</u>		
LSAT School Library Collection Development		453
<u>Office of the Governor</u>		
Governor's Crime Commission: Helping Hands Middle School		442
Public School Capital Fund - Lottery - Passed through Wake County		
Public School Building Capital Fund - Passed through Wake County		
Total State Assistance		
TOTAL FINANCIAL ASSISTANCE		
Total Program or Award Amount		

See notes to schedule of expenditures of federal and state awards.

Program or Award Amount	Revenues		Expenditures	
	Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
	\$ 2,152,435	\$ -	\$ 2,152,435	\$ -
	19,677,209	-	19,677,209	-
\$ 10,000	9,335	-	9,335	-
14,017	13,980	-	13,980	-
175,000	191,573	-	191,573	-
104,931	85,161	-	85,161	-
	69,754,846	-	69,754,846	-
662,989,031	649,433,239	-	649,433,239	-
17,088,831	2,480,986	-	2,480,986	-
3,416,035	3,416,035	-	3,416,035	-
29,745,295	29,764,495	-	29,764,495	-
2,158,896	1,972,110	-	1,972,110	-
3,165,060	2,899,596	-	2,899,596	-
46,342	32,582	-	32,582	-
538,436	190,133	344,967	190,133	344,967
1,398,800	1,398,800	-	1,398,800	-
26,294	15,229	-	15,229	-
42,989	44,873	-	44,873	-
9,974	77,473	-	77,473	-
-	(31,181)	-	-	-
172,495	14,816	-	14,816	-
10,000	10,000	-	10,000	-
80,000	79,337	-	79,337	-
25,500	12,930	-	12,930	-
7,785,492	7,785,492	-	7,785,492	-
7,067,905	7,067,905	-	7,067,905	-
	706,664,850	344,967	706,696,031	344,967
	\$ 776,419,696	\$ 344,967	\$ 776,450,877	\$ 344,967
\$ 815,872,933				



WAKE COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Note 1. Basis of Presentation

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

Note 2. Non-cash Assistance

Included in the amounts reported on the Schedule of Expenditures of Federal and State Awards, Wake County Board of Education received non-cash assistance in the form of food commodities. Commodities with a fair value of \$2,152,435 were received during the year ended June 30, 2008. These commodities received were included in the determination of federal awards expended for the year ended June 30, 2008.