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November 1, 2004

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, 2004, 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, district-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 selected financial and demographic information, generally presented on a multi-year basis. Further discussion of the financial statements and financial standing of the Board can be found in the management's discussion and analysis.

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.

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

The Wake County Public School System 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. The school system is the 24th largest system in the nation and the second largest in North Carolina. For 2003-04 it served 108,970 students from kindergarten through 12<sup>th</sup> grade in 82 elementary schools, 26 middle schools, 16 high schools, and 3 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 14,000 full-time and part-time employees and is the third largest employer in the Raleigh-Durham area. The system has nearly 7,600 regular classroom teachers, not including media specialists, counselors, psychologists, etc., and allots regular classroom teachers at a teacher/student ratio of 1:20.5 for kindergarten and grades 1-2, 1:25.5 for grades 3-5, 1:22.5 for grades 6-8, and 1:24 for grades 9-12. 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.

Forty-seven of the school system's 127 schools are magnet schools, which offer unique educational alternatives. All students are eligible to apply, and the network features 14 distinct programs: creative arts and science, international studies, gifted and talented,

language explorations, global communications, Montessori, museum, year-round school, accelerated studies, leadership, IB Programme, university connection, Centennial Campus, and community model. The magnet network was established 20 years ago to offer a choice in instructional opportunities, to fill inner-city schools, and to help racially 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 past surveys in magazines such as Money, Forbes, and Fortune, 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. Glaxo Smithkline leads the medical research with IBM, Northern Telecom, and Microelectronics Center of North Carolina leading the electronics research and production industry, giving both industries major presence in the region. It is expected that these major corporations and centers will continue to thrive and offer employment opportunities to the County's citizens.

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 course of 2003-04 we aggressively pursued ways to reduce costs and improve efficiency by eliminating administrative overtime and out-of-system travel, moving purchasing deadlines to earlier dates, restricting special projects

that cross fiscal years and implementing workers' compensation self-insurance. Such efforts have allowed the school system to end the 2003-04 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**

Goal 2003 was adopted in 1998 with a target of having 95 percent of third and eighth grade students achieving at or above grade level in reading and math. Although Wake County Public School System narrowly missed that target in 2003, academic growth and a narrowing achievement gap proved the focused effort toward a unified goal was successful. During those five years, the percentage of students at or above grade level increased for all groups of students in elementary and middle schools – with 95 percent or more of fourth or fifth grade students meeting grade level standards in math in 2003. Also, the percentage of third through eighth grade students performing at the highest level measured by the state's EOG tests rose since 1998 by 8.7 points in reading and 17.3 points in math.

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.

## **Building Program**

In October of 2003, the citizens of Wake County voted to approve Plan 2004 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 3000 new students in the system on a yearly basis and at least 25,000 expected by 2013-14. The increasing number of students with special needs and those whose native language is not English, the implementation of smaller class sizes at kindergarten through second grade, and the changes in curriculum and methods of instruction affect the educational and building needs of the county.

Development of the plan included goals and assumptions such as: reduce crowding, create a balance between investment in new and existing school projects and ensure all students have a top-quality learning environment. Study data was provided through enrollment and demographic projections, consultants and staff evaluations of existing building conditions and input from principals and advisory committees. The needs were prioritized by health and safety, life cycle repairs, capacity gains and program concerns. The plan includes 13 new schools and one pre-kindergarten center totaling \$268 million, 16 renovations and re-roofing and repair projects at 61 campuses totaling \$245 million, relocating and adding mobile classrooms totaling \$14 million and program management and contingency funds totaling \$23 million.

## **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. In addition, other bank accounts that the school system maintains also earn interest. The average yield on investments in this fund was 3.24 percent during fiscal 2004. Total interest earned during the year was \$2,384,792 for the general, capital projects, debt service, enterprise, and expendable trust funds. Average yields for U. S. Treasury bills and U. S. Treasury notes were 1.31 and 1.33 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 \$300 thousand per person with \$1.5 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 \$30 million per location annually and is reinsured for losses in excess of \$10 million per occurrence and \$20 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 coverage through commercial insurance carriers. Boilers, machinery, musical instruments, 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 \$1,831,415,003 as of June 30, 2004.

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 of McGladrey & Pullen, LLP, 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 General Accounting 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, 2003. That year was the fifteenth 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 2003-04. This year was the eleventh 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. Other recent recognitions awarded to the school system include the State Treasurer's Governmental Accounting/Financial Management Award and the Advancement Award of the North Carolina Quality Leadership Foundation. In each instance, the Wake County Public School System was the only North Carolina school system to receive the award.

### **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, McGladrey & Pullen, LLP, 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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Bill McNeal  
Superintendent

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Del Burns  
Deputy Superintendent

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Mark Winters  
Finance Officer











## 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, 2004. 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 4,597 students (or 4%) from the previous year.
- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$1,436,023,130.
- The government's total net assets increased by \$126,222,501 primarily due to increased net assets in the General Fund.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$55,451,661, an increase of \$2,326,135 in comparison with the prior year. Approximately 34.6 percent of this total amount, or \$19,216,507, is available for spending at the government's discretion.

### Overview of the Financial Statements

The annual report of the Board consists of three components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Required supplemental section that presents combining 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 (also called district-wide) statements. The district-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 district-wide

statements, reconciliation from the governmental fund financial statements to the district-wide statements is required. The district-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.

### **District-wide Statements**

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

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

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

- **Governmental activities:** Most of the district'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 district charges fees to help it cover the costs of certain services it provides. School food service, tuition programs and print shop services are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district 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 district 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 district'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 district's programs. Because this information does not encompass the additional long-term focus of the district-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 district has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, Direct Federal Grants Fund and the State Administered Federal Grants Fund.

*Proprietary funds:* Services for which the district 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 three proprietary funds – all enterprise funds – the School Food Service Fund, the Tuition Programs Fund, and the Print Shop 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 \$1,420,316,000 as of June 30, 2004. The largest component of net assets is invested in capital assets, net of related debt, of approximately \$1,403,289,000. It comprises 99% of the total net assets.

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

#### Condensed Statements of Net Assets June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 116,992	\$ 118,217	\$ 15,018	\$ 12,950	\$ 132,010	\$ 131,167
Capital assets	1,404,885	1,283,344	2,484	2,394	1,407,369	1,285,738
Total assets	1,521,877	1,401,561	17,502	15,344	1,539,379	1,416,905
Long-term liabilities outstanding	38,807	40,863	652	573	39,459	41,436
Other liabilities	62,754	64,700	1,143	968	63,897	65,668
Total liabilities	101,561	105,563	1,795	1,541	103,356	107,104
Net assets						
Invested in capital assets, net of related debt	1,403,289	1,280,865	2,484	2,394	1,405,773	1,283,259
Unrestricted	17,027	15,133	13,223	11,409	30,250	26,542
Total net assets	\$ 1,420,316	\$ 1,295,998	\$ 15,707	\$ 13,803	\$ 1,436,023	\$ 1,309,801

Note that net assets for governmental activities increased by approximately \$124,318,000 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, 2004 and 2003**

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2002
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,102	\$ 781	\$ 25,834	\$ 24,867	\$ 26,936	\$ 25,648
Operating grants and contributions	515,294	486,342	12,680	10,714	527,974	497,056
Capital grants and contributions	437	67	-	-	437	67
General Revenues:						
Unrestricted county appropriations - operating	223,700	203,000	-	-	223,700	203,000
Unrestricted county appropriations - capital	153,395	167,596	-	-	153,395	167,596
Other	12,796	14,830	348	348	13,144	15,178
<b>Total revenues</b>	<b>906,724</b>	<b>872,616</b>	<b>38,862</b>	<b>35,929</b>	<b>945,586</b>	<b>908,545</b>
<b>Expenses:</b>						
Governmental activities:						
Instruction	526,729	499,687	-	-	526,729	499,687
Pupil and instructional services	12,098	9,820	-	-	12,098	9,820
Administration and business	184,165	177,143	-	-	184,165	177,143
Other	58,593	54,387	-	-	58,593	54,387
Business-type activities:						
Food services	-	-	30,472	28,663	30,472	28,663
Tuition programs	-	-	6,670	5,149	6,670	5,149
Print shop	-	-	637	590	637	590
<b>Total expenses</b>	<b>781,585</b>	<b>741,037</b>	<b>37,779</b>	<b>34,402</b>	<b>819,364</b>	<b>775,439</b>
Increase in net assets before transfers	125,139	131,579	1,083	1,527	126,222	133,106
Transfers	(821)	(67)	821	67	-	-
Increase in net assets after Transfers	124,318	131,512	1,904	1,594	126,222	133,106
Net assets, July 1	1,295,998	1,164,486	13,803	12,209	1,309,801	1,176,695
<b>Net assets, June 30</b>	<b>\$ 1,420,316</b>	<b>\$ 1,295,998</b>	<b>\$ 15,707</b>	<b>\$ 13,803</b>	<b>\$ 1,436,023</b>	<b>\$ 1,309,801</b>

Total governmental activities generated revenues of \$905.9 million while expenses in this category totaled \$781.5 million. The increase in net assets stands at \$124.3 million. Business-type activities generated revenue of \$38.8 million and had expenses of \$37.7 million. Net assets increased in the business-type activities by \$1.9 million.

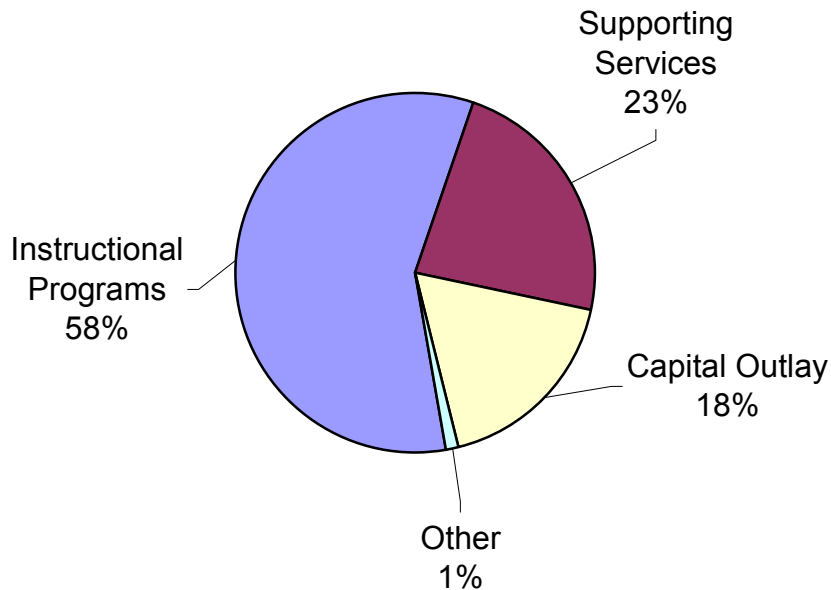
The increase in governmental activities revenues was due to increased activity in the Plan 2000 building program. Business-type revenues increased due to additional meal sales and reduced cost in child nutrition services.

## Financial Analysis of the District's Funds

The Board's governmental funds reported a combined fund balance of \$55,451,661, an \$2,326,135 increase over last year. Three sources of funding increased over the prior year: State funding increased approximately \$21.8 million; County funding increased by \$7 million; and Federal funding increased by \$6.4 million. Expenditures increased as well, and included an increase of approximately \$32.9 million in instructional programs.

The total fund balance in the general fund decreased by \$834,505, and the undesignated fund balance in the general fund decreased to \$9,980,752. This level of undesignated fund balance equals 3.9 percent of the general fund budget (\$256,999,596) and 1.2 percent of the total operating budget (state, local funds, federal, and enterprise \$823,770,663). The Board appropriated approximately \$15 million from fund balance to support the 2003-04 budget.

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



The Board's business-type funds reflected a total net income of \$1,904,126. The Child Nutrition Program, Tuition Programs and the Print Shop reflected increases of \$847,206, \$183,720, and \$52,370, respectively, in net assets over last year.

## 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 increased revenues by \$9,441,435. Amendments of \$3,908,845 were made to adjust for increased enrollment and to cover state reductions. Estimated textbook allotments for the next year are recorded in the spring to allow ordering of books early enough to be received before the first day of school. This practice accounts for a significant change in local budget as well as the variance between budget and actual. Although we order the books in the spring, they are not received and expended until early in the next fiscal year.

## Capital Assets

The Board's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals \$1,407,368,878 (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  
As of June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 58,129	\$ 56,420	\$ -	\$ -	\$ 58,129	\$ 56,420
Land Improvements	299	343	-	-	299	343
Buildings	873,528	866,933	-	-	873,528	866,933
Equipment	2,991	4,159	2,425	2,293	5,416	6,452
Vehicles	4,900	3,680	59	101	4,959	3,781
Construction in progress	465,038	351,809	-	-	465,038	351,809
Total	<u>\$ 1,404,885</u>	<u>\$ 1,283,344</u>	<u>\$ 2,484</u>	<u>\$ 2,394</u>	<u>\$ 1,407,369</u>	<u>\$ 1,285,738</u>

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

## Debt Outstanding

During the year the Board's outstanding debt decreased by \$377,843 due to the decrease in compensated absences, the decrease in capital leases, and the principal paid against the mortgage. Capital leases decreased significantly as a result of the payments made against the existing leases. More detailed information on the Board's outstanding debt is contained in the notes to the financial statements.

## **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 has decreased from 5.2% in June of 2003 to 3.9% in June of 2004. The County continues to stay well below the state average of 5.8%.

## **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

WAKE COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 59,816,595	\$ 13,720,943	\$ 73,537,538
Due from other governments	51,177,693	452,093	51,629,786
Receivables	1,570,958	178,230	1,749,188
Inventory and prepaid expenses	4,426,916	666,753	5,093,669
Total current assets	<u>116,992,162</u>	<u>15,018,019</u>	<u>132,010,181</u>
Noncurrent assets:			
Land and construction in progress	523,167,319	-	523,167,319
Capital assets, net of accumulated depreciation	881,717,666	2,483,893	884,201,559
Total capitalized assets	<u>1,404,884,985</u>	<u>2,483,893</u>	<u>1,407,368,878</u>
 TOTAL ASSETS	 <u>1,521,877,147</u>	 <u>17,501,912</u>	 <u>1,539,379,059</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Salaries and benefits payable	11,728,376	467,642	12,196,018
Accounts payable	48,319,002	675,565	48,994,567
Unearned revenue	1,027,790	-	1,027,790
Current portion of long-term obligations	1,678,687	-	1,678,687
Total current liabilities	<u>62,753,855</u>	<u>1,143,207</u>	<u>63,897,062</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	38,806,880	651,987	39,458,867
 TOTAL LIABILITIES	 <u>101,560,735</u>	 <u>1,795,194</u>	 <u>103,355,929</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,403,289,473	2,483,893	1,405,773,366
Unrestricted	17,026,939	13,222,825	30,249,764
 TOTAL NET ASSETS	 <u>\$ 1,420,316,412</u>	 <u>\$ 15,706,718</u>	 <u>\$ 1,436,023,130</u>

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

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular	\$ 353,161,990	\$ 84,948	\$ 290,356,365	\$ -	\$ (62,720,677)		\$ (62,720,677)
Special education	80,851,931	-	66,866,750	-	(13,985,181)		(13,985,181)
Co-curricular	11,665,594	-	11,463,706	-	(201,888)		(201,888)
Remediation	18,939,181	-	12,011,761	-	(6,927,420)		(6,927,420)
Student services	56,479,099	-	44,858,809	-	(11,620,290)		(11,620,290)
Other	5,630,741	-	2,688,346	-	(2,942,395)		(2,942,395)
Total instruction	<u>526,728,536</u>	<u>84,948</u>	<u>428,245,737</u>	<u>-</u>	<u>(98,397,851)</u>		<u>(98,397,851)</u>
Support services:							
Pupil	2,251,615	-	936,320	-	(1,315,295)		(1,315,295)
Instructional staff	9,846,884	-	6,307,660	-	(3,539,224)		(3,539,224)
General administration	10,375,754	-	2,912,617	-	(7,463,137)		(7,463,137)
School administration	52,997,900	-	30,596,916	-	(22,400,984)		(22,400,984)
Business	120,790,995	-	45,043,531	-	(75,747,464)		(75,747,464)
Central	24,713,687	323,131	737,866	436,798	(23,215,892)		(23,215,892)
Other support	1,170,055	-	306,610	-	(863,445)		(863,445)
Community	336,666	693,578	207,238	-	564,150		564,150
Charter school payments	7,077,757	-	-	-	(7,077,757)		(7,077,757)
Interest on long-term debt	1,334,307	-	-	-	(1,334,307)		(1,334,307)
Depreciation - unallocated *	23,960,590	-	-	-	(23,960,590)		(23,960,590)
Total support services	<u>254,856,210</u>	<u>1,016,709</u>	<u>87,048,758</u>	<u>436,798</u>	<u>(166,353,945)</u>		<u>(166,353,945)</u>
Total governmental activities	<u>781,584,746</u>	<u>1,101,657</u>	<u>515,294,495</u>	<u>436,798</u>	<u>(264,751,796)</u>		<u>(264,751,796)</u>
<b>Business-type activities:</b>							
Food services	30,472,447	18,422,471	12,679,641	-		629,665	629,665
Tuition programs	6,669,789	6,724,366	-	-		54,577	54,577
Print shop	636,617	687,537	-	-		50,920	50,920
Total business-type activities	<u>37,778,853</u>	<u>25,834,374</u>	<u>12,679,641</u>	<u>-</u>		<u>735,162</u>	<u>735,162</u>
Total school district	<u>\$ 819,363,599</u>	<u>\$ 26,936,031</u>	<u>\$ 527,974,136</u>	<u>\$ 436,798</u>	<u>(264,751,796)</u>	<u>735,162</u>	<u>(264,016,634)</u>
<b>General Revenues</b>							
					223,700,000	-	223,700,000
					153,394,820	-	153,394,820
					4,338,486	-	4,338,486
					1,906,244	348,134	2,254,378
					6,551,451	-	6,551,451
Transfers					(820,830)	820,830	-
Subtotal, general revenues and transfers					<u>389,070,171</u>	<u>1,168,964</u>	<u>390,239,135</u>
Changes in Net Assets					124,318,375	1,904,126	126,222,501
Net assets - beginning					<u>1,295,998,037</u>	<u>13,802,592</u>	<u>1,309,800,629</u>
Net assets - ending					<u>\$ 1,420,316,412</u>	<u>\$ 15,706,718</u>	<u>\$ 1,436,023,130</u>

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

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

WAKE COUNTY BOARD OF EDUCATION

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>General Fund</u>	<u>State Public School Fund</u>	<u>Individual Schools Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
ASSETS:						
Cash and cash equivalents	\$ 43,976,332	\$ -	\$ 7,081,057	\$ 8,574,588	\$ 184,618	\$ 59,816,595
Due from other governments	4,619,389	8,922,417	402,850	36,661,920	571,117	51,177,693
Accounts receivable	837,715	679,323	-	53,920	-	1,570,958
Due from other funds	-	-	-	194,713	-	194,713
Inventories	<u>3,961,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,961,583</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 53,395,019</u></b>	<b><u>\$ 9,601,740</u></b>	<b><u>\$ 7,483,907</u></b>	<b><u>\$ 45,485,141</u></b>	<b><u>\$ 755,735</u></b>	<b><u>\$ 116,721,542</u></b>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Salaries and benefits payable	3,469,846	7,802,914	-	-	455,616	11,728,376
Accounts payable	9,183,372	1,798,826	477,184	36,744,119	115,501	48,319,002
Due to other funds	194,713	-	-	-	-	194,713
Deferred revenues	<u>879,241</u>	<u>-</u>	<u>-</u>	<u>148,549</u>	<u>-</u>	<u>1,027,790</u>
<b>TOTAL LIABILITIES</b>	<b><u>13,727,172</u></b>	<b><u>9,601,740</u></b>	<b><u>477,184</u></b>	<b><u>36,892,668</u></b>	<b><u>571,117</u></b>	<b><u>61,269,881</u></b>
FUND BALANCES:						
Reserved for:						
Inventories	3,961,583	-	-	-	-	3,961,583
Encumbrances	631,860	-	-	3,382,870	-	4,014,730
By state statute	5,457,104	-	-	-	-	5,457,104
Special projects	665,881	-	-	2,255,600	-	2,921,481
Restricted contributions	-	-	-	724,971	-	724,971
Self-insurance	3,458,684	-	-	-	-	3,458,684
Debt service	-	-	-	-	184,618	184,618
Unreserved:						
Designated for flexible benefits plan	297,902	-	-	-	-	297,902
Designated for subsequent year's expenditures	15,214,081	-	-	-	-	15,214,081
Undesignated	<u>9,980,752</u>	<u>-</u>	<u>7,006,723</u>	<u>2,229,032</u>	<u>-</u>	<u>19,216,507</u>
<b>TOTAL FUND BALANCES</b>	<b><u>39,667,847</u></b>	<b><u>-</u></b>	<b><u>7,006,723</u></b>	<b><u>8,592,473</u></b>	<b><u>184,618</u></b>	<b><u>55,451,661</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 53,395,019</u></b>	<b><u>\$ 9,601,740</u></b>	<b><u>\$ 7,483,907</u></b>	<b><u>\$ 45,485,141</u></b>	<b><u>\$ 755,735</u></b>	

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	1,663,105,985
Accumulated depreciation is	<u>258,221,000</u>

1,404,884,985

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

465,333

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	1,595,512
Workers' compensation self-insurance	2,079,118
Compensated absences (vacation)	36,626,319
Mortgage payable	<u>184,618</u>

(40,485,567)

Total net assets - governmental activities

**\$ 1,420,316,412**

The notes to the 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  
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	State Public School Fund	Individual Schools Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUES:</b>						
County	\$ 218,701,514	\$ -	\$ -	\$ 158,393,306	\$ -	\$ 377,094,820
State	3,063,999	457,248,978	-	4,338,487	-	464,651,464
Federal	1,171,345	-	-	-	40,106,943	41,278,288
Other Local	15,338,172	-	11,528,575	1,513,700	7,350	28,387,797
<b>TOTAL REVENUES</b>	<b>238,275,030</b>	<b>457,248,978</b>	<b>11,528,575</b>	<b>164,245,493</b>	<b>40,114,293</b>	<b>911,412,369</b>
<b>EXPENDITURES:</b>						
Current operations:						
Instructional programs:						
Regular	57,846,130	234,325,407	-	-	4,113,563	296,285,100
Special	13,903,047	39,115,155	-	-	14,434,993	67,453,195
Co-curricular	239,967	-	11,489,009	-	-	11,728,976
Remediation services	6,863,278	8,461,916	-	-	1,220,853	16,546,047
Student services	11,488,749	28,942,726	-	-	6,650,066	47,081,541
Other	16,326,796	65,035,402	-	-	8,163,317	89,525,515
	<b>106,667,967</b>	<b>375,880,606</b>	<b>11,489,009</b>	<b>-</b>	<b>34,582,792</b>	<b>528,620,374</b>
Supporting services:						
Pupil	1,838,594	85,631	-	-	50,835	1,975,060
Instructional staff	3,308,152	3,472,808	-	-	1,620,098	8,401,058
General administration	6,507,920	1,922,953	-	-	444,531	8,875,404
School administration	17,612,879	25,706,661	-	-	22,025	43,341,565
Business	60,834,853	36,605,192	-	-	1,016,306	98,456,351
Central	23,387,149	457,966	-	-	161,076	24,006,191
Other	10,907,120	13,110,845	-	-	418,320	24,436,285
	<b>124,396,667</b>	<b>81,362,056</b>	<b>-</b>	<b>-</b>	<b>3,733,191</b>	<b>209,491,914</b>
Community services	210,428	6,316	-	-	-	216,744
Nonprogram charges	7,132,270	-	-	-	1,790,960	8,923,230
Capital outlay:						
Land, buildings, and other	-	-	-	160,141,245	-	160,141,245
Equipment	-	-	-	519,414	-	519,414
Vehicles	-	-	-	706,800	-	706,800
	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,367,459</b>	<b>-</b>	<b>161,367,459</b>

WAKE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

(Continued)

	General Fund	State Public School Fund	Individual Schools Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Debt service:						
Principal	\$ 1,127,683	\$ -	\$ -	\$ -	\$ 64,650	\$ 1,192,333
Interest	191,924	-	-	-	7,350	199,274
	<u>1,319,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000</u>	<u>1,391,607</u>
 TOTAL EXPENDITURES	 <u>239,726,939</u>	 <u>457,248,978</u>	 <u>11,489,009</u>	 <u>161,367,459</u>	 <u>40,178,943</u>	 <u>910,011,328</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(1,451,909)</u>	 <u>-</u>	 <u>39,566</u>	 <u>2,878,034</u>	 <u>(64,650)</u>	 <u>1,401,041</u>
 OTHER FINANCING SOURCES (USES):						
Operating transfers in	3,608,386	-	-	(3,608,386)	-	-
Operating transfers out	(3,916,076)	-	-	3,916,076	-	-
Capitalized leases	244,494	-	-	-	-	244,494
	<u>(63,196)</u>	<u>-</u>	<u>-</u>	<u>307,690</u>	<u>-</u>	<u>244,494</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(63,196)</u>	 <u>-</u>	 <u>-</u>	 <u>307,690</u>	 <u>-</u>	 <u>244,494</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 <u>(1,515,105)</u>	 <u>-</u>	 <u>39,566</u>	 <u>3,185,724</u>	 <u>(64,650)</u>	 <u>1,645,535</u>
 FUND BALANCE, beginning of year	 40,502,352	 -	 6,967,157	 5,406,749	 249,268	 53,125,526
 INCREASE IN RESERVE FOR INVENTORIES	 <u>680,600</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>680,600</u>
 FUND BALANCE, end of year	 <u>\$ 39,667,847</u>	 <u>\$ -</u>	 <u>\$ 7,006,723</u>	 <u>\$ 8,592,473</u>	 <u>\$ 184,618</u>	 <u>\$ 55,451,661</u>

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

WAKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds \$ 1,645,535

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	145,916,074	
	Depreciation expense	<u>(24,619,710)</u>	121,296,364

Some of the capital assets acquired this year were financed with capital leases.

The amounts financed by the leases are reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (244,494)

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 used was more than the amounts earned by \$767,653. 767,653

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	1,372,177	
	Mortgage payments	<u>64,650</u>	1,436,827

The estimated reserve for workers' compensation self-insurance is recorded as a long-term obligation in the district-wide statements. This year the increase in reserve for workers' compensation was \$1,337,649. (1,337,649)

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 \$73,539. 73,539

Adjustment due to the use of the consumption method of recording inventory in the district-wide statements. 680,600

Change in net assets of governmental activities \$ 124,318,375

The notes to the 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  
FOR THE YEAR ENDED, JUNE 30, 2004

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>								
County	\$ 218,701,514	\$ 218,701,514	\$ 218,701,514	\$ -	\$ -	\$ -	\$ -	\$ -
State	6,713,079	9,584,685	3,063,999	(6,520,686)	455,251,834	466,270,941	457,248,978	(9,021,963)
Federal	422,360	1,470,129	1,171,345	(298,784)	-	-	-	-
Other local	17,509,920	14,008,065	15,338,172	1,330,107	-	-	-	-
<b>TOTAL REVENUES</b>	<b>243,346,873</b>	<b>243,764,393</b>	<b>238,275,030</b>	<b>(5,489,363)</b>	<b>455,251,834</b>	<b>466,270,941</b>	<b>457,248,978</b>	<b>(9,021,963)</b>
<b>EXPENDITURES:</b>								
Current operations:								
Instructional programs:								
Regular	66,768,441	67,038,064	57,846,130	9,191,934	229,002,481	239,241,341	234,325,407	4,915,934
Special	13,557,572	13,983,052	13,903,047	80,005	38,990,008	39,320,382	39,115,155	205,227
Co-curricular	246,620	248,573	239,967	8,606	-	-	-	-
Remediation	7,472,447	6,863,278	6,863,278	-	8,178,997	8,552,478	8,461,916	90,562
Student services	10,341,069	12,133,683	11,488,749	644,934	29,350,951	29,788,395	28,942,726	845,669
Other	18,811,203	18,348,527	16,326,796	2,021,731	69,743,034	67,034,025	65,035,402	1,998,623
	117,197,352	118,615,177	106,667,967	11,947,210	375,265,471	383,936,621	375,880,606	8,056,015
Supporting services:								
Pupil	959,768	2,176,916	1,838,594	338,322	105,032	85,631	85,631	-
Instructional staff	3,465,596	3,377,190	3,308,152	69,038	3,468,379	3,472,808	3,472,808	-
General administration	6,827,389	7,034,523	6,507,920	526,603	1,650,031	1,932,224	1,922,953	9,271
School administration	16,448,887	17,892,783	17,612,879	279,904	25,749,079	25,982,937	25,706,661	276,276
Business	61,245,215	62,488,461	60,834,853	1,653,608	34,881,549	37,046,930	36,605,192	441,738
Central	25,270,624	24,280,550	23,387,149	893,401	167,486	457,966	457,966	-
Other	12,437,970	12,112,361	10,907,120	1,205,241	13,961,367	13,349,507	13,110,845	238,662
	126,655,449	129,362,784	124,396,667	4,966,117	79,982,923	82,328,003	81,362,056	965,947
Community services	347,773	225,853	210,428	15,425	3,440	6,317	6,316	1
Non-program charges	7,273,665	7,476,175	7,132,270	343,905	-	-	-	-

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  
FOR THE YEAR ENDED, JUNE 30, 2004

(Continued)

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Debt service:								
Principal	\$ -	\$ 1,127,683	\$ 1,127,683	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	191,924	191,924	-	-	-	-	-
	-	1,319,607	1,319,607	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>251,474,239</b>	<b>256,999,596</b>	<b>239,726,939</b>	<b>17,272,657</b>	<b>455,251,834</b>	<b>466,270,941</b>	<b>457,248,978</b>	<b>9,021,963</b>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(8,127,366)	(13,235,203)	(1,451,909)	11,783,294	-	-	-	-
OTHER FINANCING SOURCES (USES):								
Appropriated fund balance	8,127,366	12,824,810	-	(12,824,810)	-	-	-	-
Operating transfers in	-	4,081,975	3,608,386	(473,589)	-	-	-	-
Operating transfers out	-	(3,916,076)	(3,916,076)	-	-	-	-	-
Capitalized leases	-	244,494	244,494	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,127,366</b>	<b>13,235,203</b>	<b>(63,196)</b>	<b>(13,298,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS	\$ -	\$ -	(1,515,105)	\$ (1,515,105)	\$ -	\$ -	-	\$ -
FUND BALANCES, beginning of year			\$ 40,502,352				\$ -	
INCREASE IN RESERVE FOR INVENTORIES			680,600				-	
FUND BALANCES, end of year			<u>\$ 39,667,847</u>				<u>\$ -</u>	

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

WAKE COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

JUNE 30, 2004

	<u>Child Nutrition Program</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 8,321,924	\$ 5,399,019	\$ 13,720,943
Accounts receivable	81,669	96,561	178,230
Due from other governments	392,547	59,546	452,093
Prepaid expenses	1,112	13,141	14,253
Inventory	652,500	-	652,500
Total current assets	<u>9,449,752</u>	<u>5,568,267</u>	<u>15,018,019</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>2,258,266</u>	<u>225,627</u>	<u>2,483,893</u>
TOTAL ASSETS	<u>11,708,018</u>	<u>5,793,894</u>	<u>17,501,912</u>
<u>LIABILITIES</u>			
Current liabilities:			
Salaries and benefits payable	460,619	7,023	467,642
Accounts payable	483,130	192,435	675,565
Total current liabilities	<u>943,749</u>	<u>199,458</u>	<u>1,143,207</u>
Noncurrent liabilities:			
Long-term obligations	<u>596,196</u>	<u>55,791</u>	<u>651,987</u>
TOTAL LIABILITIES	<u>1,539,945</u>	<u>255,249</u>	<u>1,795,194</u>
<u>NET ASSETS</u>			
Invested in capital assets	2,258,266	225,627	2,483,893
Unrestricted	<u>7,909,807</u>	<u>5,313,018</u>	<u>13,222,825</u>
TOTAL NET ASSETS	<u>\$ 10,168,073</u>	<u>\$ 5,538,645</u>	<u>\$ 15,706,718</u>

The notes to the 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  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Child Nutrition Program</u>	<u>Non-Major Funds</u>	<u>Total</u>
OPERATING REVENUES			
Food sales	\$ 18,422,471	\$ -	\$ 18,422,471
Participant fees	-	6,724,366	6,724,366
Printing fees	-	687,537	687,537
TOTAL OPERATING REVENUES	<u>18,422,471</u>	<u>7,411,903</u>	<u>25,834,374</u>
OPERATING EXPENSES:			
Business supporting services:			
Salaries	10,148,518	3,188,467	13,336,985
Food	10,187,202	-	10,187,202
Supplies	1,375,930	1,779,447	3,155,377
Purchased services	1,137,884	937,624	2,075,508
	<u>22,849,534</u>	<u>5,905,538</u>	<u>28,755,072</u>
Other supporting services:			
Employee benefits	3,076,970	392,307	3,469,277
Donated commodities	1,663,322	-	1,663,322
Indirect costs	2,198,943	892,780	3,091,723
Depreciation	683,678	115,781	799,459
	<u>7,622,913</u>	<u>1,400,868</u>	<u>9,023,781</u>
TOTAL OPERATING EXPENSES	<u>30,472,447</u>	<u>7,306,406</u>	<u>37,778,853</u>
OPERATING INCOME (LOSS)	<u>(12,049,976)</u>	<u>105,497</u>	<u>(11,944,479)</u>
NON-OPERATING REVENUES:			
Federal regular USDA grants	10,888,909	-	10,888,909
Federal commodities	1,663,322	-	1,663,322
NCDPI kindergarten breakfast	49,153	-	49,153
NCDHSS summer food service	78,257	-	78,257
Interest	217,541	130,593	348,134
TOTAL NON-OPERATING REVENUES	<u>12,897,182</u>	<u>130,593</u>	<u>13,027,775</u>
INCOME BEFORE TRANSFERS	847,206	236,090	1,083,296
Contribution from other funds	<u>820,830</u>	<u>-</u>	<u>820,830</u>
NET INCOME	\$ 1,668,036	\$ 236,090	\$ 1,904,126
NET ASSETS, beginning of year	<u>8,500,037</u>	<u>5,302,555</u>	<u>13,802,592</u>
NET ASSETS, end of year	<u>\$ 10,168,073</u>	<u>\$ 5,538,645</u>	<u>\$ 15,706,718</u>

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

WAKE COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Child Nutrition Program</u>	<u>Non-Major Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user charges	\$ 18,479,791	\$ 7,527,829	\$ 26,007,620
Payments to employees for services	(13,184,775)	(3,579,204)	(16,763,979)
Payments to suppliers for goods and services	(12,693,852)	(2,684,522)	(15,378,374)
Payments for other operating expenses	(2,343,818)	(929,920)	(3,273,738)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(9,742,654)</u>	<u>334,183</u>	<u>(9,408,471)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Federal regular USDA grants	10,888,909	-	10,888,909
NCDPI kindergarten breakfast	49,153	-	49,153
NCDHSS summer food service	78,257	-	78,257
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>11,016,319</u>	<u>-</u>	<u>11,016,319</u>
CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of equipment	(44,048)	(24,595)	(68,643)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	217,541	130,593	348,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,447,158	440,181	1,887,339
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,874,766	4,958,838	11,833,604
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,321,924</u>	<u>\$ 5,399,019</u>	<u>\$ 13,720,943</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (12,049,976)	\$ 105,497	\$ (11,944,479)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	683,678	115,781	799,459
Increase (decrease) in accounts receivable and due from other governments	(87,555)	78,786	(8,769)
Decrease in inventories	(167,331)	-	(167,331)
Increase in prepaid expenses	(1,112)	(3,843)	(4,955)
Increase in accounts payable and salaries and benefits payable	137,061	38,596	175,657
Increase (decrease) in accrued vacation	79,259	(634)	78,625
Donated commodities	1,663,322	-	1,663,322
TOTAL ADJUSTMENTS	<u>2,307,322</u>	<u>228,686</u>	<u>2,536,008</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (9,742,654)</u>	<u>\$ 334,183</u>	<u>\$ (9,408,471)</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Donated commodities	\$ 1,663,322	\$ -	\$ 1,663,322
Transfer of equipment from capital projects fund	<u>\$ 820,830</u>	<u>\$ -</u>	<u>\$ 820,830</u>

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

# Wake County Board of Education, North Carolina

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2004

### 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. 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. 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.

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.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board enterprise funds are charges to customers for sales and services. All revenues not meeting this definition are reported as nonoperating revenues.

*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.

The Board has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

#### 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.

Legal provisions conflict with GAAP in that there is no authorization for the Board to maintain a debt service fund even though the statutes allow continuing contracts for capital outlay purchases. In accordance with governmental accounting and financial reporting standards, the Board maintains its accounts and prepares its budgetary reports on the legally prescribed budgetary (non-GAAP) basis and maintains sufficient supplemental records to permit presentation of these financial statements in conformity with GAAP. Under the legally prescribed budgetary (non-GAAP) basis, all amounts otherwise shown in the debt service fund are included in the capital projects fund.

A reconciliation for the capital projects fund from the budgetary (non-GAAP) basis to GAAP follows:

Excess of revenues and other financing sources over expenditures and other financing uses- budgetary (non-GAAP) basis	<u>\$ 3,121,074</u>
Interest income included in debt service fund	(7,350)
Debt service expenditures included in debt service fund	<u>72,000</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP	<u>\$ 3,185,724</u>

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 \$485,541,693 approved by the Board as follows:

General fund	\$ 9,441,435
State public school fund	11,019,105
Federal grants funds	22,872,767
Capital projects funds	436,991,344
Enterprise fund	<u>5,217,042</u>
	<u>\$ 485,541,693</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.

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

	<u>Years</u>
Buildings	50
Kitchen and Landscape Equipment	15
Furniture	20
All Other Equipment	10
Vehicles	8
Computer equipment	5

### 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, 2004 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.

Reserved for debt service – portion of fund balance reserved for future debt service appropriations.

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 2004-2005 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 \$1,364,864,751 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)	\$ 1,663,105,985
Less accumulated depreciation	<u>(258,221,000)</u>
Net capital assets	1,404,884,985
Prepaid expenses use current year financial resources and are reported as an expenditure in the governmental funds	465,333
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases	(1,595,512)
Workers’ compensation self-insurance	(2,079,118)
Compensated absences	(36,626,319)
Mortgage payable	<u>(184,618)</u>
Total adjustments	<u>\$ 1,364,864,751</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 \$122,672,840 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.	\$ 145,916,074
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.	(24,619,710)
Some of the capital assets acquired this year were financed with capital leases. The amounts financed by the leases are reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.	(244,494)
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.	1,436,827
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	767,653
Adjustment due to the use of the consumption method of recording inventory in the district-wide statements.	680,600
Estimated reserve for workers' compensation self-insurance recorded as a long-term obligation in the district-wide statements.	(1,337,649)
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>73,539</u>
Total adjustments	<u>\$ 122,672,840</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.

At June 30, 2004, the Board's deposits with banks had a carrying amount of \$6,990,218. The bank balances with the financial institutions and the State Treasurer were \$8,088,284 and \$9,170,528, respectively. Of these balances, \$1,533,979 was covered by federal depository insurance and \$15,724,833 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

##### 2. Investments

The Board's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the Board or its agent in the Board's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Board's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Board's name. The Board's investments in the North Carolina Capital Management Trust and the State Treasurer's Short Term Investment Fund are exempt from risk categorization because the Board does not own any identifiable securities in these mutual funds.

At June 30, 2004, the Board's investment balances were as follows:

	Categories			Reported Value	Fair Value
	A	B	C		
Commercial Paper	\$ 7,937,000	\$ -	\$ -	\$ 7,937,000	\$ 7,937,000
North Carolina Capital Management Trust				4,435	4,435
State Treasurer's Short Term Investment Fund				58,605,885	58,605,885
Total Investments				\$ 66,547,320	\$ 66,547,320

### 3. Accounts Receivable

Receivables at the government-wide level at June 30, 2004, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ -	\$ 4,619,389	\$ 837,715
Other governmental activities	194,713	46,558,304	733,243
Total	<u>\$ 194,713</u>	<u>\$ 51,177,693</u>	<u>\$ 1,570,958</u>
Business-type activities:			
School Food Service	\$ -	\$ 392,547	\$ 81,669
Other business-type activities	-	59,546	96,561
Total	<u>\$ -</u>	<u>\$ 452,093</u>	<u>\$ 178,230</u>

Due from other governments consists of the following:

Governmental activities			
General Fund	\$ 4,423,407	Sales tax refund from state	
	96,423	Miscellaneous revenue from state	
	86,458	Miscellaneous revenue from county	
	13,101	Miscellaneous revenue from federal	
	<u>4,619,389</u>		
State Public School Fund	8,922,417	Operating funds from DPI	
Individual Schools Fund	402,850	Sales tax refund from state	
Capital Outlay Fund	7,580,347	Sales tax refund from state	
	29,052,183	County funds from county appropriations	
	29,390	State funds from state appropriations	
	<u>36,661,920</u>		
Direct Federal Grants Fund	100,238	Federal grant funds	
State Administered Federal Grants Fund	<u>470,879</u>	Federal grant funds	
Total	<u>\$ 51,177,693</u>		
Business-type activities			
School Food Service	\$ 81,669	Miscellaneous revenue from state	
	310,878	Sales tax refund from state	
	<u>392,547</u>		
Tuition Programs	49,801	Sales tax refund from state	
Print Shop	9,745	Sales tax refund from state	
Total	<u>\$ 452,093</u>		

#### 4. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

Governmental Activities:	Beginning Balances	Increases	Transfers	Retirements	Ending Balances
Capital assets not being depreciated:					
Land	\$ 56,419,850	\$ 1,708,963	\$ -	\$ -	\$ 58,128,813
Construction in Progress	351,808,683	140,886,239	(27,656,416)	-	465,038,506
Total capital assets not being depreciated:	408,228,533	142,595,202	(27,656,416)	-	523,167,319
Capital assets being depreciated:					
Land Improvements	4,749,764	8,126	-	-	4,757,890
Buildings	1,071,213,189	-	27,656,416	-	1,098,869,605
Equipment	11,262,045	957,208	-	136,029	12,083,224
Vehicles and motor equipment	21,635,125	2,600,032	-	7,210	24,227,947
Total capital assets being depreciated	1,108,860,123	3,565,366	27,656,416	143,239	1,139,938,666
Less accumulated depreciation for:					
Land Improvements	4,406,412	52,475	-	-	4,458,887
Buildings	204,280,095	21,061,629	-	-	225,341,724
Equipment	7,103,049	2,125,385	-	136,029	9,092,405
Vehicles and motor equipment	17,954,973	1,380,221	-	7,210	19,327,984
Total accumulated depreciation	233,744,529	24,619,710	-	143,239	258,221,000
Total capital assets being depreciated, net	875,115,594				881,717,666
Governmental activity capital assets, net	<u>\$ 1,283,344,127</u>				<u>\$ 1,404,884,985</u>

Business-type Activities:	Beginning Balances	Increases	Retirements	Ending Balances
School Food Service Fund:				
Capital assets being depreciated:				
Equipment	\$ 12,224,486	\$ 864,878	\$ 1,866	\$ 13,087,498
Vehicles	585,402	-	-	585,402
Total capital assets being depreciated	12,809,888	864,878	1,866	13,672,900
Less accumulated depreciation for:				
Equipment	10,247,877	641,958	1,866	10,887,969
Vehicles	484,945	41,720	-	526,665
Total accumulated depreciation	10,732,822	683,678	1,866	11,414,634
School food service capital assets, net	<u>2,077,066</u>			<u>2,258,266</u>
Other Business-type activities				
Capital assets being depreciated:				
Equipment	802,726	24,595	-	827,321
Less accumulated depreciation for:				
Equipment	485,913	115,781	-	601,694
Other enterprise funds capital assets, net	<u>316,813</u>			<u>225,627</u>
Business-type activities capital assets, net	<u>\$ 2,393,879</u>			<u>\$ 2,483,893</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 23,960,590
Business support services	<u>659,120</u>
Total	<u>\$ 24,619,710</u>

5. Construction Commitments

The Board has active construction projects as of June 30, 2004. At year-end, the Board's commitments with contractors for school construction totaled approximately \$168,500,000. These commitments will be funded by future revenues from Wake County.

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 3.42% 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, 2004, 2003, and 2002 were \$15,192,292, \$15,293,962, and \$22,723,891, 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, 2004, was \$113,409,891, total payroll was \$501,395,787. Participation is optional, and all contributions to the plan are made by the employees. All participants are immediately vested in their contributions.

The voluntary contributions by employees amounted to \$5,447,756 (4.80% of covered payroll) for the year ended June 30, 2004.

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

In addition to providing pension benefits, the Board provides disability benefits and post-employment health care benefits and death benefits, in accordance with State statutes, to certain employees. These 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 available to retirees of the Teachers' and State Employees' Retirement System (System) who have at least five years of contributing membership in the System. If a retiree was hired prior to October 1, 1995, and retires with at least 5 years of service, the System pays the full cost of coverage for all retirees enrolled in the State's self-funded Teachers' and State Employees' Comprehensive Major Medical Plan and makes similar contributions for retirees enrolled in an eligible State health maintenance organization (HMO) plans, when available. 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. If a retiree was hired on or after October 1, 1995, and retires with at least 5 years of service, health care coverage is available to the retiree if he or she pays the full premium for coverage. If the retiree has at least 10 years of service but less than 20, coverage is available if the retiree contributes 50% of the premium cost. If the retiree has 20 or more years of service, coverage is provided at no cost if the retiree chooses the State Employees' Comprehensive Major Medical Plan. The health benefit plans are funded by the State on a pay-as-you-go basis.

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. The Death Benefit will be at least \$25,000 and no more than \$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. An employee is eligible to receive long-term disability benefits if the following requirements are met: 1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; 2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later; and 3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her occupation; 4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; and 5) the employee must not be eligible to receive an unreduced retirement benefits from the System. In addition, recipients of the long-term disability benefits are eligible to receive State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month, plus additional minor adjustments. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan will

cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System.

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. 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, 2004, the Board made contributions to the State for post-employment health care benefits of \$16,044,665, death benefits of \$0 and disability benefits of \$0; these contributions represented 3.2%, 0%, and 0% of covered payroll, respectively. The contributions for post-employment health care benefits and disability benefits cannot be separated between the post-employment benefit amounts and the other employee benefit amounts. Because the benefit payments are made by the various State-administered plans and not by the Board, the Board does not determine the number of eligible participants.

## 2. Accounts Payable

Accounts payable at the district-wide level at June 30, 2004, were as follows:

	Vendors	Salaries and benefits	Due from other funds (Internal balances)
Governmental Activities			
General	\$ 9,183,372	\$ 3,469,846	\$ 194,713
Other Governmental	39,135,630	8,258,530	-
Total Governmental activities	<u>48,319,002</u>	<u>11,728,376</u>	<u>194,713</u>
Business-type Activities			
School Food Service	\$ 483,130	\$ 460,619	\$ -
Other Business-type	192,435	7,023	-
Total Business-type activities	<u>\$ 675,565</u>	<u>\$ 467,642</u>	<u>\$ -</u>

## 3. Unearned Revenue

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

	Unearned Revenue
Grants not yet earned (General Fund)	\$ 879,241
Grants not yet earned (Capital Outlay Fund)	148,549
Total	<u>\$ 1,027,790</u>

## 4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board 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 \$2,000,000 and \$1,000,000 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 8/1/2004-05 with a self-insured specific retention of \$400,000; an aggregate limit of \$2,000,000; and an employers 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-insurance 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 annual. 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.

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.

#### 5. Contingent Liabilities

At June 30, 2004, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

#### 6. Leases

##### a. Operating Leases

The Board leases building and office facilities and parking areas under operating leases. Total costs for such leases were \$970,733 for the year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

Year ending June 30	Amount
2005	\$ 1,119,817
2006	826,200
2007	1,759,896
2008	1,173,099
2009	1,210,200
2010 and after	<u>3,793,681</u>
Total	<u>\$ 9,882,893</u>

b. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into various lease agreements to lease computers, copiers, cars and vans. The lease agreements qualify as capital leases 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, 2004, assets recorded under the capital leases were as follows:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computers/computer equipment	\$ 3,414,746	\$ 2,926,432	\$ 488,314
Copiers	426,998	426,998	-
Cars/vans	275,606	275,606	-
Total	<u>\$ 4,117,350</u>	<u>\$ 3,629,036</u>	<u>\$ 488,314</u>

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, 2004:

Year Ending June 30	Governmental Activities
2005	\$ 1,239,838
2006	498,886
Total minimum lease payments	<u>1,738,724</u>
Less: amount representing interest	143,212
Present value of the minimum lease payments	<u>\$ 1,595,512</u>

7. Long-Term Obligations

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Compensated absences	\$37,393,972	\$33,635,708	\$34,403,361	\$ 36,626,319	\$ -
Capital leases	2,478,701	244,494	1,127,683	1,595,512	1,124,188
Workers' compensation	741,469	1,337,649	-	2,079,118	487,346
Mortgage payable	249,268	-	64,650	184,618	67,153
Total	<u>\$40,863,410</u>	<u>\$35,217,851</u>	<u>\$35,595,694</u>	<u>\$ 40,485,567</u>	<u>\$ 1,678,687</u>
Business-type activities:					
Compensated absences	\$ 573,362	\$ 78,625	\$ -	\$ 651,987	\$ -

Compensated absences 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.

The actuarially determined discounted workers' compensation outstanding liability is discounted using an interest rate of 3.3%.

The mortgage is payable in monthly installments of \$6,000, including accrued interest. The Board received related revenues from Wake County and deposited these funds in the STIF maintained by the treasurer of the State of North Carolina. The interest paid to the seller is at the interest rate earned on the STIF account. The average interest rate earned on the STIF account for the year ended June 30, 2004, was 3.2376%. Principal payments are due as follows: \$67,153 in fiscal year 2005; \$69,218 in fiscal year 2006; and \$48,247 in fiscal year 2007

**C. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2004, is as follows:

	<u>Amount</u>
From the General Fund to the Capital Projects Fund for warehouse transactions.	<u>\$194,713</u>

The following is a summary of operating transfers for the year ended June 30, 2004:

<u>Transfers From:</u>	<u>Transfers To:</u>		
	General Fund	Capital Projects Fund	Total
Capital Projects Fund	\$ 3,608,386	\$ -	\$ 3,608,386
General Fund	-	3,916,076	3,916,076
	<u>\$ 3,608,386</u>	<u>\$ 3,916,076</u>	<u>\$ 7,524,462</u>

During the year, the Capital Projects Fund transferred \$3,608,386 to the General Fund for salaries paid that were related to the Board’s building program. The General Fund transferred \$3,916,076 to the Capital Projects Fund in order to purchase capital assets.

**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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financing statements of the Board.

- GASB Statement Number 42, “Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.”
- GASB Statement Number 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”
- GASB Statement Number 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”

Additionally, the Governmental Accounting Standards Board issued Statement Number 40, "Deposit and Investment Risk Disclosures, an amendment of GASB Statement Number 3" and Statement Number 44, "Economic Condition Reporting: The Statistical Section" which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

## 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 Federal Grants Fund – The Direct Federal Grants Fund is used to account for grant monies received directly from the federal government.

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.

#### Debt Service Fund

The Debt Service Fund is used to account for the servicing of the Board's mortgage payable.

### 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.

#### Print Shop Fund

The Print Shop Fund is used to account for the activities of the print shop.

WAKE COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>Direct Federal Grants</u>	<u>State Administered Federal Grants</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ 184,618	\$ 184,618
Due from other governments	100,238	470,879	-	571,117
TOTAL ASSETS	<u>\$ 100,238</u>	<u>\$ 470,879</u>	<u>\$ 184,618</u>	<u>\$ 755,735</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Salaries and benefits payable	\$ 17,433	\$ 438,183	\$ -	\$ 455,616
Accounts payable	82,805	32,696	-	115,501
TOTAL LIABILITIES	100,238	470,879	-	571,117
Fund balances	-	-	184,618	184,618
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100,238</u>	<u>\$ 470,879</u>	<u>\$ 184,618</u>	<u>\$ 755,735</u>

WAKE COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>Direct Federal Grants</u>	<u>State Administered Federal Grants</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:				
Federal	\$ 6,015,253	\$ 34,091,690	\$ -	\$ 40,106,943
Other	-	-	7,350	7,350
TOTAL REVENUES	<u>6,015,253</u>	<u>34,091,690</u>	<u>7,350</u>	<u>40,114,293</u>
EXPENDITURES:				
Instructional programs:				
Regular	1,391,102	2,722,461	-	4,113,563
Special	68	14,434,925	-	14,434,993
Remediation services	794,525	426,328	-	1,220,853
Student services	1,550,856	5,099,210	-	6,650,066
Other	686,658	7,476,659	-	8,163,317
	<u>4,423,209</u>	<u>30,159,583</u>	<u>-</u>	<u>34,582,792</u>
Supporting services:				
Pupil	22,458	28,377	-	50,835
Instructional staff	923,808	696,290	-	1,620,098
General administration	26,916	417,615	-	444,531
School administration	22,025	-	-	22,025
Business	26,700	989,606	-	1,016,306
Central	134,731	26,345	-	161,076
Other	163,001	255,319	-	418,320
	<u>1,319,639</u>	<u>2,413,552</u>	<u>-</u>	<u>3,733,191</u>
Non-program charges	<u>272,405</u>	<u>1,518,555</u>	<u>-</u>	<u>1,790,960</u>
Debt Service:				
Principal	-	-	64,650	64,650
Interest	-	-	7,350	7,350
	<u>-</u>	<u>-</u>	<u>72,000</u>	<u>72,000</u>
TOTAL EXPENDITURES	<u>6,015,253</u>	<u>34,091,690</u>	<u>72,000</u>	<u>40,178,943</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,650)</u>	<u>\$ (64,650)</u>
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>249,268</u>	<u>249,268</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,618</u>	<u>\$ 184,618</u>

WAKE COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF NET ASSETS

NON-MAJOR ENTERPRISE FUNDS

JUNE 30, 2004

	<u>Tuition Programs</u>	<u>Print Shop</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 5,355,564	\$ 43,455	\$ 5,399,019
Accounts receivable	92,223	4,338	96,561
Due from other governments	49,801	9,745	59,546
Prepaid expenses	13,141	-	13,141
Total current assets	<u>5,510,729</u>	<u>57,538</u>	<u>5,568,267</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>223,902</u>	<u>1,725</u>	<u>225,627</u>
TOTAL ASSETS	<u>5,734,631</u>	<u>59,263</u>	<u>5,793,894</u>
<u>LIABILITIES</u>			
Current liabilities:			
Salaries and benefits payable	7,023	-	7,023
Accounts payable	192,435	-	192,435
Total current liabilities	<u>199,458</u>	<u>-</u>	<u>199,458</u>
Noncurrent liabilities:			
Long-term obligations	<u>55,791</u>	<u>-</u>	<u>55,791</u>
TOTAL LIABILITIES	<u>255,249</u>	<u>-</u>	<u>255,249</u>
<u>NET ASSETS</u>			
Invested in capital assets	223,902	1,725	225,627
Unrestricted	<u>5,255,480</u>	<u>57,538</u>	<u>5,313,018</u>
TOTAL NET ASSETS	<u>\$ 5,479,382</u>	<u>\$ 59,263</u>	<u>\$ 5,538,645</u>

WAKE COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Tuition Programs</u>	<u>Print Shop</u>	<u>Total</u>
OPERATING REVENUES:			
Participant fees	\$ 6,724,366	\$ -	\$ 6,724,366
Printing fees	-	687,537	687,537
TOTAL OPERATING REVENUES	<u>6,724,366</u>	<u>687,537</u>	<u>7,411,903</u>
OPERATING EXPENSES:			
Business supporting services:			
Salaries	2,990,144	198,323	3,188,467
Supplies	1,725,811	53,636	1,779,447
Purchased services	681,120	256,504	937,624
	<u>5,397,075</u>	<u>508,463</u>	<u>5,905,538</u>
Other supporting services:			
Employee benefits	353,051	39,256	392,307
Indirect costs	806,525	86,255	892,780
Depreciation	113,138	2,643	115,781
	<u>1,272,714</u>	<u>128,154</u>	<u>1,400,868</u>
TOTAL OPERATING EXPENSES	<u>6,669,789</u>	<u>636,617</u>	<u>7,306,406</u>
OPERATING INCOME	<u>54,577</u>	<u>50,920</u>	<u>105,497</u>
NON-OPERATING REVENUES:			
Interest	129,143	1,450	130,593
TOTAL NON-OPERATING REVENUES	<u>129,143</u>	<u>1,450</u>	<u>130,593</u>
NET INCOME	\$ 183,720	\$ 52,370	\$ 236,090
NET ASSETS, beginning of year	<u>5,295,662</u>	<u>6,893</u>	<u>5,302,555</u>
NET ASSETS, end of year	<u>\$ 5,479,382</u>	<u>\$ 59,263</u>	<u>\$ 5,538,645</u>

WAKE COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Tuition Programs	Print Shop	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user charges	\$ 6,840,745	\$ 687,084	\$ 7,527,829
Payments to employees for services	(3,314,870)	(264,334)	(3,579,204)
Payments to suppliers for goods and services	(2,348,028)	(336,494)	(2,684,522)
Payments for other operating expenses	(837,574)	(92,346)	(929,920)
NET CASH PROVIDED BY (USED FOR ) OPERATING ACTIVITIES	<u>340,273</u>	<u>(6,090)</u>	<u>334,183</u>
CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of equipment	(24,595)	-	(24,595)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	129,143	1,450	130,593
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	444,821	(4,640)	440,181
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,910,743</u>	<u>48,095</u>	<u>4,958,838</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,355,564</u>	<u>\$ 43,455</u>	<u>\$ 5,399,019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 54,577	\$ 50,920	\$ 105,497
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	113,138	2,643	115,781
Increase (decrease) in accounts receivable and due from other governments	85,330	(6,544)	78,786
Increase in prepaid expenses	(3,843)	-	(3,843)
Increase (decrease) in accounts payable and salaries and benefits payable	66,763	(28,167)	38,596
Increase (decrease) in accrued vacation	24,308	(24,942)	(634)
TOTAL ADJUSTMENTS	<u>285,696</u>	<u>(57,010)</u>	<u>228,686</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 340,273</u>	<u>\$ (6,090)</u>	<u>\$ 334,183</u>

WAKE COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual
REVENUES:				
Wake County:				
County appropriation	\$ 218,701,514	\$ 218,701,514	\$ -	\$ 198,600,509
State of North Carolina:				
Textbooks	8,797,801	2,509,413	(6,288,388)	4,154,405
Other	786,884	554,586	(232,298)	352,034
	<u>9,584,685</u>	<u>3,063,999</u>	<u>(6,520,686)</u>	<u>4,506,439</u>
Federal:				
FEMA	-	1,013	1,013	714,972
ROTC	125,000	207,569	82,569	168,100
Medicaid	1,335,129	953,952	(381,177)	240,336
Other	10,000	8,811	(1,189)	8,855
	<u>1,470,129</u>	<u>1,171,345</u>	<u>(298,784)</u>	<u>1,132,263</u>
Other:				
Fines and forfeitures	4,500,000	3,984,824	(515,176)	3,002,434
Interest	2,700,000	1,815,679	(884,321)	2,415,958
Tuitions	777,649	855,413	77,764	784,946
Indirect cost	3,000,000	4,941,851	1,941,851	4,449,709
Other local	3,030,416	3,740,405	709,989	3,417,154
	<u>14,008,065</u>	<u>15,338,172</u>	<u>1,330,107</u>	<u>14,070,201</u>
 TOTAL REVENUES	 <u>243,764,393</u>	 <u>238,275,030</u>	 <u>(5,489,363)</u>	 <u>218,309,412</u>
EXPENDITURES:				
Instructional programs:				
Regular:				
Salaries	49,721,541	48,497,951	1,223,590	45,540,902
Other costs	17,316,523	9,348,179	7,968,344	8,831,781
	<u>67,038,064</u>	<u>57,846,130</u>	<u>9,191,934</u>	<u>54,372,683</u>
Special:				
Salaries	12,570,051	12,490,046	80,005	11,975,241
Other costs	1,413,001	1,413,001	-	1,113,810
	<u>13,983,052</u>	<u>13,903,047</u>	<u>80,005</u>	<u>13,089,051</u>

WAKE COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual
EXPENDITURES (Continued):				
Instructional programs (continued):				
Co-curricular:				
Salaries	\$ 10,752	\$ 2,146	\$ 8,606	\$ 4,066
Other costs	237,821	237,821	-	171,551
	<u>248,573</u>	<u>239,967</u>	<u>8,606</u>	<u>175,617</u>
Remediation Services:				
Salaries	6,343,888	6,343,888	-	7,544,384
Other costs	519,390	519,390	-	556,813
	<u>6,863,278</u>	<u>6,863,278</u>	<u>-</u>	<u>8,101,197</u>
Student services:				
Salaries	10,964,826	10,383,981	580,845	7,426,496
Other costs	1,168,857	1,104,768	64,089	1,173,016
	<u>12,133,683</u>	<u>11,488,749</u>	<u>644,934</u>	<u>8,599,512</u>
Other:				
Salaries	2,006,978	1,909,779	97,199	1,845,028
Employee benefits & other costs	16,341,549	14,417,017	1,924,532	12,852,894
	<u>18,348,527</u>	<u>16,326,796</u>	<u>2,021,731</u>	<u>14,697,922</u>
Total Instructional programs	<u>118,615,177</u>	<u>106,667,967</u>	<u>11,947,210</u>	<u>99,035,982</u>
Supporting services:				
Pupil:				
Salaries	963,903	931,002	32,901	531,861
Other costs	1,213,013	907,592	305,421	1,559
	<u>2,176,916</u>	<u>1,838,594</u>	<u>338,322</u>	<u>533,420</u>
Instructional staff:				
Salaries	2,202,253	2,165,992	36,261	1,995,861
Other costs	1,174,937	1,142,160	32,777	942,137
	<u>3,377,190</u>	<u>3,308,152</u>	<u>69,038</u>	<u>2,937,998</u>
General administration:				
Salaries	3,702,505	3,663,692	38,813	2,938,182
Other costs	3,332,018	2,844,228	487,790	2,494,374
	<u>7,034,523</u>	<u>6,507,920</u>	<u>526,603</u>	<u>5,432,556</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, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	<u>2004</u>		Variance-	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Positive	<u>Actual</u>
			(Negative)	
EXPENDITURES (Continued):				
Supporting services (continued):				
School administration:				
Salaries	\$ 16,694,891	\$ 16,414,987	\$ 279,904	\$ 13,933,028
Other costs	1,197,892	1,197,892	-	1,083,740
	<u>17,892,783</u>	<u>17,612,879</u>	<u>279,904</u>	<u>15,016,768</u>
Business:				
Salaries	18,151,425	17,759,112	392,313	17,280,873
Other costs	44,337,036	43,075,741	1,261,295	39,909,356
	<u>62,488,461</u>	<u>60,834,853</u>	<u>1,653,608</u>	<u>57,190,229</u>
Central:				
Salaries	8,745,328	8,230,239	515,089	7,806,955
Other costs	15,535,222	15,156,910	378,312	15,729,604
	<u>24,280,550</u>	<u>23,387,149</u>	<u>893,401</u>	<u>23,536,559</u>
Other:				
Salaries	1,008,268	972,410	35,858	1,043,233
Employee benefits & other costs	11,104,093	9,934,710	1,169,383	8,643,961
	<u>12,112,361</u>	<u>10,907,120</u>	<u>1,205,241</u>	<u>9,687,194</u>
Total Supporting services	<u>129,362,784</u>	<u>124,396,667</u>	<u>4,966,117</u>	<u>114,334,724</u>
Community services:				
Regular:				
Salaries	179,422	171,403	8,019	2,235,797
Other costs	6,081	3,502	2,579	104,572
	<u>185,503</u>	<u>174,905</u>	<u>10,598</u>	<u>2,340,369</u>
Other:				
Salaries	4,854	4,677	177	46,328
Other costs	35,496	30,846	4,650	410,082
	<u>40,350</u>	<u>35,523</u>	<u>4,827</u>	<u>456,410</u>
Total Community services	<u>225,853</u>	<u>210,428</u>	<u>15,425</u>	<u>2,796,779</u>
Debt service:				
Principal	1,127,683	1,127,683	-	1,306,781
Interest	191,924	191,924	-	124,866
	<u>1,319,607</u>	<u>1,319,607</u>	<u>-</u>	<u>1,431,647</u>

WAKE COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual
Nonprogram charges:				
Indirect Cost	\$ 73,672	\$ 59,168	\$ 14,504	\$ 82,451
Transfer to charter schools	7,402,503	7,073,102	329,401	5,649,370
	7,476,175	7,132,270	343,905	5,731,821
 TOTAL EXPENDITURES	256,999,596	239,726,939	17,272,657	223,330,953
 DEFICIENCY OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(13,235,203)	(1,451,909)	11,783,294	(5,021,541)
 OTHER FINANCING SOURCES (USES):				
Appropriated fund balance	12,824,810	-	(12,824,810)	-
Operating transfers in	4,081,975	3,608,386	(473,589)	2,988,918
Operating transfers out	(3,916,076)	(3,916,076)	-	(69,187)
Capitalized leases	244,494	244,494	-	2,584,150
	13,235,203	(63,196)	(13,298,399)	5,503,881
 DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	(1,515,105)	\$ (1,515,105)	482,340
 FUND BALANCES, beginning of year		\$ 40,502,352		\$ 39,548,440
 INCREASE IN RESERVE FOR INVENTORIES		680,600		471,572
 FUND BALANCES, end of year		\$ 39,667,847		\$ 40,502,352

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STATE PUBLIC SCHOOL FUND  
YEAR ENDED JUNE 30, 2004  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

	<u>2004</u>		Variance- Positive (Negative)	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
State of North Carolina	\$ 466,270,941	\$ 457,248,978	\$ (9,021,963)	\$ 433,123,313
TOTAL REVENUES	<u>466,270,941</u>	<u>457,248,978</u>	<u>(9,021,963)</u>	<u>433,123,313</u>
EXPENDITURES:				
Instructional programs:				
Regular:				
Salaries	227,349,224	223,377,882	3,971,342	212,523,172
Other costs	11,892,117	10,947,525	944,592	11,424,229
	<u>239,241,341</u>	<u>234,325,407</u>	<u>4,915,934</u>	<u>223,947,401</u>
Special:				
Salaries	36,576,774	36,576,774	-	35,305,086
Other costs	2,743,608	2,538,381	205,227	3,366,446
	<u>39,320,382</u>	<u>39,115,155</u>	<u>205,227</u>	<u>38,671,532</u>
Remediation services:				
Salaries	6,719,176	6,630,796	88,380	6,606,642
Other costs	1,833,302	1,831,120	2,182	1,996,301
	<u>8,552,478</u>	<u>8,461,916</u>	<u>90,562</u>	<u>8,602,943</u>
Student services:				
Salaries	29,510,261	28,664,592	845,669	27,153,699
Other costs	278,134	278,134	-	629,811
	<u>29,788,395</u>	<u>28,942,726</u>	<u>845,669</u>	<u>27,783,510</u>
Other:				
Salaries	6,273,579	5,802,287	471,292	5,410,965
Employee benefits & other costs	60,760,446	59,233,115	1,527,331	51,308,043
	<u>67,034,025</u>	<u>65,035,402</u>	<u>1,998,623</u>	<u>56,719,008</u>
Total Instructional programs	<u>383,936,621</u>	<u>375,880,606</u>	<u>8,056,015</u>	<u>355,724,394</u>
Supporting services:				
Pupil:				
Salaries	85,631	85,631	-	53,508
	<u>85,631</u>	<u>85,631</u>	<u>-</u>	<u>53,508</u>
Instructional staff:				
Salaries	3,393,871	3,393,871	-	3,452,059
Other costs	78,937	78,937	-	925
	<u>3,472,808</u>	<u>3,472,808</u>	<u>-</u>	<u>3,452,984</u>

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STATE PUBLIC SCHOOL FUND  
YEAR ENDED JUNE 30, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	<u>2004</u>		Variance- Positive (Negative)	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Continued):				
Supporting services (continued):				
General administration:				
Salaries	\$ 1,915,608	\$ 1,915,608	\$ -	\$ 1,664,958
Other costs	16,616	7,345	9,271	33,048
	<u>1,932,224</u>	<u>1,922,953</u>	<u>9,271</u>	<u>1,698,006</u>
School administration:				
Salaries	25,081,273	24,804,997	276,276	25,329,150
Other costs	901,664	901,664	-	557,547
	<u>25,982,937</u>	<u>25,706,661</u>	<u>276,276</u>	<u>25,886,697</u>
Business:				
Salaries	24,323,921	24,323,921	-	21,987,972
Other costs	12,723,009	12,281,271	441,738	12,448,669
	<u>37,046,930</u>	<u>36,605,192</u>	<u>441,738</u>	<u>34,436,641</u>
Central:				
Other costs	457,966	457,966	-	593,645
	<u>457,966</u>	<u>457,966</u>	<u>-</u>	<u>593,645</u>
Other:				
Salaries	1,642,661	1,621,458	21,203	1,299,771
Employee benefits & other costs	11,706,846	11,489,387	217,459	9,974,227
	<u>13,349,507</u>	<u>13,110,845</u>	<u>238,662</u>	<u>11,273,998</u>
Total Supporting services	<u>82,328,003</u>	<u>81,362,056</u>	<u>965,947</u>	<u>77,395,479</u>
Community services:				
Salaries	5,700	5,700	-	3,132
Employee benefits & other costs	617	616	1	308
Total Community services	<u>6,317</u>	<u>6,316</u>	<u>1</u>	<u>3,440</u>
TOTAL EXPENDITURES	<u>466,270,941</u>	<u>457,248,978</u>	<u>9,021,963</u>	<u>433,123,313</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FEDERAL GRANTS FUNDS  
YEAR ENDED JUNE 30, 2004  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

	Direct				State Administered			
	2004		Variance- Positive (Negative)	2003	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual	Budget	Actual		Actual
REVENUES:								
IDEA	\$ -	\$ -	\$ -	\$ -	\$ 21,885,235	\$ 17,079,708	\$ (4,805,527)	\$ 13,297,153
IASA	-	-	-	-	14,768,812	10,783,574	(3,985,238)	8,941,057
ESEA	-	-	-	-	648,190	576,849	(71,341)	489,225
	-	-	-	-	37,302,237	28,440,131	(8,862,106)	22,727,435
Educational grants and Self supporting projects:								
21st Century Community Learning	-	-	-	-	178,512	169,762	(8,750)	156,078
Abstinence Education	-	-	-	-	139,985	50,687	(89,298)	49,061
Class Size Reduction	-	-	-	-	12,820	10,153	(2,667)	268,858
Educational Technology	-	-	-	-	485,366	344,836	(140,530)	147,977
FIE-Low Performing Schools	-	-	-	-	92,790	77,372	(15,418)	63,548
Homeless Children	-	-	-	-	57,738	42,844	(14,894)	37,919
Improving Teacher Quality	-	-	-	-	4,015,214	2,897,609	(1,117,605)	2,072,781
Language Acquisition	-	-	-	-	551,005	232,151	(318,854)	400,131
Learn & Serve American	-	-	-	-	27,000	26,035	(965)	22,148
Math & Science Education Act	-	-	-	-	6,965	6,965	-	12,433
N.C. School Improvement	-	-	-	-	-	(368)	(368)	457
Program Improvement	-	-	-	-	1,114,296	1,114,296	-	918,747
Safe & Drug Free Schools	-	-	-	-	566,953	456,059	(110,894)	476,820
Technology Literacy	-	-	-	-	-	-	-	6,363
Title I Low Performing Schools	-	-	-	-	105,630	96,501	(9,129)	94,197
Title III Immigrant & Youth	-	-	-	-	193,757	126,657	(67,100)	-
21st Century Community Learning	528,312	526,378	(1,934)	862,589	-	-	-	-
After School Learning	1,183,352	553,626	(629,726)	575,564	-	-	-	-
Alternative Strategies	444,365	438,754	(5,611)	593,490	-	-	-	-
Carol M White Physical Education	493,024	276,765	(216,259)	-	-	-	-	-
Early Reading First	3,250,675	303,510	(2,947,165)	-	-	-	-	-
Emergency Response	452,478	54,750	(397,728)	-	-	-	-	-
Higher Education	3,743	2,506	(1,237)	809	-	-	-	-
Indian Education	35,590	29,924	(5,666)	52,245	-	-	-	-
Magnet School Assistance	3,157,873	2,575,508	(582,365)	2,652,371	-	-	-	-
Safe Schools Healthy Student	176,011	162,600	(13,411)	927,450	-	-	-	-
Smaller Learning	3,337,374	811,829	(2,525,545)	552,594	-	-	-	-
Teaching Matters	622,898	279,103	(343,795)	62,106	-	-	-	-
	13,685,695	6,015,253	(7,670,442)	6,279,218	7,548,031	5,651,559	(1,896,472)	4,727,518
TOTAL REVENUES	13,685,695	6,015,253	(7,670,442)	6,279,218	44,850,268	34,091,690	(10,758,578)	27,454,953

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FEDERAL GRANTS FUNDS  
YEAR ENDED JUNE 30, 2004  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	Direct			State Administered			
	2004	2003		2004	2003		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES:							
Instructional programs:							
Regular:							
Salaries	\$ 161,520	\$ 127,378	\$ 34,142	\$ 1,741,444	\$ 1,448,890	\$ 292,554	\$ 1,377,993
Other	1,828,566	1,263,724	564,842	1,315,270	1,273,571	41,699	1,040,552
	<u>1,990,086</u>	<u>1,391,102</u>	<u>598,984</u>	<u>3,056,714</u>	<u>2,722,461</u>	<u>334,253</u>	<u>2,418,545</u>
Special:							
Salaries	68	68	-	14,547,593	12,496,425	2,051,168	4,701,030
Other costs	-	-	-	3,329,265	1,938,500	1,390,765	849,792
	<u>68</u>	<u>68</u>	<u>-</u>	<u>17,876,858</u>	<u>14,434,925</u>	<u>3,441,933</u>	<u>5,550,822</u>
Remediation Services:							
Salaries	647,450	641,041	6,409	412,284	234,015	178,269	5,603,808
Other costs	186,327	153,484	32,843	282,599	192,313	90,286	852,011
	<u>833,777</u>	<u>794,525</u>	<u>39,252</u>	<u>694,883</u>	<u>426,328</u>	<u>268,555</u>	<u>6,455,819</u>
Student Services:							
Salaries	2,714,442	1,268,513	1,445,929	4,421,192	4,080,428	340,764	3,940,194
Other costs	623,430	282,343	341,087	1,187,732	1,018,782	168,950	174,664
	<u>3,337,872</u>	<u>1,550,856</u>	<u>1,787,016</u>	<u>5,608,924</u>	<u>5,099,210</u>	<u>509,714</u>	<u>4,114,858</u>
Other:							
Salaries	821,046	156,536	664,510	3,831,626	2,797,006	1,034,620	2,453,763
Employee benefits and other costs	1,153,814	530,122	623,692	5,650,966	4,679,653	971,313	3,606,688
	<u>1,974,860</u>	<u>686,658</u>	<u>1,288,202</u>	<u>9,482,592</u>	<u>7,476,659</u>	<u>2,005,933</u>	<u>6,060,451</u>
Total Instructional programs	<u>8,136,663</u>	<u>4,423,209</u>	<u>3,713,454</u>	<u>36,719,971</u>	<u>30,159,583</u>	<u>6,560,388</u>	<u>24,600,495</u>
Supporting services:							
Pupil:							
Salaries	330,559	20,968	309,591	28,377	28,377	-	22,135
Other costs	122,259	1,490	120,769	-	-	-	-
	<u>452,818</u>	<u>22,458</u>	<u>430,360</u>	<u>28,377</u>	<u>28,377</u>	<u>-</u>	<u>22,135</u>
Instructional staff:							
Salaries	1,640,241	495,428	1,144,813	875,992	516,111	359,881	234,016
Other costs	1,626,163	428,380	1,197,783	238,294	180,179	58,115	120,150
	<u>3,266,404</u>	<u>923,808</u>	<u>2,342,596</u>	<u>1,114,286</u>	<u>696,290</u>	<u>417,996</u>	<u>354,166</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, 2004  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual
<b>REVENUES:</b>				
Wake County:				
Appropriation	\$ 4,998,486	\$ 4,998,486	\$ -	\$ 4,399,481
Capital Improvements fund	442,520,861	153,394,820	(289,126,041)	167,528,766
	<u>447,519,347</u>	<u>158,393,306</u>	<u>(289,126,041)</u>	<u>171,928,247</u>
State				
Critical School Need	7,337,296	2,532,179	(4,805,117)	4,661,494
State Bond	3,597,197	1,806,308	(1,790,889)	583,473
Other State	652,373	-	(652,373)	-
	<u>11,586,866</u>	<u>4,338,487</u>	<u>(7,248,379)</u>	<u>5,244,967</u>
Other:				
Sale of school property	-	436,798	436,798	67,685
Interest	14,000	75,866	61,866	54,179
Other local	1,520,278	1,008,386	(511,892)	2,983,873
	<u>1,534,278</u>	<u>1,521,050</u>	<u>(13,228)</u>	<u>3,105,737</u>
<b>TOTAL REVENUES</b>	<u>460,640,491</u>	<u>164,252,843</u>	<u>(296,387,648)</u>	<u>180,278,951</u>
<b>EXPENDITURES:</b>				
Land and buildings:				
Land:				
Purchase of new sites	7,695,623	1,729,043	5,966,580	5,745,279
Buildings:				
General contracts	304,139,444	115,388,002	188,751,442	121,938,569
Heating contracts	10,444,048	4,218,693	6,225,355	5,578,865
Plumbing contracts	3,252,790	1,064,739	2,188,051	1,865,241
Electrical contracts	8,461,407	2,912,979	5,548,428	3,598,868
Architect fees	37,629,518	10,732,720	26,896,798	10,144,579
Equipment contracts	38,118,554	14,749,959	23,368,595	13,809,314
Miscellaneous contracts	41,414,903	8,685,327	32,729,576	10,991,637
	<u>443,460,664</u>	<u>157,752,419</u>	<u>285,708,245</u>	<u>167,927,073</u>
Other:				
Improvements to sites	-	-	-	24,418
Library books	3,235,700	659,783	2,575,917	793,337
	<u>3,235,700</u>	<u>659,783</u>	<u>2,575,917</u>	<u>817,755</u>
	<u>454,391,987</u>	<u>160,141,245</u>	<u>294,250,742</u>	<u>174,490,107</u>
Equipment:				
Instructional	133,822	132,289	1,533	66,931
Administrative	473,030	387,125	85,905	551,732
	<u>606,852</u>	<u>519,414</u>	<u>87,438</u>	<u>618,663</u>

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGET BASIS)  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2004  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

(Continued)

	2004		Variance- Positive (Negative)	2003
	Budget	Actual		Actual
EXPENDITURES (Continued):				
Vehicles:				
Administrative	\$ 13,322	\$ 13,322	\$ -	\$ 5,924
Maintenance	310,020	310,020	-	340,321
School buses	6,503,454	383,458	6,119,996	905,880
	<u>6,826,796</u>	<u>706,800</u>	<u>6,119,996</u>	<u>1,252,125</u>
Debt service:				
Principal	64,650	64,650	-	59,958
Interest	7,350	7,350	-	12,042
	<u>72,000</u>	<u>72,000</u>	<u>-</u>	<u>72,000</u>
 TOTAL EXPENDITURES	 <u>461,897,635</u>	 <u>161,439,459</u>	 <u>300,458,176</u>	 <u>176,432,895</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	 <u>(1,257,144)</u>	 <u>2,813,384</u>	 <u>4,070,528</u>	 <u>3,846,056</u>
 OTHER FINANCING SOURCES (USES):				
Appropriated fund balance	1,423,043	-	(1,423,043)	-
Operating transfer in	3,916,076	3,916,076	-	69,187
Operating transfer out	(4,081,975)	(3,608,386)	473,589	(2,988,918)
	<u>1,257,144</u>	<u>307,690</u>	<u>(949,454)</u>	<u>(2,919,731)</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES - BUDGETARY (NON-GAAP) BASIS	 <u>\$ -</u>	 <u>3,121,074</u>	 <u>\$ 3,121,074</u>	 <u>926,325</u>
Reconciling item (Note A.4.)		<u>64,650</u>		<u>59,958</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES - GAAP		 <u>\$ 3,185,724</u>		 <u>\$ 986,283</u>

WAKE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2004

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2003)

	Child Nutrition Program			Tuition Programs				Print Shop				
	2004		2003	2004		2003	2004		2003			
	Budget	Actual	Variance-Positive (Negative)	Actual	Budget	Actual	Variance-Positive (Negative)	Actual	Budget	Actual	Variance-Positive (Negative)	Actual
REVENUES:												
Federal:												
Regular USDA Grants	\$ 9,740,274	\$ 10,888,909	\$ 1,148,635	\$ 9,119,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:												
Food sales	\$ 19,178,820	\$ 18,422,471	\$ (756,349)	\$ 17,555,871	-	-	-	-	-	-	-	-
Participant Fees	-	-	-	-	11,983,021	6,724,366	(5,258,655)	6,742,024	-	-	-	-
Printing Fees	-	-	-	-	-	-	-	-	687,084	687,537	453	579,236
Interest	374,964	217,541	(157,423)	214,339	-	129,143	129,143	133,500	-	1,450	1,450	175
NCDPI kindergarten breakfast	-	49,153	49,153	63,019	-	-	-	-	-	-	-	-
NCDHHS summer food service	-	78,257	78,257	196,114	-	-	-	-	-	-	-	-
Miscellaneous	-	820,830	820,830	67,423	-	-	-	-	-	-	-	-
	<u>19,553,784</u>	<u>19,588,252</u>	<u>34,468</u>	<u>18,096,766</u>	<u>11,983,021</u>	<u>6,853,509</u>	<u>(5,129,512)</u>	<u>6,875,524</u>	<u>687,084</u>	<u>688,987</u>	<u>1,903</u>	<u>579,411</u>
TOTAL REVENUES	<u>29,294,058</u>	<u>30,477,161</u>	<u>1,183,103</u>	<u>27,216,682</u>	<u>11,983,021</u>	<u>6,853,509</u>	<u>(5,129,512)</u>	<u>6,875,524</u>	<u>687,084</u>	<u>688,987</u>	<u>1,903</u>	<u>579,411</u>
EXPENDITURES:												
Business supporting services:												
Salaries	10,224,583	10,148,518	76,065	9,751,696	3,639,278	2,990,144	649,134	2,823,528	222,497	198,323	24,174	166,554
Food	10,187,202	10,187,202	-	9,884,383	-	-	-	-	-	-	-	-
Supplies	1,375,930	1,375,930	-	1,226,683	4,733,566	1,725,811	3,007,755	887,820	57,312	53,636	3,676	6,857
Purchased services	1,242,000	1,137,884	104,116	1,128,861	1,410,482	681,120	729,362	376,381	279,182	256,504	22,678	309,359
Indirect costs paid	2,198,943	2,198,943	-	2,028,224	1,482,601	806,525	676,076	631,648	86,255	86,255	-	70,320
Equipment purchases	250,000	44,048	205,952	74,259	226,936	24,595	202,341	6,989	-	-	-	-
	<u>25,478,658</u>	<u>25,092,525</u>	<u>386,133</u>	<u>24,094,106</u>	<u>11,492,863</u>	<u>6,228,195</u>	<u>5,264,668</u>	<u>4,726,366</u>	<u>645,246</u>	<u>594,718</u>	<u>50,528</u>	<u>553,090</u>
Other supporting services:												
Employee benefits	3,815,400	3,076,970	738,430	2,776,534	490,158	353,051	137,107	319,737	41,838	39,256	2,582	32,579
	<u>3,815,400</u>	<u>3,076,970</u>	<u>738,430</u>	<u>2,776,534</u>	<u>490,158</u>	<u>353,051</u>	<u>137,107</u>	<u>319,737</u>	<u>41,838</u>	<u>39,256</u>	<u>2,582</u>	<u>32,579</u>
TOTAL EXPENDITURES	<u>29,294,058</u>	<u>28,169,495</u>	<u>1,124,563</u>	<u>26,870,640</u>	<u>11,983,021</u>	<u>6,581,246</u>	<u>5,401,775</u>	<u>5,046,103</u>	<u>687,084</u>	<u>633,974</u>	<u>53,110</u>	<u>585,669</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - BUDGETARY (NON-GAAP) BASIS	\$ -	\$ 2,307,666	\$ 2,307,666	\$ 346,042	\$ -	\$ 272,263	\$ 272,263	\$ 1,829,421	\$ -	\$ 55,013	\$ 55,013	\$ (6,258)
Reconciliation from budgetary (Non-GAAP) basis to GAAP:												
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 2,307,666			\$ 346,042		\$ 272,263		\$ 1,829,421		\$ 55,013		\$ (6,258)
Equipment purchases, net of contributions	44,048			74,259		24,595		6,989		-		-
Depreciation	(683,678)			(531,108)		(113,138)		(109,804)		(2,643)		(4,992)
Loss on disposal of equipment	-			(10,512)		-		-		-		-
Net Income (Loss) (GAAP)	<u>\$ 1,668,036</u>			<u>\$ (121,319)</u>		<u>\$ 183,720</u>		<u>\$ 1,726,606</u>		<u>\$ 52,370</u>		<u>\$ (11,250)</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 SCHOOL FUND

YEAR ENDED JUNE 30, 2004

	<u>Fund Balance</u> <u>July 1, 2003</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u> <u>June 30, 2004</u>
<b>HIGH SCHOOLS:</b>				
Apex	\$ 372,041	\$ 390,055	\$ 412,109	\$ 349,987
Athens	226,090	394,620	408,693	212,017
Broughton	220,600	420,517	384,060	257,057
Cary	259,581	384,363	397,390	246,554
East Wake	156,479	324,171	373,529	107,121
Enloe	362,889	472,108	466,219	368,778
Fuquay-Varina	247,375	301,230	275,479	273,126
Garner	198,388	331,147	394,680	134,855
Green Hope	281,889	402,024	462,870	221,043
Leesville Road	373,198	407,320	377,729	402,789
Middle Creek	32,787	143,160	109,561	66,386
Millbrook	188,632	398,141	391,904	194,869
Sanderson	259,872	313,126	302,256	270,742
Southeast Raleigh	94,816	431,747	391,426	135,137
Wake Forest-Rolesville	156,042	309,275	290,269	175,048
Wakefield	215,621	485,283	436,690	264,214
	<u>\$ 3,646,300</u>	<u>\$ 5,908,287</u>	<u>\$ 5,874,864</u>	<u>\$ 3,679,723</u>
<b>MIDDLE SCHOOLS:</b>				
Apex	\$ 52,664	\$ 145,976	\$ 152,991	\$ 45,649
Carnage	35,073	99,800	98,794	36,079
Carroll	82,186	94,322	77,686	98,822
Centennial	9,273	45,623	45,377	9,519
Daniels	25,534	123,066	117,296	31,304
Davis Drive	37,908	171,029	156,632	52,305
Dillard Drive	67,908	62,959	43,254	87,613
Durant Road	88,291	204,361	198,559	94,093
East Garner	32,841	57,407	72,712	17,536
East Millbrook	69,447	148,714	157,605	60,556
East Wake	44,802	60,722	74,453	31,071
Fuquay-Varina	38,427	91,484	94,918	34,993
Holly Ridge	-	85,537	73,870	11,667
Leesville Road	16,488	188,307	172,329	32,466
Ligon	47,572	165,895	157,798	55,669
Lufkin Road	91,456	107,854	151,558	47,752
Martin	45,524	130,876	135,550	40,850
Moore Square	3,668	13,244	7,940	8,972
North Garner	18,532	49,934	47,540	20,926
Reedy Creek	84,248	80,048	75,107	89,189
Wake Forest-Rolesville	102,420	106,422	112,465	96,377
Wakefield	47,830	92,138	95,159	44,809
West Cary	62,302	87,380	62,660	87,022
West Lake	79,094	157,896	160,424	76,566
West Millbrook	51,838	92,679	89,924	54,593
Zebulon	77,692	55,705	54,290	79,107
	<u>\$ 1,313,018</u>	<u>\$ 2,719,378</u>	<u>\$ 2,686,891</u>	<u>\$ 1,345,505</u>

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

INDIVIDUAL SCHOOL FUND

YEAR ENDED JUNE 30, 2004

(Continued)

	<u>Fund Balance</u> <u>July 1, 2003</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u> <u>June 30, 2004</u>
<b>ELEMENTARY SCHOOLS:</b>				
Adams	\$ 16,773	\$ 36,712	\$ 29,158	\$ 24,327
Apex	54,086	50,449	47,986	56,549
Aversboro	11,320	57,525	49,843	19,002
Baileywick	34,701	35,844	29,097	41,448
Ballentine	5,725	20,912	8,428	18,209
Baucom	17,700	40,868	36,309	22,259
Brassfield	23,111	29,139	30,138	22,112
Brentwood	16,098	16,551	11,304	21,345
Briarcliff	3,650	28,694	23,938	8,406
Brooks	9,011	16,765	11,146	14,630
Bugg	9,656	39,202	36,153	12,705
Carver	15,770	30,116	25,304	20,582
Cary	29,891	22,243	24,553	27,581
Combs	19,664	70,505	68,451	21,718
Conn	12,588	33,753	31,850	14,491
Creech Road	27,199	20,758	21,563	26,394
Davis Drive	29,397	58,128	52,668	34,857
Dillard Drive	82,454	32,918	41,698	73,674
Douglas	31,525	42,721	28,480	45,766
Douglas Discretionary Funds	3,520	1,023	587	3,956
Durant Road	65,611	55,745	96,617	24,739
Farmington Woods	21,816	27,600	27,633	21,783
Fox Road	17,404	53,377	47,009	23,772
Fuller	8,282	11,612	13,120	6,774
Fuquay-Varina	2,711	32,233	24,763	10,181
Green	31,204	32,628	39,765	24,067
Green Hope	33,300	54,087	55,943	31,444
Hilburn	16,035	35,597	41,454	10,178
Hodge Road	4,650	41,558	33,034	13,174
Holly Ridge	-	28,134	26,246	1,888
Holly Springs	47,522	23,100	13,902	56,720
Hunter	7,311	36,057	38,819	4,549
Jeffreys Grove	21,188	54,127	53,558	21,757
Jones Dairy	29,419	34,107	32,249	31,277
Joyner	9,976	19,101	16,879	12,198
Kingswood	40,116	15,330	44,635	10,811
Knightdale	13,766	32,121	35,944	9,943
Lacy	5,807	21,891	23,700	3,998
Lead Mine	51,367	49,753	72,845	28,275
Leesville Road	14,492	45,065	37,433	22,124
Lincoln Heights	32,500	54,119	47,092	39,527
Lockhart	30,409	22,615	15,949	37,075
Lynn Road	15,879	14,442	26,618	3,703
Middle Creek	15,594	26,967	23,119	19,442
Millbrook	18,366	29,009	30,893	16,482

WAKE COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

INDIVIDUAL SCHOOL FUND

YEAR ENDED JUNE 30, 2004

(Continued)

	Fund Balance July 1, 2003	Revenues	Expenditures	Fund Balance June 30, 2004
Morrisville	\$ 93,998	\$ 65,110	\$ 73,244	85,864
North Ridge	9,570	72,027	56,374	25,223
Northwoods	42,338	63,174	63,491	42,021
Oak Grove	58,813	60,505	84,250	35,068
Olds	10,593	12,723	14,263	9,053
Olive Chapel	47,370	83,016	84,731	45,655
Partnership Primary	1,044	21,802	21,759	1,087
Penny Road	36,095	40,275	54,530	21,840
Pleasant Union	25,516	29,634	35,872	19,278
Poe	14,119	10,238	14,766	9,591
Powell	6,772	12,217	15,196	3,793
Rand Road	50,380	30,446	34,959	45,867
Reedy Creek	37,298	38,115	31,812	43,601
Rolesville	33,516	79,854	76,948	36,422
Root	6,728	15,392	9,030	13,090
Salem	30,605	50,177	46,676	34,106
Smith	14,804	15,993	17,157	13,640
Stough	42,082	23,731	31,784	34,029
Swift Creek	21,096	24,708	20,919	24,885
Timber Drive	21,589	81,477	84,690	18,376
Underwood	14,898	21,419	28,686	7,631
Vance	6,646	17,194	16,393	7,447
Vandora Springs	50,736	21,472	20,294	51,914
Wake Forest	37,744	27,563	22,647	42,660
Wakefield	16,161	67,818	70,733	13,246
Washington	18,276	28,139	34,189	12,226
Weatherstone	58,942	28,099	15,928	71,113
Wendell	15,920	18,517	14,588	19,849
West Lake	28,855	48,529	41,345	36,039
Wilburn	8,288	55,323	51,552	12,059
Wildwood Forest	10,975	45,329	47,482	8,822
Wiley	17,166	10,680	5,462	22,384
Willow Springs	21,383	39,683	42,503	18,563
Yates Mill	10,949	36,401	32,178	15,172
York	26,740	20,327	23,187	23,880
Zebulon	14,351	28,228	37,257	5,322
	<u>\$ 1,970,920</u>	<u>\$ 2,880,536</u>	<u>\$ 2,904,748</u>	<u>\$ 1,946,708</u>
Other:				
Longview School	\$ 22,118	\$ 11,112	\$ 17,311	\$ 15,919
Mt. Vernon	3	2,385	1,716	672
Phillips High School	14,798	6,877	3,479	18,196
	<u>\$ 36,919</u>	<u>\$ 20,374</u>	<u>\$ 22,506</u>	<u>\$ 34,787</u>
TOTAL	<u>\$ 6,967,157</u>	<u>\$ 11,528,575</u>	<u>\$ 11,489,009</u>	<u>\$ 7,006,723</u>

WAKE COUNTY BOARD OF EDUCATION

GENERAL SCHOOL SYSTEM EXPENSES BY FUNCTION - DISTRICT-WIDE

<u>Fiscal Year Ended June 30,</u>	<u>Regular Instructional</u>	<u>Other Instructional</u>	<u>Pupil Support</u>	<u>Instructional Support</u>	<u>Administration</u>	<u>Business Support</u>	<u>Central Support</u>	<u>Community Services</u>	<u>Charter School Payments</u>	<u>Depreciation - Unallocated</u>	<u>Other</u>	<u>Total</u>
2004	\$ 353,161,990	\$ 173,566,546	\$ 2,251,615	\$ 9,846,884	\$ 63,373,654	\$ 120,790,995	\$ 24,713,687	\$ 336,666	\$ 7,077,757	\$ 23,960,590	\$ 2,504,362	\$ 781,584,746
2003	336,257,190	163,429,591	933,302	8,887,312	58,703,039	118,439,744	22,419,875	2,609,127	5,649,370	21,167,432	2,542,235	741,038,217
2002	323,009,274	157,875,660	1,037,191	8,840,628	57,123,751	110,092,637	21,832,866	4,272,319	4,482,626	20,071,300	1,313,205	709,951,457

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

WAKE COUNTY BOARD OF EDUCATION

GENERAL SCHOOL SYSTEM REVENUES BY SOURCE - DISTRICT-WIDE

Fiscal Year Ended June 30,	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unrestricted County Appropriations - Operating	Unrestricted County Appropriations - Capital	Unrestricted State Appropriations - Capital	Investment Earnings, Unrestricted	Miscellaneous, Unrestricted	
2004	\$ 1,101,657	\$ 515,294,495	\$ 436,798	\$ 223,700,000	\$ 153,394,820	\$ 4,338,486	\$ 1,906,244	\$6,551,451	\$ 906,723,951
2003	780,885	486,341,647	67,685	202,999,990	167,528,766	5,244,967	2,470,238	7,115,900	872,550,078
2002	2,671,904	470,791,212	104,774	194,529,610	131,388,257	9,525,356	3,236,177	7,557,832	819,805,122

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

WAKE COUNTY BOARD OF EDUCATION  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	State	County Appropriation	County Capital Improvements	Fine and Forfeitures	Federal	Interest	Other	Total
2004	\$ 464,651,464	\$ 223,700,000	\$ 153,394,820	\$ 3,984,824	\$ 41,278,288	\$ 1,891,545	\$10,982,853	\$ 899,883,794
2003	442,874,719	202,999,990	167,528,766	3,002,434	34,866,434	2,470,137	11,703,367	865,445,847
2002	432,238,355	194,529,610	131,388,257	4,609,809	32,779,104	3,236,177	24,606,194	823,387,506
2001	451,647,028	181,140,514	70,436,231	3,535,425	26,467,265	3,615,889	9,503,556	746,345,908
2000	426,076,231	148,440,272	107,370,237	2,489,408	21,226,667	3,542,454	12,184,611	721,329,880
1999	370,421,837	133,584,000	146,726,034	2,655,573	16,426,140	3,401,115	12,091,010	685,305,709
1998	314,650,084	117,937,000	135,508,237	2,465,216	15,091,514	3,174,032	9,907,595	598,733,678
1997	279,219,715	108,496,997	111,229,243	3,162,975	12,485,715	2,868,535	10,478,574	527,941,754
1996	254,326,264	102,841,130	83,186,887	2,063,498	11,383,874	2,408,327	6,287,710	462,497,690
1995	236,500,784	98,519,404	69,670,416	2,145,912	10,520,354	1,517,925	6,293,910	425,168,705

Note: (1) Includes general, state public school, capital projects, debt service, and grant funds.

WAKE COUNTY BOARD OF EDUCATION

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

PER PUPIL AND IN TOTAL

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Average Daily Membership	Regular Instructional	Other Instructional	Pupil Support	Instructional Support	Administration	Business Support	Central Support	Community Services	Debt Service	Other	Total
2004	108,970	\$ 2,719 296,285,100	\$ 2,027 220,846,265	\$ 18 1,975,060	\$ 77 8,401,058	\$ 479 52,216,969	\$ 904 98,456,351	\$ 220 24,006,191	\$ 2 216,744	\$ 13 1,391,607	\$ 306 33,359,515	\$ 6,765 737,154,860
2003	104,373	2,705 282,296,534	1,934 201,889,978	7 760,492	72 7,467,492	463 48,302,640	884 92,269,772	233 24,350,343	27 2,800,219	14 1,503,647	274 28,619,320	6,613 690,260,437
2002	101,397	2,654 269,104,400	1,966 199,429,389	9 874,615	74 7,504,768	468 47,485,476	863 87,464,126	200 20,312,608	42 4,255,328	19 1,912,896	279 28,245,353	6,574 666,588,959
2001	97,583	2,685 261,988,343	1,912 186,616,731	6 560,561	69 6,765,323	436 42,552,751	804 78,471,939	229 22,332,933	39 3,760,888	37 3,573,154	256 24,989,044	6,473 631,611,667
2000	94,353	2,581 243,496,496	1,750 165,147,755	4 374,639	66 6,178,457	406 38,326,020	740 69,852,766	139 13,120,678	38 3,604,158	33 3,073,589	253 23,866,400	6,010 567,040,958
1999	91,580	2,413 220,951,825	1,584 145,106,294	3 245,193	61 5,541,568	372 34,086,630	691 63,257,793	168 15,413,556	83 7,617,465	22 2,016,575	211 19,370,729	5,608 513,607,628
1998	89,548	2,184 195,577,750	1,448 129,697,919	3 239,720	77 6,943,148	330 29,598,343	656 58,699,103	113 10,153,730	82 7,304,448	16 1,390,655	189 16,923,634	5,098 456,528,450
1997	84,575	2,069 174,959,846	1,027 86,872,954	204 17,267,448	146 12,308,901	318 26,859,403	618 52,270,235	66 5,561,991	75 6,375,242	10 862,794	255 21,593,648	4,788 404,932,462
1996	80,203	1,990 159,563,275	1,002 80,355,904	190 15,254,171	140 11,245,852	284 22,756,364	600 48,154,539	65 5,245,612	62 4,953,698	13 1,032,940	243 19,517,727	4,589 368,080,082
1995	76,032	1,921 146,029,043	999 75,930,917	193 14,646,675	157 11,906,141	277 21,122,073	589 44,764,468	61 4,656,796	60 4,594,021	11 832,032	252 19,166,567	4,520 343,648,733
		1,877	1,014	171	158	276	589	61	61	12	251	4,470

Note: (1) Includes general, state public school, debt service, and grant funds.

WAKE COUNTY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND EXPENDITURES  
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Sites and Building Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
2004	\$ 160,141,245	\$ 519,414	\$ 706,800	\$ 161,367,459
2003	174,490,107	618,663	1,252,125	176,360,895
2002	142,204,626	831,271	388,185	143,424,082
2001	109,402,465	1,923,341	334,126	111,659,932
2000	151,449,794	1,382,969	604,459	153,437,222
1999	171,023,653	1,195,936	923,740	173,143,329
1998	138,176,218	1,122,800	1,315,071	140,614,089
1997	111,582,670	6,420,313	1,666,114	119,669,097
1996	84,048,814	2,102,725	677,681	86,829,220
1995	69,783,726	2,005,099	746,897	72,535,722

WAKE COUNTY BOARD OF EDUCATION

ENTERPRISE FUND EXPENSES

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Employee Salaries</u>	<u>Benefits</u>	<u>Food</u>	<u>Donated Commodities</u>	<u>Indirect Costs</u>	<u>Other</u>	<u>Total</u>
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
1998	6,993,374	2,101,921	7,783,369	989,006	1,304,784	2,253,371	21,425,825
1997	6,510,805	2,054,268	7,417,367	762,935	1,259,284	2,122,921	20,127,580
1996	6,253,892	2,018,294	6,524,251	946,957	1,174,403	1,943,210	18,861,007
1995	6,208,771	2,234,311	5,970,042	1,074,920	1,361,409	1,769,716	18,619,169

WAKE COUNTY BOARD OF EDUCATION

ENTERPRISE FUND REVENUES AND OPERATING TRANSFERS IN BY SOURCE

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Food Sales		Participant Fees		USDA Reimbursement		Donated Commodities		Donated Services		Transfers		Other		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2004	\$ 18,422,471	47.41%	\$ 6,724,366	17.30%	\$ 10,888,909	28.02%	\$ 1,663,322	4.28%	\$ -	- %	\$ -	- %	\$ 1,163,081	2.99%	\$ 38,862,149	100%
2003	17,555,871	48.77	6,742,024	18.73	9,119,916	25.34	1,335,204	3.71	\$ -	- %	\$ -	- %	1,243,294	3.45	35,996,309	100
2002	16,644,230	51.26	4,501,694	13.86	8,432,761	25.97	1,827,158	5.63	-	-	-	-	1,065,794	3.28	32,471,637	100
2001	16,548,073	51.96	5,298,301	16.63	7,518,059	23.60	1,176,275	3.70	-	-	-	-	1,308,668	4.11	31,849,376	100
2000	15,240,881	52.22	5,348,346	18.32	7,132,514	24.44	1,022,762	3.50	-	-	-	-	442,886	1.52	29,187,389	100
1999	14,166,860	63.42	-	-	6,817,101	30.52	1,004,370	4.49	-	-	-	-	352,523	1.57	22,340,854	100
1998	13,313,103	62.74	-	-	6,567,173	30.95	989,006	4.66	-	-	-	-	350,238	1.65	21,219,520	100
1997	12,445,674	63.26	-	-	5,912,835	30.05	762,935	3.88	-	-	-	-	552,858	2.81	19,674,302	100
1996	11,039,003	57.64	-	-	5,787,095	30.22	946,957	4.94	249,403	1.30	823,680	4.30	307,087	1.60	19,153,225	100
1995	10,159,061	54.45	-	-	5,790,376	31.03	1,074,920	5.76	436,409	2.34	903,030	4.84	294,293	1.58	18,658,089	100

WAKE COUNTY BOARD OF EDUCATION

PROPERTY TAX LEVIES AND COLLECTIONS FOR WAKE COUNTY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Tax Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Year Levy Collections and Rebates</u>	<u>Percent of Levy Collected</u>	<u>Prior Years' Levy Collections and Rebates</u>	<u>Total Tax Collections and Rebates</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2004	2003	\$ 426,267	\$ 421,512	98.88%	\$ 8,762	\$ 430,274	100.94%	\$ 15,584	3.66%
2003	2002	385,629	379,114	98.31	6,483	385,597	99.99	16,872	4.38
2002	2001	367,136	360,581	98.21	5,864	366,445	99.81	15,841	4.31
2001	2000	345,798	340,646	98.51	4,953	345,599	99.94	13,631	3.94
2000	1999	307,701	302,815	98.41	4,491	307,306	99.87	12,925	4.20
1999	1998	252,121	247,636	98.22	4,509	252,145	100.01	12,021	4.77
1998	1997	237,057	233,441	98.47	5,116	238,557	100.63	10,483	4.42
1997	1996	223,627	218,784	97.83	3,557	222,341	99.42	10,832	4.84
1996	1995	208,651	205,322	98.40	3,826	209,148	100.24	12,755	6.11
1995	1994	228,625	225,847	98.78	3,218	229,065	100.19	10,775	4.71

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION  
ASSESSED VALUE OF TAXABLE PROPERTY FOR WAKE COUNTY  
LAST TEN FISCAL YEARS

(Amounts Expressed in Millions)

<u>Fiscal Year Ended June 30,</u>	<u>Tax Year Ended December 31,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total Assessed Value (1)</u>
2004	2003	\$ 54,348	\$ 10,602	\$ 3,478	\$ 68,428
2003	2002	51,859	10,521	4,075	66,455
2002	2001	49,087	10,392	3,889	63,368
2001	2000	46,042	9,778	3,705	59,525
2000	1999	29,471	9,153	2,835	41,459
1999	1998	27,626	8,515	2,810	38,951
1998	1997	25,972	7,765	2,978	36,715
1997	1996	24,493	6,839	2,997	34,329
1996	1995	23,054	5,903	3,096	32,053
1995	1994	21,761	5,327	3,117	30,205

Notes: (1) 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. 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 North Carolina General Statutes at least every eight years. The last revaluation was completed for the tax year 2000.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

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 (1)			Direct and Overlapping Taxes Levied by Municipalities (3)												Typical Combined Tax Rates		
	County- Wide Rate	Various Special Tax Districts	Average County Rate	Town of Apex	Town of Cary	Town of Fuquay- Varina	Town of Garner	Town of Holly Springs	Town of Knightdale	Town of Morrisville	City of Raleigh	Town of Rolesville	Town of Wake Forest	Town of Wendell	Town of Zebulon	Town of Apex (4)	City of Raleigh (5)	Unincorporated Areas of Wake County (6)
2004	\$.604	\$.100	\$.704	\$.40	\$.42	\$.52	\$.56	\$.53	\$.50	\$.47	\$.40	\$.49	\$.54	\$.54	\$.48	\$1.004	\$1.004	\$.704
2003	.604	.100	.704	.40	.42	.52	.56	.53	.48	.47	.39	.49	.53	.54	.48	1.004	.994	.704
2002	.564	.090	.654	.40	.42	.52	.52	.53	.46	.47	.385	.485	.52	.54	.46	.964	.949	.654
2001 (2)	.564	.070	.634	.42	.43	.49	.52	.53	.44	.47	.385	.485	.50	.54	.46	.984	.949	.634
2000	.73	.085	.815	.52	.54	.59	.64	.62	.53	.60	.525	.62	.60	.59	.525	1.250	1.255	.815
1999	.63	.06-.10	.719	.52	.54	.59	.64	.62	.52	.60	.525	.55	.56	.59	.525	1.15	1.1550	.695
1998	.63	.0211-.10	.712	.52	.54	.59	.64	.62	.52	.60	.5375	.55	.56	.59	.525	1.15	1.1675	.695
1997	.63	.02-.10	.71	.52	.54	.59	.64	.62	.51	.60	.538	.55	.56	.59	.525	1.15	1.168	.695
1996	.63	.04-.10	.72	.52	.54	.59	.64	.62	.51	.60	.544	.55	.56	.59	.525	1.15	1.174	.695
1995	.76	.055-.10	.83	.52	.54	.59	.64	.62	.51	.60	.5725	.55	.56	.59	.525	1.28	1.3325	.82

- Notes: (1) All tangible property is subject to the county-wide tax. Most property in unincorporated areas is also subject to one of twenty-two 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.  
(3) Overlapping debt does not include the debt of the Special Airport District of Durham and Wake Counties and Wake County Hospital system, as these bonds are paid from these units using airport/hospital revenues.  
(4) Includes county-wide and Town of Apex tax rates.  
(5) Includes county-wide and City of Raleigh tax rates.  
(6) Includes county-wide and special district tax, which is considered to be representative for unincorporated areas.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30,2004.

WAKE COUNTY BOARD OF EDUCATION  
TEN PRINCIPAL TAXPAYERS FOR WAKE COUNTY  
YEAR ENDED JUNE 30, 2004

<u>Firm</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>*Tax Levy</u>
Carolina Power and Light Company	\$2,082,486,205	3.13 %	\$12,578,216
Cisco Systems, Inc.	380,256,354	.57	2,296,748
Bellsouth Telephone and Telegraph Company	355,688,558	.54	2,148,358
N. C. Eastern Municipal Power Agency	336,873,909	.51	2,034,718
Weeks Realty	268,421,970	.40	1,621,268
SAS Institute Inc.	225,024,120	.34	1,359,151
Highwoods Realty LTD Partnership	179,832,599	.27	1,075,618
CVM Associates Limited Partnership	170,805,503	.26	1,031,665
Public Service Company	143,730,763	.22	868,133
UDRT of North Carolina	<u>116,333,662</u>	<u>.18</u>	<u>705,790</u>
	<u><u>\$4,259,453,643</u></u>	<u><u>6.42 %</u></u>	<u><u>\$25,719,665</u></u>

\*Includes county property tax and late list penalty only; it does not include fire and special districts.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION  
TEN PRINCIPAL TAXPAYERS FOR WAKE COUNTY  
YEAR ENDED JUNE 30, 2004

<u>Firm</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>*Tax Levy</u>
Carolina Power and Light Company	\$2,082,486,205	3.13 %	\$12,578,216
Cisco Systems, Inc.	380,256,354	.57	2,296,748
Bellsouth Telephone and Telegraph Company	355,688,558	.54	2,148,358
N. C. Eastern Municipal Power Agency	336,873,909	.51	2,034,718
Weeks Realty	268,421,970	.40	1,621,268
SAS Institute Inc.	225,024,120	.34	1,359,151
Highwoods Realty LTD Partnership	179,832,599	.27	1,075,618
CVM Associates Limited Partnership	170,805,503	.26	1,031,665
Public Service Company	143,730,763	.22	868,133
UDRT of North Carolina	<u>116,333,662</u>	<u>.18</u>	<u>705,790</u>
	<u><u>\$4,259,453,643</u></u>	<u><u>6.42 %</u></u>	<u><u>\$25,719,665</u></u>

\*Includes county property tax and late list penalty only; it does not include fire and special districts.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

COMPUTATION OF LEGAL DEBT MARGIN FOR WAKE COUNTY

JUNE 30, 2004

TOTAL ASSESSED VALUE	\$68,427,053,895
CURRENT YEAR ABATEMENTS	<u>437,525,662</u>
ASSESSED VALUE OF TAXABLE PROPERTY	<u><u>\$67,989,528,233</u></u>
DEBT LIMIT - EIGHT PERCENT OF ASSESSED VALUE	\$ 5,439,162,259
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT: TOTAL BONDED DEBT	<u>1,125,535,709</u>
LEGAL DEBT MARGIN	<u><u>\$ 4,313,626,550</u></u>

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

RATIO OF NET GENERAL BONDED DEBT

TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA FOR WAKE COUNTY

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Population Estimate (1)</u>	<u>Total Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2004	725,902	\$68,427,053,895	\$1,125,535,709	\$39,601,655	\$1,085,934,054	1.59 %	\$ 1,496
2003	702,110	66,454,852,090	929,032,416	17,804,515	911,227,901	1.37	1,298
2002	678,651	63,367,929,910	783,406,140	21,797,140	761,609,000	1.20	1,122
2001	653,058	59,525,494,337	639,245,790	-	639,245,790	1.07	979
2000	627,846	41,458,793,931	519,309,152	-	519,309,152	1.25	827
1999	592,218	38,950,857,860	532,617,834	-	532,617,834	1.37	899
1998	574,828	36,715,051,446	565,690,000	-	565,690,000	1.54	984
1997	556,853	34,337,422,702	435,045,000	-	435,045,000	1.27	781
1996	538,131	32,053,919,127	358,445,000	-	358,445,000	1.12	666
1995	512,944	30,205,217,044	270,595,000	-	270,595,000	0.90	528

Note: (1) Estimates of Wake County Planning Department. 2000 figure is from the April 1, 2000 Census.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR

GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES FOR WAKE COUNTY

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
2004	\$ 61,348,461	\$ 41,094,397	\$ 102,442,858	\$ 943,183,279	10.86%
2003	51,900,000	35,429,497	87,329,497	850,158,811	10.27
2002	43,822,447	29,813,817	73,636,264	766,431,783	9.61
2001	37,943,483	24,046,603	61,990,086	690,033,760	8.98
2000	37,070,620	24,412,642	61,483,262	657,421,517	9.35
1999	37,213,542	26,244,281	63,457,823	650,028,962	9.76
1998	20,099,017	29,156,561	49,255,578	564,735,179	8.72
1997	24,514,180	16,372,628	40,886,808	504,606,592	8.10
1996	20,480,532	12,569,443	33,049,975	447,929,765	7.38
1995	20,693,566	13,463,690	34,157,256	426,962,410	8.00

Note: (1) Excludes bond issuance and other charges.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

COMPUTATION OF DIRECT AND OVERLAPPING DEBT FOR WAKE COUNTY

JUNE 30, 2004

	<u>Net Bonded Debt</u>	<u>Percentage Applicable to Wake County</u>	<u>Amount Applicable to Wake County</u>
DIRECT DEBT - Wake County	\$1,085,934,054	100	\$1,085,934,054
OVERLAPPING DEBT (1)			
Apex	4,650,000	100	4,650,000
Cary	62,654,047	100	62,654,047
Garner	1,019,214	100	1,019,214
Holly Springs	1,800,000	100	1,800,000
Knightdale	2,839,632	100	2,839,632
Morrisville	2,300,000	100	2,300,000
Raleigh	159,493,150	100	159,493,150
Rolesville	-	100	-
Wake Forest	2,837,375	100	2,837,375
Wendell	1,078,901	100	1,078,901
Zebulon	-	100	-
TOTAL OVERLAPPING DEBT			<u>238,672,319</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$1,324,606,373</u>

Note: (1) Overlapping debt does not include debt of the Special Airport District of Durham and Wake Counties, as these bonds are payable by the Airport Authority out of airport revenues.

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

DEMOGRAPHIC STATISTICS FOR WAKE COUNTY

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Population Estimate (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Income (1)</u>	<u>Retail Sales (1) (in billions)</u>
2004	725,902	108,620	4.1%	*	*
2003	702,110	104,373	5.1	*	\$12.402
2002	678,651	101,397	4.5	\$35,515	12.018
2001	653,058	97,583	1.9	36,870	12.546
2000	627,846	94,353	1.4	36,581	11.614
1999	592,218	92,865	1.5	35,759	11.536
1998	575,696	90,098	1.6	33,780	11.500
1997	556,853	84,757	2.0	29,384	10.178
1996	538,131	80,646	2.2	28,858	8.441
1995	512,944	76,032	2.6	26,764	7.649

\*Amounts not available.

Source: (1) Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS FOR WAKE COUNTY

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Property Value	Non-Residential Construction		Residential Construction		Additions, Alterations		Total Construction		Bank Deposits on June 30,
			Number of Units	Value	Number of Units	Value	Number of Units	Value	Number of Units	Value	
2004	2003	\$ 68,427,053,895	383	\$ 351,067,104	8,748	\$ 1,270,161,240	5,434	\$ 228,300,870	14,565	\$ 1,849,529,214	\$ 9,358,621,000
2003	2002	66,454,852,090	308	210,641,954	9,214	1,293,812,755	5,191	277,037,884	14,713	1,781,492,593	8,538,970,000
2002	2001	63,367,929,910	581	540,810,935	9,467	1,311,046,317	4,726	196,878,710	14,774	2,048,735,962	7,829,170,000
2001	2000	59,525,494,337	890	798,286,992	8,380	1,168,792,550	4,509	182,037,332	13,779	2,149,116,874	6,832,513,000
2000	1999	41,458,793,931	852	637,440,163	9,182	1,236,600,861	3,948	186,459,859	13,982	2,060,500,883	6,588,668,000
1999	1998	38,766,963,257	704	593,497,558	9,318	1,174,371,137	4,087	167,795,624	14,109	1,935,664,319	6,055,773,000
1998	1997	36,715,051,446	625	514,560,689	8,271	994,740,760	4,153	110,120,081	13,049	1,619,421,530	5,611,398,000
1997	1996	34,337,422,702	555	390,966,600	7,279	881,942,328	3,418	94,789,754	11,252	1,367,698,682	5,262,232,000
1996	1995	32,053,919,127	684	368,216,700	6,607	825,305,239	3,012	69,198,103	10,303	1,262,270,132	5,122,700,000
1995	1994	30,205,217,044	1,043	191,321,844	9,200	698,915,180	3,383	156,946,541	13,626	1,245,183,585	4,655,164,000

Source: Wake County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION

MISCELLANEOUS STATISTICS

YEAR ENDED JUNE 30, 2004

Area - Wake County	864 Square Miles (1)
Population - Wake County	
2002 Estimate	725,902 (1)
Median Age - 2002 Estimate	32.98 (1)
Enrollment	108,970
Schools:	
Elementary	80
Middle	26
High	16
Special	3
Racial Composition:	
White	59%
Black	27%
Other Minority	14%
Employees (Approximate)	15,049
Graduating Class	6,071
Transportation	747 School Buses

(1) Source: Wake County, North Carolina, Comprehensive Annual  
Financial Report for the year ended June 30, 2004.

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2004

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Revenues		Expenditures	
				Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
<b>FEDERAL GRANTS:</b>							
<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	\$ 14,354,802	\$ 10,491,036	\$ -	\$ 10,491,036	\$ -
Migrant Education-Basic State Formula:							
Regular	84.011	98-51-920	414,010	292,538	-	292,538	-
Total I.A.S.A., Title I				10,783,574	-	10,783,574	-
I.A.S.A., Chapter II -							
Improving School Programs: Formula Grants	84.151	98-59-920	648,190	576,849	-	576,849	-
Total I.A.S.A., Title II				576,849	-	576,849	-
Education of the Handicapped Act:							
Pre-School Grant	84.173	98-49-920	659,055	526,023	-	526,023	-
Handicapped	84.027	98-60-920	20,704,614	16,280,059	-	16,280,059	-
Capacity Building Improvement	84.027	99-44-920	517,273	269,333	-	269,333	-
School Renovation	84.352	101	4,293	4,293	-	4,293	-
Total Education of the Handicapped Act				17,079,708	-	17,079,708	-
Vocational Education:							
Federal Tech. Preparation	84.048	98-17-920	1,114,296	1,114,296	-	1,114,296	-
Total Vocational Education				1,114,296	-	1,114,296	-
Math and Science Education Act	84.281	98-67-920	6,965	6,965	-	6,965	-
Drug Free Schools and Communities	84.186	98-48-920	566,953	456,059	-	456,059	-
Learn and Serve America	94.004	00-64-920	27,000	26,035	-	26,035	-
Class Size Reduction Act	84.340	00-85-920	12,820	10,153	-	10,153	-
Education for Homeless Children	84.196	98-26-920	57,738	42,844	-	42,844	-
School Improvement	84.276	98-53-920	-	(368)	-	(368)	-
21st Century Community Learning	84.287C	110	178,512	169,762	-	169,762	-
Educational Technology	84.318X	107	485,366	344,836	-	344,836	-
FIE-Low Performing Schools	84.332	41	92,790	77,372	-	77,372	-

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2004

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Revenues		Expenditures	
				Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
Improving Teacher Quality	84.367A	103	4,015,214	2,897,609	-	2,897,609	-
Language Acquisition	84.365A	104	551,005	232,151	-	232,151	-
Title I Low Performing Schools	84.332	40	105,630	96,501	-	96,501	-
Title III Imigrant & Youth	84.365A	111	193,757	126,657	-	126,657	-
Direct Programs:							
Magnet School Assistance	84.165	319	3,157,873	2,575,508	-	2,575,508	-
Indian Education Act	84.060A	310	35,590	29,924	-	29,924	-
Safe Schools and Healthy Students	84.184L	306	176,011	162,600	-	162,600	-
21st Century Community Learning Center	84.287A	308	528,312	526,378	-	526,378	-
Effective Alternative Strategies	84.184M	315	444,365	438,754	-	438,754	-
After School Learning	84.287B	317	1,183,352	553,626	-	553,626	-
High Education	10.226	325	3,743	2,506	-	2,506	-
Emergency Response	84.18E	347	452,478	54,750	-	54,750	-
Early Reading First	84.359	350	3,250,675	303,510	-	303,510	-
Smaller Learning Communitites	84.215L	326	3,337,374	811,829	-	811,829	-
Carol M White Physical Education	84.215	349	493,024	276,765	-	276,765	-
Transition to Teaching Program	84.350A	340	622,898	279,103	-	279,103	-
				10,501,829	-	10,501,829	-
Total U.S. Department of Education				40,056,256	-	40,056,256	-
<u>U.S. Department of Agriculture</u>							
Passed through the N.C.							
Department of Public Instruction:							
National School Lunch Program	10.555		7,694,816	8,556,698	-	8,556,698	-
School Breakfast Program	10.553		2,045,458	2,332,211	-	2,332,211	-
Summer Food Service Program	10.559		-	78,257	-	78,257	-
Passed through the N.C.							
Department of Agriculture:							
Food Distribution Program-							
Donated Commodities (Non-Cash Program)	10.550		1,663,322	1,663,322	-	1,663,322	-
Total U.S. Department of Agriculture				12,630,488	-	12,630,488	-

Continued on Following Page

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2004

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Revenues		Expenditures	
				Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
<u>Federal Emergency Management Agency</u>							
Passed through the N.C. Department of Crime Control and Public Safety: Division of Emergency Management	83.516		-	1,013	-	1,013	-
<u>U.S. Department of Agriculture</u>							
Impact Area Grants	84.041		10,000	8,811	-	8,811	-
<u>Other Federal Assistance:</u>							
<u>U.S. Department of Defense Direct Program</u>							
ROTC	12.xxx		125,000	207,569	-	207,569	-
<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	139,985	50,687	-	50,687	-
Medicaid Program	93.xxx		1,335,129	953,952	-	953,952	-
Refugee Children School Impact Grant	93.xxx		50,000	610	-	18,562	-
Total Federal Assistance				53,909,386	-	53,927,338	-
<u>STATE GRANTS:</u>							
<u>N. C. Department of Public Instruction</u>							
State Public School Fund			445,025,957	436,003,994	-	436,003,994	-
Textbooks			8,797,801	2,509,413	-	2,509,413	-
Vocational Education:							
Months of Employment			20,026,530	20,026,530	-	20,041,502	-
Support Funds			1,218,454	1,218,454	-	1,163,011	-
Total Vocational Education				21,244,984	-	21,204,513	-
Critical Needs Fund			7,337,296	2,532,178	-	2,532,178	-
State Kindergarten Breakfast			-	49,153	-	49,153	-
USDL Start-Online Project			18,553	5,000	-	774	-
Out of District Placement Program			84,550	84,550	-	-	-
Community Services			100,000	100,000	-	100,000	-
Reading/Language Development			151,074	101,034	-	100,933	-
Preschool Literacy Training			159,730	127,251	-	139,535	-

WAKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2004

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Revenues		Expenditures	
				Grantor Recognized	Grantee Contributions	Grantor Funded	Grantee Funded
<u>N. C. Department of Environment and Natural Resources</u>							
Mobile Source Emission			100,000	-	-	-	-
<u>N. C. Department of Cultural Resources</u>							
Powerful Partners			50,000	53,120	-	50,000	-
<u>Office of the Governor</u>							
Governor's Crime Commission:							
CYBER Saturday			26,742	27,600	-	19,572	-
REACH Project			46,235	55,421	-	46,235	-
Public School Building Bond Fund Passed-through Wake County			3,597,197	1,806,307	-	1,806,307	-
Total State Assistance				464,700,005	-	464,562,607	-
TOTAL FINANCIAL ASSISTANCE				\$ 518,609,391	-	\$ 518,489,945	-
Total Program or Award Amount			\$ 558,199,807				

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

WAKE COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2004

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, North Carolina 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, North Carolina received non-cash assistance in the form of food commodities. Commodities with a fair value of \$1,663,322 were received during the year ended June 30, 2004. These commodities received were included in the determination of federal awards expended for the year ended June 30, 2004.