

Documents Submitted in Support of  
WS/FCS Request for Waiver of 1% Penalty

August 28, 2025

<b>Exhibit</b>	<b>Description</b>
<b>A</b>	WS/FCS Notice of Appeal Letter <b>Date:</b> August 18, 2025
<b>B</b>	Weekly or Bi-Weekly Updates to the State Board of Education <b>Dates:</b> May 19, 2025 – August 14, 2025
<b>C</b>	North Carolina Office of State Auditor Report <b>Date:</b> August 14, 2025
<b>D</b>	WS/FCS Community Budget Updates, including copies of presentations and other documents <b>Dates:</b> May 8, 2025 – August 15, 2025
<b>E</b>	Community Letters of Support
<b>F</b>	Relevant News Articles

# **Exhibit A**



P.O. Box 2513 ▪ Winston-Salem, NC 27102-2513

August 18, 2025

North Carolina State Board of Education  
Attn: Eric C. Davis, Chairman  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
[Eric.Davis@dpi.nc.gov](mailto:Eric.Davis@dpi.nc.gov)

Re: Notice of Appeal of Imposition of Penalty on Overspent State Funds

Dear Chair Davis,

The WS/FCS Board of Education (“Board”) is in receipt of the letter from Superintendent Mo Green and Deputy Superintendent Maria Pitre-Martin, regarding the overdraft in the amount of \$11,334,545.33 in State funds and the imposition of a one percent penalty beginning on September 20, 2025. The district is appreciative of the grace period granted by the Department of Public Instruction before commencing the imposition of the penalty. Please accept this letter as the district’s appeal of the imposition of the monthly penalty, pursuant to State Board of Education Policy ALOT -002.

Please understand that it is the intent of WS/FCS to repay the debt owed to the State as quickly as possible. However, the imposition of a monthly one percent penalty would further compound the district’s debt obligation and lengthen the amount of time it would take to repay the debt, thereby exacerbating the potential negative impact to students. The district desires to maintain forward momentum towards improving its financial situation.

On Thursday, August 14, 2025, the Forsyth County Commissioners approved the district’s request to reallocate \$3.8 million in unspent capital funds and a one-time payment of \$4.7 million to the district, for a total of approximately \$8.5 million. We will use these funds to pay a portion of the \$11.3 million we owe the state for overspending on non-instructional support, and will do so prior to September 20. This payment would still leave an unpaid balance owed to the State.

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
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[Catty Moore, Interim Superintendent](#)



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The district has maximized all available revenue sources, but continues to struggle to resolve all of its outstanding financial obligations that are in addition to the debt owed to the State. The district still owes approximately \$16 million to three large service providers. We have initiated discussions with these service providers about entering into a payment plan to resolve these debts, which will likely take years to resolve. We also anticipate that after final year-end reconciliations are completed, the local fund deficit remains at approximately \$11 million and an additional \$6.4 million for Funds 4 and 8. We also owe \$2 million to our Child Nutrition Fund.

The district previously identified cost savings of approximately \$45 million for the 2025-2026 budget. On Tuesday, August 12, Interim Superintendent Catty Q. Moore reported that additional reductions will be needed in order to balance the 2025-2026 budget. In the last month, the district has worked with HIL Consultants to review budgets and local, state, and federal funding sources; personnel funding and allotments; and non-personnel funding and obligations for the 2025-2026 fiscal year. HIL's analysis identified several areas where the district is staffed above state allotments or providing services well above state standards and those of comparable districts. Based on the recommendations and our review, the district believes it will need to make an additional \$19.3-\$25.3 million in reductions to have a balanced budget for this fiscal year. The [full HIL report](#) is available online for your review. Interim Superintendent Moore will bring a recommendation for a second Reduction in Force (RIF) to the Board of Education on Tuesday, August 19.

The Board has submitted a letter to our local elected delegation at the General Assembly for assistance in allocating up to \$50.1 million to resolve the district's outstanding financial obligations. Several of the legislators responded expressing concerns over the timing of the request, however, the Board is planning to meet with our state delegates in September to discuss the possibility of financial assistance at a future session of the General Assembly. Without assistance from the legislators, the Board will not be able to generate the revenue needed to resolve its debts.

Bottom line: it will take the WS/FCS years to recover from this financial crisis. There is no surplus of funds currently available to WS/FCS to pay the state debt in full; the district would have to pay it back over time. The imposition of a one-percent penalty on the total debt owed to the State will equate to an additional approximately \$113,345 added to the debt each month

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which, compounded monthly over the course of a year, would increase the debt by approximately \$1.5 million. Without any additional revenue streams, imposing a penalty would make it much more difficult, and would take the district even longer, to repay the State funds. In light of the significant financial hardship that WS/FCS is currently experiencing, WS/FCS is requesting that the State Board waive Board Policy ALOT-002 as well as any and all penalties associated with the over-expenditure of State funds.

We would be happy to meet with you to discuss our plan for repayment or to provide any additional information that the State Board may need in evaluating our appeal. We will continue to provide bi-weekly reports to DPI and the State Board as requested in your previous letter on July 19th. If you have any questions or would like to discuss this matter further, please do not hesitate to contact me.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

A handwritten signature in black ink that reads 'Deanna Kaplan'.

---

Deanna Kaplan, Board Chair

cc: North Carolina State Board of Education  
WS/FCS Board of Education  
Angela Clark, WS/FCS Interim Chief Finance Officer  
Amanda Lehmert Killian, WS/FCS Chief Communications Officer  
Chris Weikart, WS/FCS Chief Human Resource Officer  
Dionne Jenkins, WS/FCS General Counsel  
Allison Schafer, State Board of Education General Counsel

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# **Exhibit A**



P.O. Box 2513 ▪ Winston-Salem, NC 27102-2513

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Sincerely,  
Winston-Salem/Forsyth County Board of Education

A handwritten signature in black ink that reads 'Deanna Kaplan'. The signature is written in a cursive style with a horizontal line underneath.

Deanna Kaplan, Board Chair

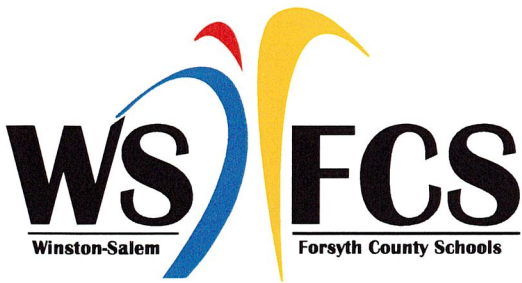
cc: North Carolina State Board of Education  
WS/FCS Board of Education  
Angela Clark, WS/FCS Interim Chief Finance Officer  
Amanda Lehmert Killian, WS/FCS Chief Communications Officer  
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[Catty Moore, Interim Superintendent](#)

# **Exhibit B**



P.O. Box 2513 • Winston-Salem, NC 27102-2513

May 15, 2025

North Carolina State Board of Education  
North Carolina Department of Public Instruction  
Attn: Eric C. Davis, Chairman  
Attn: Maurice “Mo” Green, Superintendent  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
Eric.Davis@dpi.nc.gov  
Mo.Green@dpi.nc.gov

Re: Corrective Action Response

Dear Chair Davis and Superintendent Green,

The Winston-Salem/Forsyth County Board of Education (“Board”) is in receipt of your letter dated May 1, 2025, directing the Board to respond to concerns raised regarding the current fiscal year budget and detailing what measures the Board will take or has taken to mitigate any budget shortfall for the 2024-2025 school year. The Board acknowledges the role of the State Board of Education, pursuant to G.S. §115C-451, in providing financial oversight of local boards of education. The Board is committed to resolving its ongoing budget concerns and to complying with all requirements related to the management of its budget. Therefore, the Board submits this corrective action response for review by the State Board of Education.

In the aftermath of the COVID pandemic, ESSER funds provided much needed financial assistance to support the growing academic and mental health needs of students, including the hiring of additional staff and programmatic improvements. Meanwhile, the Board, like other school districts across the state, has been experiencing a gradual decline in average daily membership for the past several years. Unfortunately, the district did not adequately forecast and plan for the significant number of reductions to personnel and/or programming that would need to be made upon the conclusion of the ESSER funds. The Board currently finds itself in a very unfortunate financial situation, not unlike other districts across the state. The Board believes it is important to assure the State Board of Education and Department of Public Instruction that the cause of the current budget shortfall was not due to any intentional mismanagement or fraudulent activity by any school official.

While there were several findings noted in your letter regarding our FY2024 audit, the Board would like to clarify one of the issues regarding over-expenditure in the Child Nutrition Funds. The Child Nutrition department has had an excess fund balance for several years. In

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Tricia McManus, *Superintendent*

FY2024, due to its excess fund balance, the Department of Public Instruction required the Child Nutrition department to submit a spend-down plan to reduce their fund balance to an amount not to exceed a three-month operating balance. The Child Nutrition department submitted the required spend-down plan to the Department of Public Instruction, which included a \$5 million appropriation from its fund balance. The Department of Public Instruction approved the department's spend-down plan.

In an effort to resolve its current budgetary concerns, the Board has contracted with Hurd, Isenhour, Lopes, LLC ("HIL Consultants") to provide assistance in the resolution of the 2024-2025 budget and the mitigation of any further shortfalls. HIL Consultants is under contract to support the Board through the end of this fiscal year, June 30, 2025. The services and support to be provided by HIL Consultants is detailed in the attached Scope of Work (see **Exhibit A**). The district has already identified measures it can take to address some of the concerns identified in the May 1<sup>st</sup> letter from the State Board of Education, to wit:

- After the FY2024 audit results, and prior to contracting with HIL consultants, the district initiated its own cost-saving measures. For example, it froze hiring of personnel, it eliminated the ability of certain staff to take home district-owned vehicles, it froze all unnecessary spending such as conferences and travel, eliminated building-based substitute positions, reduced summer school options to only the state-mandated Read to Achieve programs, and moved 39 state-funded positions to federal grant funds, where allowable. The total savings from these efforts was approximately \$5 million.
- The district is collaborating with various department heads to identify open and/or outstanding purchase orders and cancelling any unnecessary contracts through June 30, 2025.
- HIL Consultants is working with the Superintendent, Interim Chief Finance Officer, Chief Human Resource Officer, and other district staff to transfer additional position allotments that were paid for with State funds to other available funding sources to reduce the deficit owed to the State.
- The Board will resolve the \$3.7 million ESSER deficit by the end of May.
- HIL Consultants is currently reviewing our records to verify the shortfall for the 2024-2025 school year as well as to advise on any additional cost saving measures to avoid any further shortfalls in the 2024-2025 budget.

In addition to the above active and ongoing efforts, the Board is continuing other efforts to address concerns with the 2024-2025 budget shortfalls as well as to ensure it will be in compliance regarding its 2025-2026 budget.

- The Board is in the process of hiring an Interim Superintendent. While that process is not yet at a point where a public announcement can be made, the Board has identified preferences for an individual who has a proven track record for success, experience working as a Superintendent in a school district similar to or larger in size than WS/FCS, and experience overcoming budgetary challenges. The Board desires to hire a strong candidate to help lead the Board and the district through these challenging financial times.
- The Board recently appointed Freida Lashmit as its Interim Chief Finance Officer. Ms. Lashmit has over thirty years of experience in school finance and is very familiar with the financial systems utilized by the district. Ms. Lashmit will serve as Interim CFO until June 30, 2025. Meanwhile, the Board will announce the Chief Finance Officer vacancy and solicit applications from individuals to serve for an extended period of time. Likewise, the Board seeks to appoint a Chief Finance Officer who has previous experience with North Carolina school finance, preferably in a district similar to or larger in size as WS/FCS.
- Should the Board decide to contract with HIL Consultants beyond June 30, 2025, the Superintendent, Chief Finance Officer, and Chief Human Resource Officer will continue to have access to the consultants to identify additional reductions and cost saving measures necessary to avoid any budget shortfalls for the 2025-2026 school year. Additionally, the Board will submit a more timely audit to the State for FY2025 and remedy any conditions that could lead to a delayed audit submission in future years.
- Between now and June 30, 2025, the district will review and, as necessary, revise its current system of internal controls and communication protocols to ensure the Board has accurate and timely financial information in order to make critical decisions on behalf of the district. For example, each month the Board will receive a financial report that includes a comparison of budget to actual expenses. Additionally, it will align all employee positions to the appropriate budget code to ensure there is adequate funding for the position.
- The Board is currently in the process of a large-scale systems modernization effort with Tyler-Munis. Effective July 1, 2025, the new system will be utilized for all purchasing efforts involving the expenditure of district funds. All payroll functions will be converted to the new system in January of 2026. Updating the district's purchasing and payroll management systems will ensure more transparency in spending and enable the Board to leverage more internal controls to ensure its state and local funds are not overspent.

- The district has already identified approximately \$23.4 million in savings for the 2025-2026 budget and is mapping out an additional \$13 million in savings for a total of \$36 million. These measures include, but are not limited to, a reduction in force of 81 central office positions, reducing school allotments by 148 positions, reducing take home cars and cell phones used by district and certain school staff, eliminating building based substitutes and non-renewing the ESS substitute contract, eliminating traffic control positions, eliminating the lease for Kingswood School and moving the school to an existing campus, and reducing the funding of supplemental digital resources.

The Board fully intends to comply with all laws and regulations related to budgeting, management and expenditure of public funds, and remains committed to ongoing transparency and cooperation throughout its budget development and management process. We will follow-up to the State Board of Education by no later than May 22, 2025, with additional information on the budget shortfall for the 2024-2025 school year. If additional information is needed, the Board will fully cooperate with any additional requests of the State Board of Education and Department of Public Instruction. The Board would also welcome any additional support that may be provided by the Department of Public Instruction and State Board of Education regarding this matter.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

  
\_\_\_\_\_  
Deanna Kaplan, Chairman

  
\_\_\_\_\_  
Tricia McManus, Superintendent

Enclosure as Stated

cc: WS/FCS Board of Education  
Freida Lashmit, Interim Chief Finance Officer  
Chris Weikart, Chief Human Resource Officer  
Dionne Jenkins, General Counsel



Post Office Box 9032, Hickory, NC 28602

April 30, 2025

Dr. Trica McManus  
Superintendent  
Winston-Salem Forsyth County Schools  
475 Corporate Square Drive  
Winston-Salem, North Carolina 27105

Dear Dr. McManus:

School leaders are making difficult resource decisions. Educators must navigate a complex system of local, state, and federal resource allocation and accountability. This “business” side of schools is one for which most administrators and boards can use assistance.

Getting the job done with maximum efficiency is what *Hurd, Isenhour, Lopes, LLC (HIL)* is all about. We can help schools apply business efficiencies to school operations to gain more resources for schools. Our educators and MBAs/CPAs work together to ensure that schools and districts achieve efficiencies that can be used to benefit students.

Our experienced team includes educators, risk management, technology, curriculum, special education, transportation, and human resources consultants with public K-12 experience along with MBAs/CPAs and research analysts.

### **Scope of Work**

HIL will provide Winston-Salem Forsyth County Schools (WSFCS) with advisory and consulting services for the district beginning April 2025 until June 30, 2025. The project will be managed by HIL Partners.

The objective of this engagement is to provide WSFCS with advisory and financial support. At the conclusion of our engagement, HIL will provide written documentation to Superintendent detailing observations and recommendations.

The engagement will include the following:

- Provide on-site visits to provide oversight and support to the finance staff.
- Review and analyze the Local, State, Special Revenue Fund, and Capital Outlay budgets for the purpose of estimating potential deficits or remaining fund balance as of June 30, 2025.
- Assist in resolving the payroll audit exceptions.
- Recommend potential savings to the district during the review and analysis process.
- Provide assistance to WSFCS leadership in the preliminary development of the 2025-2026 budget.
- Analyze and review the State Budget allotments for the purpose of eliminating deficits as June 30, 2025.
- Provide assistance to the finance staff during the transition of the Chief Finance Officer position.

**Winston-Salem Forsyth County Schools**

**April 30, 2025**

**Page 2 of 3**

Based on the results of our review, additional services may be identified or required. In such an event, we will request your approval before rendering these services, and we will render additional invoices for time and expenses incurred. Our procedures are not designed to detect misstatements or violations of laws or governmental regulations. However, we will inform you of any fraudulent finance and financial reporting or misappropriation of assets that come to our attention during this engagement. We will also inform you of any violations of laws or government regulations that come to our attention, unless clearly inconsequential.

**Management Responsibilities**

In engaging with HIL, our understanding is that you will be responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee the consulting services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

We request that you contact us in advance of your intent to print or reproduce any of our consulting work products, in whole or in part, and give us the opportunity to review such printed matter before its issuance. With regard to the electronic dissemination of our consulting work product, HIL is not responsible for the accuracy of information posted on your website.

**Administration, Fees, and Other Information**

The documentation for this engagement is the property of Hurd, Isenhour, Lopes, LLC and constitutes confidential information. However, we may be requested to make certain documentation available to Federal or State regulators pursuant to authority given to these regulators by law or regulation. If requested, access to such documentation will be provided under the supervision of HIL's personnel. Furthermore, upon request, we may provide copies of selected documentation to such Federal or State regulators. The regulatory authority may intend or decide to distribute the copies or information contained therein to others, including other government agencies.

Based upon the current scope for this engagement we estimate that our fees and expenses *for these are as follows:*

*To not exceed \$48,000 plus travel at the NC State Per Diem rates.*

*\$200 per hour for Partners/CPAs*

*\$135 per hour for financial consultants.*

However, should it appear that the scope of services required extends beyond this amount we will be pleased to discuss an amendment to extend the scope of services and will be provided under the terms of a separate engagement letter.

**Winston-Salem Forsyth County Schools**

**April 30, 2025**

**Page 3 of 3**

Our fee is based on the anticipated cooperation of your personnel. Our invoices for these fees will be rendered monthly as work progresses and are payable upon presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please contact me at 919-698-5449 or email at [hhurd@hilconsultants.com](mailto:hhurd@hilconsultants.com) If you agree with the terms of our engagement, please sign this agreement, and email a signed copy to [kisenhour@hilconsultants.com](mailto:kisenhour@hilconsultants.com) We look forward to assisting Winston-Salem Forsyth County Schools

Sincerely,



H. Hank Hurd, CEO  
Hurd, Isenhour, Lopes LLC

Acknowledged by:

Winston-Salem Forsyth County Schools

Authorized Signature \_\_\_\_\_

Date \_\_\_\_\_

## **Winston-Salem Forsyth County Schools**

**April 30, 2025**

**Page 3 of 4**

### **Biographic Summaries of HIL Partners**

**H. Hank Hurd**, MBA, CPA is a founding partner of HIL. Hank Hurd's knowledge and considerable experience earned him the appointment as the Interim Superintendent for Durham Public Schools in 2009. With over 30 years of experience as a school administrator, Mr. Hurd served as the Durham Public Schools' (DPS) Chief Operating Officer where he was responsible for overseeing finance, human resource services, operational services, security, as well as information technology. Previously, he served as the Associate State Superintendent for Financial and Business Services and Chief Financial Officer at the N.C. Department of Public Instruction. For 23 years, he was the Assistant Superintendent for Administrative Services for Harnett County Schools.

**Frank R. Lopes, Jr. (Ricky)**, CPA, specializes in public school finance management. He retired in 2015 from his position as the Associate Superintendent for Business Operations for Cumberland County Schools. He has over 30 years of experience in public school finance administration and has been the featured discussion leader for various classes and has made presentations to groups including the General Assembly, school board members, central office administrators, principals, and teachers. He has also taught classes for the North Carolina ASBO Finance Academy and Methodist University.

**Kathy Isenhour**, CPA, began her partnership at HIL following a 28-year career as a school business official and, most recently, Associate Superintendent for a city school district. During this career, Ms. Isenhour earned top awards in school finance including the Association of School Business Officials International Distinguished Professional Eagle Award. In addition to school finance, as Associate Superintendent, she was responsible for maintenance, food service, purchasing, capital improvements, long-range planning, and transportation so she is well-versed in school operations. Among her honors are being named Certified School Business Administrator by the NC State Board of Education and Outstanding School Business Official by the Southeastern School Business Officials group.



P.O. Box 2513 • Winston-Salem, NC 27102-2513

May 29, 2025

North Carolina State Board of Education  
North Carolina Department of Public Instruction  
Attn: Eric C. Davis, Chairman  
Attn: Maurice “Mo” Green, Superintendent  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
Eric.Davis@dpi.nc.gov  
Mo.Green@dpi.nc.gov

Re: Weekly Update Response

Dear Chair Davis and Superintendent Green,

In response to the State Board of Education’s previous letters, please accept this weekly update from the Winston-Salem/Forsyth County Board of Education.

The Board of Education continues to collaborate with the leadership of Forsyth County to explore ways to reduce its total deficit for the 2024-2025 school year. On Tuesday, May 27, 2025, the Superintendent provided a budget update to the Board which included additional revenue sources to reduce the deficit to the 2024-2025 budget by approximately \$9.9 million. This would reduce the total deficit from \$42 million down to \$32.1 million. In addition to sharing the revenue sources, the Superintendent also shared additional cost-savings measures for the 2025-2026 school year. It is the desire of the Board and Superintendent to limit reductions to direct, student-facing positions to minimize any negative impact on student outcomes. The Board, after hearing the update from the Superintendent, voted to make a formal request to the Forsyth County Commissioners to provide \$32.1 million to address the remaining budget shortfall for this school year. A copy of the Superintendent’s power point presentation is enclosed herein for your review. A formal written request was submitted to the County Manager today. The request outlined two options for the County’s consideration, as well as details about a proposed repayment schedule. More details about the proposal are outlined in the letter, which is also enclosed for your review.

From our initial discussions with the County, it does not appear that the County is in favor of supporting the Board in reducing the amount of its total deficit that is owed to the State. The Superintendent and members of her leadership team, and the Board Chair and Vice Chair continue to have regular meetings with the HIL Consultants to identify all outstanding revenue sources, fund transfers, and transactions that may assist in reducing the deficit in State funds. We are looking forward to continued discussions and collaboration with the State Board of

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Tricia McManus, *Superintendent*



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Education on how to resolve the outstanding debt as quickly as possible.

As we have mentioned in previous letters, the Board fully intends to comply with all laws and regulations related to the budgeting, management and expenditure of public funds. The Board would welcome any additional support that may be provided by the Department of Public Instruction and State Board of Education in this matter.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

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Deanna Kaplan, Chairman

A handwritten signature in black ink that reads 'Tricia McManus'.

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Tricia McManus, Superintendent

Enclosure as Stated

cc: WS/FCS Board of Education  
Freida Lashmit, Interim Chief Finance Officer  
Chris Weikart, Chief Human Resource Officer  
Dionne Jenkins, General Counsel

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

Tricia McManus, Superintendent



P.O. Box 2513 • Winston-Salem, NC 27102-2513

May 29, 2025

Dear County Manager Robinson,

On May 27, 2025, the Board of Education voted to ask the County to provide a one-time payment of \$32,100,000 to cover state and local budget shortfalls in the 24-25 school year to be paid back on terms agreed upon by both boards. If the dollars received exceed what is needed as the books are closed for FY24-25 on June 30, funds will be reverted back to the county.

If the one-time payment of \$32,100,000 to be paid back on agreed upon terms is not an option, another possibility is outlined below. This option would focus only on covering the local expenses of \$14,100,000 after reducing the \$24,000,000 needed by \$9,900,000 using other funding sources that will be available between now and June 30. The \$14,100,000 would require the following:

- An agreed upon payment plan to all suppliers/vendors to pay back all funds owed in a 12-month period
- The county still providing the \$180,391,341 funding formula request which is \$15,032,611 per month although the cost savings measures the district is taking for FY25-26 would require less funding. This would allow the district to pay expenses for FY25-26 while paying funds owed from FY24-25 overages.
- The state providing support to the district for state overages.

We are more than happy to answer any questions County Commissioners may have about both options.

Thank you for your continued support as we reconcile all overages in FY24-25, present a balanced budget in FY25-26, and plan for long-term fiscal sustainability for WS/FCS.

*Tricia McManus*

Tricia McManus  
Superintendent, WS/FCS

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

Tricia McManus, Superintendent

# Budget Update and Cost Savings Measures

## May 27, 2025



### OUR MISSION

Winston-Salem/Forsyth County Schools will engage all students in high-quality, relevant learning experiences so they will graduate with interpersonal, academic, and workforce skills to compete globally and contribute to society.

### OUR VISION

Winston-Salem/Forsyth County Schools will be the best place to learn and work through excellence, collaboration, and inclusiveness.

FY24-25 Budget Shortfalls and Proposed  
Plans to Address  
FY25-26 Budget Savings for Balanced Budget  
“Plans for fiscal sustainability”

# **Budget Savings for 2025-2026 in Planning for a Balanced Budget – Savings Already Planned**

## Personnel Savings

- Reduce central office positions by 81 (\$7,600,000)
- Reduced school allotments by 148 positions (\$10,360,000)

**Total = \$17,960,000**

## Non-Personnel Savings

- Reduce take home cars (\$300,000)
- Reduce cell phones (\$145,000)
- No more building base subs and ESS contract (\$2,700,000)
- Remove traffic control (\$400,000)
- Kingswood Savings including lease and utilities (\$200,000)
- Reduce funding supplemental programs (\$1,652,000 million)

**Total = \$5,397,000**

**Total Savings = \$23,357,000.00**

## 25-26 Projected Position Management

Position Type	State	Federal	Other State PRC or Local	Total positions
Licensed Instructional Staff*	3,259.5	35.75	350.72	3,645.97
Instructional Support Staff*	247	33	108.5	388.5
Classified Instructional Staff*	360	258	271.5	889.5
School Based Administration	124		101.58	225.58
Central Office Administration (Program Mgr to Superintendent)	14.7	14.25	100.05	129
Non-Instructional Staff	280	2.25	487.79	770.04
Trade Skills			148	148
School Based Purchased Federal Positions		251.16		251.16
Bus Drivers*	275			275
Total	4560.2	561.41	1568.14	6,690.02

\* Denotes positions listed in 10 month of employment positions

# 2025-2026 Projected Cost to Local or Other State PRCs

Position Type	Other State PRC or Local	Projected Total Cost
Licensed Instructional Staff*	350.72	\$24,039,167
Instructional Support Staff*	108.5	\$9,240,229
Classified Instructional Staff*	271.5	\$13,575,000
School Based Administration (11 MOE)	101.58	\$9,936,227
Central Office Administration (Program Mgr to Superintendent)	100.05	\$13,806,900
Non-Instructional Staff	487.79	\$29,267,400
Trade Skills	148	\$8,732,000
Total Position / Cost	1568.14	\$108,596,923
Projected Local Supplement including Article 46 for Teachers as well as Asst Principal, Principal)	4,260.05	\$50,000,000
Total Position Cost		\$158,596,923

\* Denotes positions listed in 10 month of employment positions

# 2025-2026 Personnel Cost Summary

Cost	Projected Total Cost
Total Position Cost including Local Supplements	\$158,596,923
State DSSF (PRC 24) and At Risk (69)	(\$12,500,000)
Projected Other Revenues	(\$9,000,000)
County Request for Personnel Costs	(\$124,000,000)
Further Cost Savings Needed	\$13,096,923

### Important Notes

- The numbers projected above are based 100% staffing based on school and district staffing plans.
- The numbers include the already instituted **personnel savings** for a total of **\$17,960,000**
- The remaining \$13,096,923 of savings will be made between May 14 and May 30.
- The final costs savings plus the funding formula provided by the county will allow for a balanced budget. Any vacancies would be a cost savings and should not be used to cover any type of recurring costs.

# \$13,000,000 Savings Plan

With this \$13,000,000 we will have saved **\$35,357,000**  
heading into FY25-26

# Non-Personnel Recommended Costs Savings

Item	Cost Savings
1 Remote Day in Summer for all sites other than summer sites	175,000
Eliminate cell phones all together	215,000
Eliminate all out of state travel unless required and paid for in full by a grant	200,000
Printing costs	200,000
Eliminate supplemental and diagnostic programs not included in first round of eliminations	826,467
Limit waxing to only corridors in schools	100,000
Move costs associated with Teacher Academy to Wallace and change structure for TA training	309,000

# Additional Cost Savings

Eliminate substitutes for TA positions (other than those required by law)	400,000
Eliminate pre-k classrooms for underenrolled classrooms	400,000

Total cost savings from slides 9 and 10: **\$2,825,467**



# Choice School Transportation

Savings amount is \$3,500,00.00



## Current Procedure-

- **Elementary School:**
  - Students living within a choice zone of four or five school can receive transportation to any of the schools in that zone.
  
- **Middle School:**
  - Students living within a choice zone of three school can receive transportation to any of the schools in that zone.
  
- **Policy:**
  - While there are Administrative Regulations (AR) referencing choice transportation, the district's transportation policy does not require us to provide transportation to students participating in the choice program.



## Student Totals-

- Total District Students K-8: 34,189
  - Elementary: 22,337
  - Middle: 11,852
- Total Choice Students : 5,587
  - Elementary: 3,517
  - Middle: 2,084
- Choice Students Registered for Transportation: 3,478
- Daily Average Participation: 2,500

## Document links:

[Elementary Choice With Transportation Request](#)

[Middle Choice With Transportation Request](#)

[Elementary & Middle Choice Demographics](#)

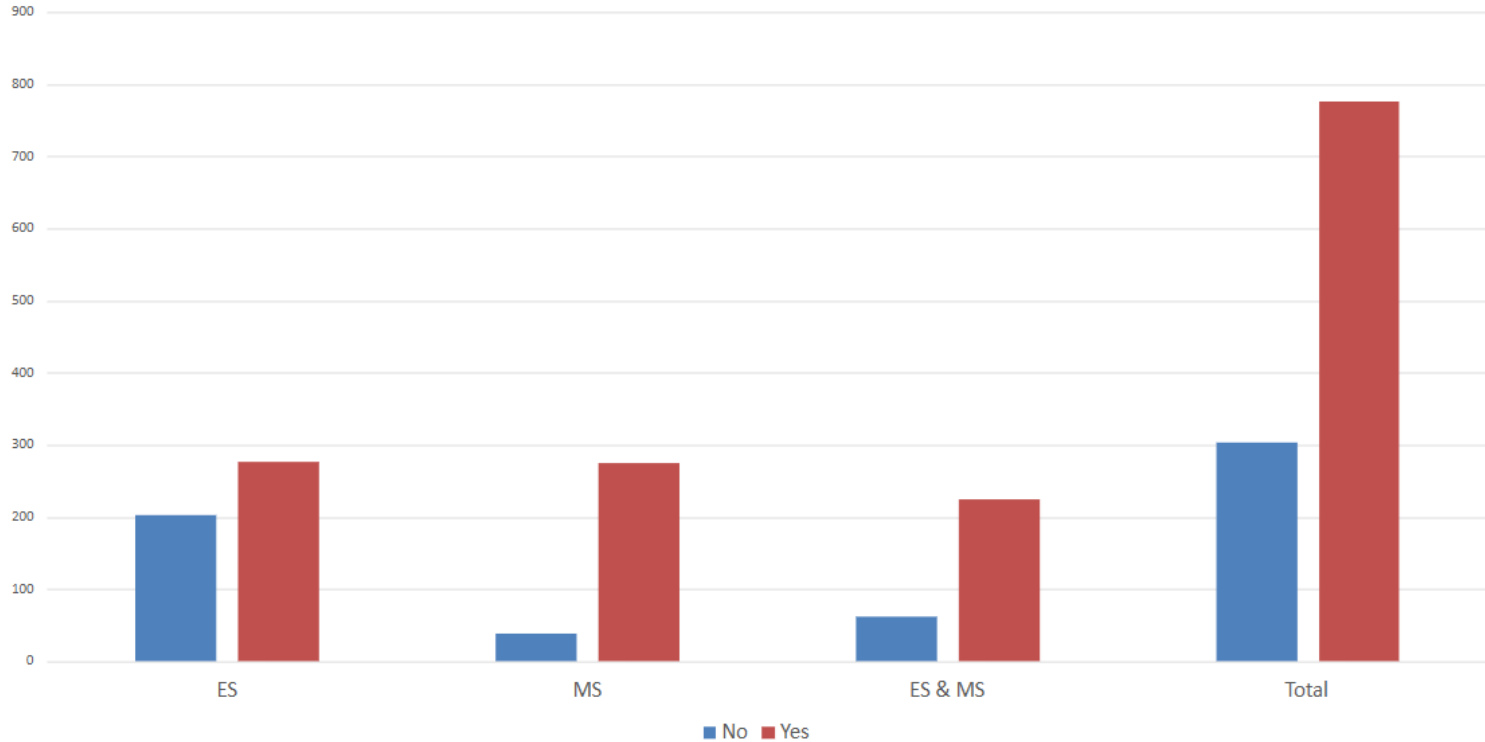


## Survey Participation

- 1,080 respondents
- Each grade level had 121-298 respondents
  - Highest grade participation was 6th grade
  - Grades K-8 surveyed
  - Respondents chose Middle Schools 631 times and Elementary Schools 789 times (respondents could select more than one school)
- All 57 schools in survey were represented in responses
  - High Schools and non-traditional schools not included as High Schools do not have choice transportation
- Note – this is a high response rate for a survey with a very short timeline

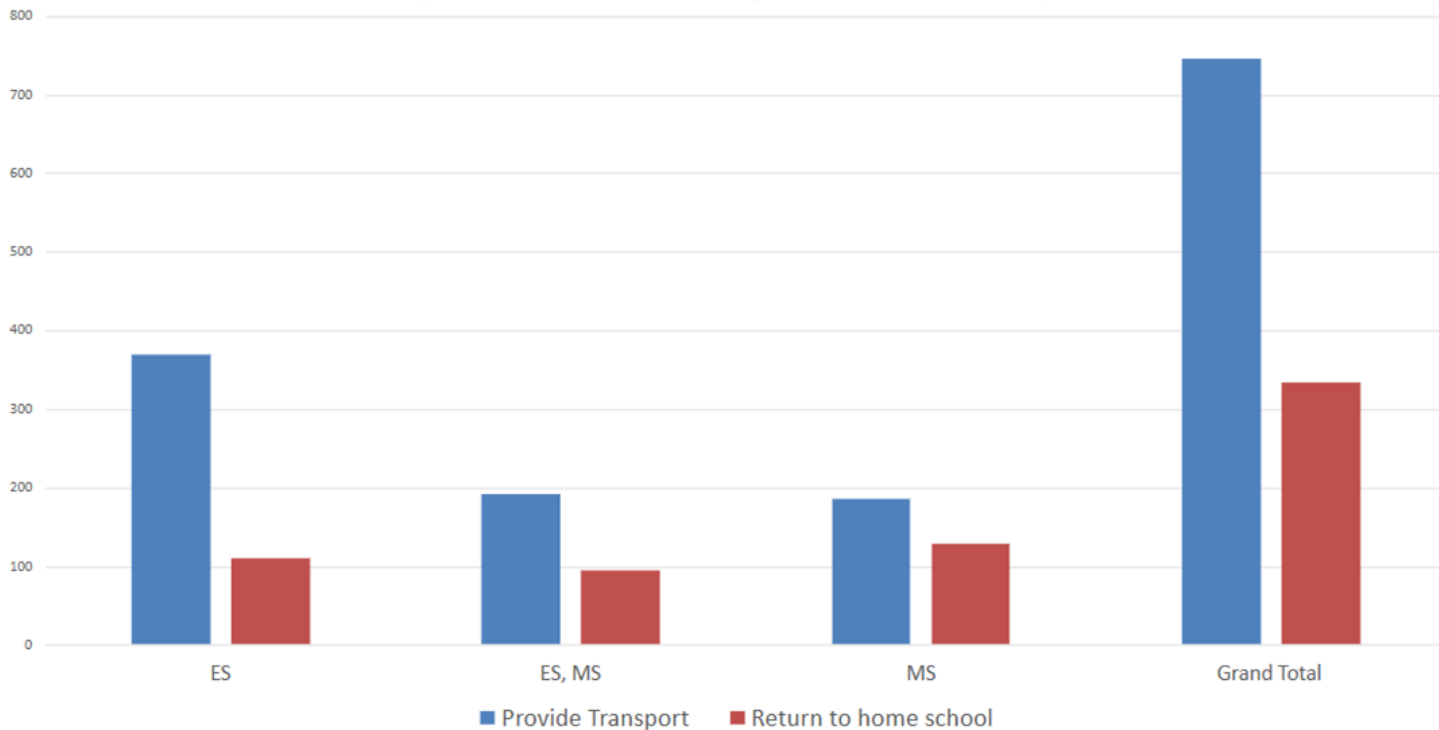


Based on Grade Span(s) of Schools Selected, Do You Use Choice Transportation?





### What would you do if choice transportation was not provided?



**Class Size Increases**

# Class Size Increase Data

Level	Total ADM Teachers (Original)	Total ADM Teachers (Increase +1)	Total ADM Teachers (Increase +2)	Total ADM Teachers (Increase +3)	Total ADM Teachers (Change +1)	Total ADM Teachers (Change +2)	Total ADM Teachers (Change +3)
Elem	1266.8	1255.8	1240.6	1233.4	-11	-26.2	-33.4
Middle	573	552	534	518	-21	-39	-55
High	709	687	663	643	-22	-46	-66
6th-12th	28	28	27	26	0	-1	-2
Alternative	25	25	25	25	0	0	0
Special	58	58	58	58	0	0	0
K-8	30.8	30.8	30.8	30.8	0	0	0
52	2690.6	2636.6	2578.4	2534.2	-54	-112.2	-156.4

# Class Size Increase Data – Modified for Smaller Schools

Level	Savings (Increase 1)		Savings (Increase 2)		Savings (Increase 3)	
		95%		88%		88%
Elem	\$	706,080.38	\$	1,557,836.28	\$	1,985,943.96
Middle	\$	1,347,971.63	\$	2,318,916.60	\$	3,270,267.00
High	\$	1,412,160.75	\$	2,735,132.40	\$	3,924,320.40
6th-12th	\$	-	\$	59,459.40	\$	118,918.80
Alternative	\$	-	\$	-	\$	-
Special	\$	-	\$	-	\$	-
K-8	\$	-	\$	-	\$	-
Total	\$	3,466,212.75	\$	6,671,344.68	\$	9,299,450.16

# Total Saved with Transportation and Class Size Increase

- Transportation = \$3,500,000
- Class Size increase by two students = \$6,671,344
- Class size increase by one student = \$3,466,212

Total Savings of slides 9 and 10 and transportation and class size increases = **\$12,996,811 (two student increase) or \$9,791,679 (one student increase)**

## Other Option

- Employer Paid Dental Insurance – There is currently no cost to the employee. If we had employees contribute \$25.00 per month for dental beginning in January 2026, we could save \$725,000.00. Next school year, the savings would be \$1,450,000. We are the only district in NC who pays 100%.

# Reduction in Force Option

- Reduction in terms of employment for specific employee groups
- Elimination of a specific position group and/or additional positions from central services

***Budget cuts and estimates are based on information known at this time. Once state and federal budgets are approved, additional adjustments may be necessary.***

FY2024-2025 Budget Deficit - \$42,000,000.00

# Deducting from the Shortfall

- Borrow from Child Nutrition fund balance = 4,000,000 (needs BOE approval) This will leave the fund balance with 8 million which keeps them in line with policy.
- Recoup unemployment payback to the district = 1,500,000
- Collect final payment of Indirect costs = 1,000,000
- Grant reimbursements (pre-k, Gear up, etc.) = 1,500,000
- Receive payment from Downtown School for pre-k tuition= 500,000
- Use funds in Money Market account = 800,000
- Use Investment Fund funds= 600,000

**Total amount received to pay expenses (if BOE approves fund balance use) =  
\$9,900,000**

# Reconciliation Option

*This leaves a total amount remaining of \$32,100,000*

- Ask the county for a one-time payment of \$32,100,00 to be paid back on terms agreed upon by both boards. If dollars received are in excess of what is needed, funds will be reverted back to the county. If BOE does not approve 4,000,000 in child nutrition funds, we would need 36,100,000.
- This amount would clear state overages of 18,000,000 plus pay all remaining overages in local funds.

# Recommended Next Steps

- Bring back to the Board, child nutrition MOU to borrow from fund balance
- Bring back to the Board a potential reduction in force proposal for approval
- Continue compiling budget savings proposed by employee groups and other stakeholders and bring back to the board with additional cost savings
- Vote on a formal request for additional one-time county transfer of funds to pay back on agreed upon terms
- Provide weekly budget/finance updates to the state board and our school district community



**Questions?**



P.O. Box 2513 • Winston-Salem, NC 27102-2513

June 5, 2025

North Carolina State Board of Education  
North Carolina Department of Public Instruction  
Attn: Eric C. Davis, Chairman  
Attn: Maurice “Mo” Green, Superintendent  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
Eric.Davis@dpi.nc.gov  
Mo.Green@dpi.nc.gov

Re: Weekly Update Response

Dear Chair Davis and Superintendent Green,

In response to the State Board of Education’s previous letters, please accept this weekly update from the Winston-Salem/Forsyth County Board of Education.

Effective June 2, 2025, Mrs. Catty Moore has been appointed Interim Superintendent for the Winston-Salem/Forsyth County Schools. The district continues to work to reduce its anticipated budget shortfall for the 2024-2025 school year. The district is working diligently to apply the additional revenue that had been previously identified to reduce this year’s budget shortfall. The district plans to pay a total of approximately \$2.8 million to satisfy outstanding financial obligations within the next week, which will reduce the total local deficit from \$24 million down to \$21.2 million. The district will also make additional vendor payments between now and June 30, pending Board approval of some budget adjustments, which will reduce the deficit further. Today, the County Commissioners voted to reject the Board’s request to provide an additional \$32.1 million Board to address the budget shortfall for the year.

Earlier this week, representatives from the State Board of Education, North Carolina Department of Public Instruction, Forsyth County, and the Winston-Salem/Forsyth County Schools met to share information and discuss ideas for potential solutions to resolve the financial obligations of the district. The Board will continue to work diligently with state and county leaders to find solutions to its financial challenges and balance our budget in a way that prioritizes students, staff and long-term stability.

The Board fully intends to comply with all laws and regulations related to the budgeting,

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

Catty Moore, *Interim Superintendent*



P.O. Box 2513 • Winston-Salem, NC 27102-2513

management and expenditure of public funds. The Board welcomes any additional support that may be provided by the Department of Public Instruction and State Board of Education in this matter.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

---

Deanna Kaplan, Chairman

Enclosure as Stated

cc: Catty Moore, Interim Superintendent  
WS/FCS Board of Education  
Freida Lashmit, Interim Chief Finance Officer  
Chris Weikart, Chief Human Resource Officer  
Dionne Jenkins, General Counsel

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

Catty Moore, Interim Superintendent



P.O. Box 2513 • Winston-Salem, NC 27102-2513

June 12, 2025

North Carolina State Board of Education  
North Carolina Department of Public Instruction  
Attn: Eric C. Davis, Chairman  
Attn: Maurice “Mo” Green, Superintendent  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
Eric.Davis@dpi.nc.gov  
Mo.Green@dpi.nc.gov

Re: Weekly Update Response

Dear Chair Davis and Superintendent Green,

Please accept this weekly update from the Winston-Salem/Forsyth County Board of Education.

On Tuesday, June 10, Interim Superintendent Moore provided a budget update to the Board of Education and the community during its regular school board meeting. The presentation included details outlining the projected deficit for the 2024-2025 school year and plans to reduce that deficit between now and June 30, as well as the adjustments that have been made to the 2025-2026 budget to ensure that it is balanced. A copy of that presentation is attached for your review. That night, the Board also approved a request to borrow up to \$6 million from the district’s Child Nutrition Fund to address financial overages. The district has the funds to cover its June payroll.

Earlier this week, Interim Superintendent Moore also learned the district may owe money to the IRS related to interest and penalties associated with federal withholding payments. The district has been in contact with the IRS to review discrepancies with federal withholding payments and reports sent to the IRS. We anticipate that there may be funds owed for withholding due and/or for interest and penalties. We have asked for all IRS documents/statements so that we can be confident that we have all the information needed to determine next steps and financial impact.

On a more positive note, the district has been in communication with the NC Department of Commerce about refunding a \$1.8 million overpayment of unemployment security funds, and we anticipate receiving a refund of those funds. We will use those funds to further address the 2024-2025 deficit.

**Board of Education**

Deanna Kaplan, *Chair* • Alexandre Bohannon, *Vice Chair* • Robert Barr • Trevonia Brown-Gaither  
Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

Catty Moore, Interim Superintendent



P.O. Box 2513 • Winston-Salem, NC 27102-2513

The Board fully intends to comply with all laws and regulations related to the budgeting, management and expenditure of public funds. The Board welcomes any additional support that may be provided by the Department of Public Instruction and State Board of Education in this matter.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

---

Deanna Kaplan, Chairman

Enclosure as Stated

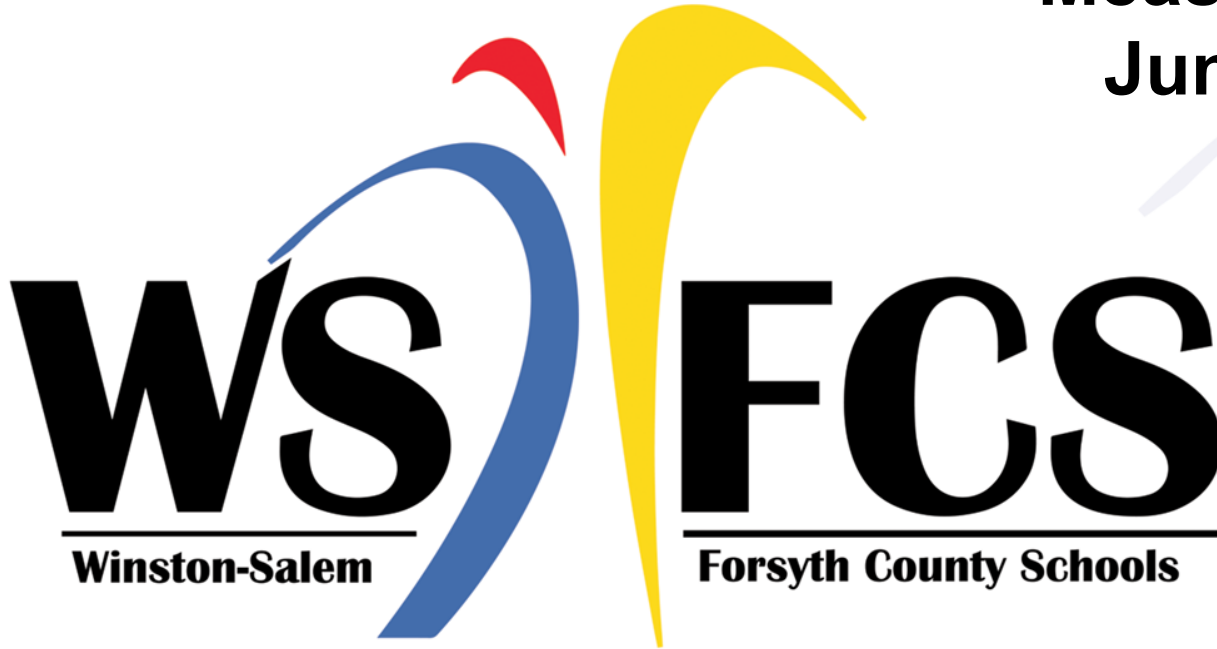
cc: Catty Moore, Interim Superintendent  
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Sabrina Coone • Leah Crowley • Susan Miller • Richard Watts • Steve Wood

[Catty Moore, Interim Superintendent](#)

# Budget and Cost Savings Measures Update June 10, 2025



## OUR MISSION

Winston-Salem/Forsyth County Schools will engage all students in high-quality, relevant learning experiences so they will graduate with interpersonal, academic, and workforce skills to compete globally and contribute to society.

## OUR VISION

Winston-Salem/Forsyth County Schools will be the best place to learn and work through excellence, collaboration, and inclusiveness.

FY24-25 Budget Shortfalls Update  
FY25-26 Review of Cost Savings Measures  
for a Balanced Budget

FY2024-2025 Original Budget Deficit  
\$42,000,000.00

# Review of how we got here:

- PRC 003 Overages (front office staff, custodial costs, data manager costs, etc.) We are overallocated in these position areas
- We are over 2 million dollars in transportation costs due to our efficiency rating
- We are over 2 million dollars in our state funds that are used to provide EC services
- We did not budget for ESS/sub costs which cost close to \$12,000,000 this school year
- We underbudgeted on Charter School payment
- We did not reconcile the budget after our request to the county which would have meant making reductions from items we requested in both personnel and non-personnel costs
- We rolled over invoices from \$FY23-24 into FY24-25 that would not have been included in the budget
- We did not project staffing at fully staffed and we filled an additional 100 positions this school year

**All funds were used to provide direct services to students.**

# Paying down the deficit – first steps

- Use \$1,191,039.00 from the \$2,000,000 in the checking account to pay vendors
- Use \$823,001.91 of the \$840,000 coming from Downtown School reimbursement to pay vendors
- Use \$801,587.68 of the \$900,000 coming from the Money Market account to pay vendors

**Total vendor payments sent between June 5 and June 11 equal \$2,815,628.59**

**After these payments, the shortfall is \$39,184,371.41**

## Other revenues we are expecting to help with deficit:

- After vendor payments, we still have \$808,961 in our checking account
- After vendor payments, we still have \$98,413.68 left from the Money Market
- Indirect costs – we expect \$300,000 more by June 30
- Grant reimbursements – we expect up to \$1,500,000 by June 30
- Medicaid reimbursements – we expect \$1.3 million by June
- We are still trying to retrieve \$1.5 million for unemployment reimbursement

*These amounts total between \$4,500,000 and \$5,000,000.*

*As these funds come in, they will also support paying for shortfalls. \$5,000,000 in revenue would take the shortfall from **\$39,184,371.41** to **\$34,184,371.41***

# Steps to Pay All Vendors

- All vendors with outstanding and current invoices were sent a letter from the district on Thursday, June 5
- The \$2,815,628.59 paid to vendors leaves a remaining \$3,000,000 owed to vendors with the exception of ESS, SSC, and the County for SROs. These three contracts total \$16,104,239.00
- The goal is to pay all vendors in full by June 30, 2025, with the exception of the big three, for which we are working on negotiating a payment plan.

# Child Nutrition Fund Balance

- We will ask the Board of Education to borrow up to \$6,000,000 from child nutrition fund balance. If the MOU is approved, the 4-6 million will also be used to paydown the deficit.
- \$4,000,000 would take our deficit to \$30,184,371.41. \$6,000,000 would take our deficit to \$28,184,371.41

# County Update

County declined the Board request for a one-time payment to be paid back by the district in the amount of \$32,100,000 to support the FY24-25 deficits.

# FY25-26 Savings Plan

Total Savings Planned = \$39,332,467

These savings will ensure a balanced budget for the 25-26 school year

# Non-Personnel Recommended Costs Savings

Cost Savings Measure	Estimated Savings	Status (a check mark means savings has been captured)
Reduced take home cars	\$300,000	✓ Savings in local budget
Eliminate cell phones	\$360,000	✓ Savings in local budget
Eliminate building based subs and ESS contract	\$2,700,000	✓ Sub costs in local budget (was not budgeted last year but is this year at a reduced cost)
Traffic control (not crossing guards)	\$400,000	✓ Savings in state budget
End Kingswood lease	\$200,000	✓ Savings in local budget
Eliminate supplemental programs such as IReady, Wayfinder, Discovery Ed, Panorama, etc.	\$2,478,467	✓ Savings in local, state, and federal budgets
Three-day work week in office in summer	\$175,000	✓ Started last week – will show up in reduced energy costs

# Non-Personnel Recommended Cost Savings Continued

Cost Savings Measure	Estimated Savings	Status
Eliminate out of state travel paid on local dollars	\$200,000	✓ Savings in local budget
Reduce printing costs	\$200,000	✓ Savings in local budget
Limit waxing to corridors (deep cleaning will still happen)	\$100,000	✓ Savings in local budget
Move out of 12 <sup>th</sup> street building (will save in utilities and custodial costs)	\$100,000	✓ Savings in state budget
Transport students to only residential and magnet schools)	\$3,500,000	• Not finalized
Move costs from Title 2 to a private grant to support Teacher Academy (this frees up funds to pay for other costs in local or state budget)	\$158,000	✓ Savings in Title 2 funds
Take TA PD from Title 2/change plans for delivery (this frees up funds to pay for other costs in local or state budget)	\$151,000	✓ Savings in Title 2 funds

# Personnel Recommended Cost Savings (all savings captured in state and local personnel costs)

Cost Savings Measure	Estimated Savings	Status
Eliminate 81 positions in central office	\$7,600,000	✓
Reduced number of employees by 148 during allotment process	\$10,360,000	✓
Eliminate subs for TAs (with exception of coverage required by law)	\$400,000	✓
Eliminate unenrolled pre-k classes	\$400,000	✓
Additional allotment shifts to better align to state allotments (rather than increasing class sizes)	\$8,750,000	• Not finalized

## Other Savings to add to \$39,332,467

- One time bonus in December for \$3,000,000 will not be paid again
- One year payment of \$62.00 per month of article 46 the Board approved to give teachers in FY24-25 totaling \$3,400,000

These two expenses will not occur in FY25-26 for a total cost savings of

**\$44,832,467.**

# Two Savings Items Not Yet Finalized

Transportation Outside of Residential and  
Magnet Programs

**Savings amount is \$3,500,00.00**



## Current Procedure-

- **Elementary School:**
  - Students living within a choice zone of four or five school can receive transportation to any of the schools in that zone.
  
- **Middle School:**
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- Choice Students Registered for Transportation: 3,478
  
- Daily Average Participation: 2,500

Additional Allotment Decreases to Better Align  
to State Allotments  
**Total Savings is \$8,750,000**

# School-Based Allotment Shifts

## General Notes

- All but two of school-based allotment categories are allotted higher than the state allotments. (CTE and AIG are the only allotments within or very close to state allotments).
- District considered a variety of models for positions reversions in lieu of increase class size including per pupil amount, average daily membership band and community eligibility bands.

## District Approach to Apply Formula

- District chose a weighted formula model that school's percent of economically disadvantaged student populations (CEP – 70%) and school size (ADM – 30%). The district set up 5 bands for CEP and 4 bands for ADM.
- Model also lessens the impact on Title I schools who are losing their allotted district flex positions due to carry over monies being less than initially project in January.

## Communication with Schools

- District leadership met with principals today in 4 groups to review the proposed reductions; formulas and next steps.
- Principals have been provided the parameters of flexibility to consider school needs in the process.
- Principals will be meeting with their area superintendent and human resources to identify their position reduction(s) and review revised staffing plans.

# School-Based Allotment Shifts

## Impact Considerations

- The reversion could impact up to 175 positions and when including loss of district flex positions, the number would increase to 228
- Classified employees may have to change job type. For example, a testing coordinator could become a teacher assistant or a data manager.
- Teachers moving to areas that they are licensed but not preferred
- To keep everyone employed, there is a possibility of “domino” moves to make the pieces of the puzzle fit.

## Recap of Budget Impact

- \$8.75 million reduction in 2025-26 budget
- Approximately 20% of the \$44.8 million overall reduction for 2025-26

## Next Steps

- Does the Board want to ask the County for a one-time payment in the amount of \$18,000,000 to pay back state overages for FY24-25 (we are working through local overages with payback plans to three largest vendors – all other vendors will be paid by June 30). This is \$14,100,000 less than previous request
- Finalize payback dates and specific plans for remaining vendors using revenue sources outlined in previous slide
- Provide weekly budget/finance updates to the state board and our school district community
- Board will be asked to adopt an Interim Budget Resolution on June 24



**Questions?**



P.O. Box 2513 • Winston-Salem, NC 27102-2513

June 26, 2025

North Carolina State Board of Education  
North Carolina Department of Public Instruction  
Attn: Eric C. Davis, Chairman  
Attn: Maurice “Mo” Green, Superintendent  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
Eric.Davis@dpi.nc.gov  
Mo.Green@dpi.nc.gov

Re: Weekly Update Response

Dear Chair Davis and Superintendent Green,

In response to the State Board of Education’s previous letters, please accept this weekly update from the Winston-Salem/Forsyth County Board of Education.

On Tuesday, June 24, 2025, Interim Superintendent Catty Moore provided a budget update to the Board which summarized the progress that the district is making towards reducing its budget shortfall for the 2024-2025 school year, as well as recommendations for next steps to address outstanding financial obligations that continue beyond June 30. The budget update also included a recommendation to the Board to ask for flexibility in the use of capital outlay funds and bond interest earnings to address the district’s operational needs deficit in 2024-2025. The Board plans to have a special called meeting in July to discuss making such a request to the Forsyth County Commissioners. A copy of the Superintendent’s full presentation is attached for your review.

We are happy to report that, earlier this week, the district received a refund check in the amount of approximately \$1.8 million in overpayments for unemployment security funds. The district will apply those funds to reduce its deficit from the 2024-2025 school year.

Lastly, the Board has approved the appointment of Angela Clark as the next Interim Chief Finance Officer, effective July 1<sup>st</sup>. The current Interim CFO, Freida Lashmit, will remain with WS/FCS on a part-time basis and the district has a plan to support Ms. Clark in her new role during this transition.

The district continues to work to resolve its overall budget shortfall from the 2024-2025 school

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Catty Moore, Interim Superintendent



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year. We appreciate any additional support that may be provided by the Department of Public Instruction and the State Board of Education. If you have any additional questions, please do not hesitate to contact us.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

---

Deanna Kaplan, Chairman

Enclosure as Stated

cc: Catty Moore, Interim Superintendent  
WS/FCS Board of Education  
Freida Lashmit, Interim Chief Finance Officer  
Chris Weikart, Chief Human Resource Officer  
Dionne Jenkins, General Counsel

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Catty Moore, Interim Superintendent

# Budget and Cost Savings Measures Update June 24, 2025



**Winston-Salem**

**Forsyth County Schools**

## **OUR MISSION**

Winston-Salem/Forsyth County Schools will engage all students in high-quality, relevant learning experiences so they will graduate with interpersonal, academic, and workforce skills to compete globally and contribute to society.

## **OUR VISION**

Winston-Salem/Forsyth County Schools will be the best place to learn and work through excellence, collaboration, and inclusiveness.

FY24-25 Budget Shortfalls Update  
FY25-26 Review of Cost Savings Measures  
for a Balanced Budget

# Review of how we got here:

- PRC 003 Overages (front office staff, custodial costs, data manager costs, etc.) We are overallocated in these position areas
- We are over 2 million dollars in transportation costs due to our efficiency rating
- We are over 2 million dollars in our state funds that are used to provide EC services
- We did not budget for ESS/sub costs which cost close to \$12,000,000 this school year
- We underbudgeted on Charter School payment
- We did not reconcile the budget after our request to the county which would have meant making reductions from items we requested in both personnel and non-personnel costs
- We rolled over invoices from \$FY23-24 into FY24-25 that would not have been included in the budget
- We did not project staffing at fully staffed and we filled an additional 100 positions this school year

**All funds were used to provide direct services to students.**

# Paying down the deficit – first steps

- Available \$1,191,039.00 from the \$2,000,000 in the checking account to pay vendors
- Available \$823,001.91 of the \$840,000 coming from Downtown School reimbursement to pay vendors
- Available \$801,587.68 of the \$900,000 coming from the Money Market account to pay vendors

**Total vendor payments with checks printed and/or mailed between June 3 and June 25 equal \$2,691,485 - UPDATED 6/23/25**

## Other revenues we are expecting to help with deficit:

- After vendor payments already made, we have approximately \$2 million in our checking account
- After vendor payments, we still have \$98,413.68 left from the Money Market
- Indirect costs – we expect \$300,000 more by June 30
- Grant reimbursements – we expect up to \$1,500,000 by June 30
- Medicaid reimbursements – we expect \$1.3 million by June 30
- Request for reimbursement of \$1.8 million unemployment overpayment granted

*As these funds come in, they will also support paying for shortfalls/outstanding vendor invoices.*

# Steps to Pay All Vendors

- All vendors with outstanding and current invoices were sent a letter from the district on Thursday, June 5
- The \$2,691,485 paid to vendors leaves a remaining \$3,613,375.29 owed to vendors with the exception of ESS, SSC, and the County for SROs. These three contracts total \$16,104,239.00
- The \$3,613,375.29 reflects outstanding vendor invoices received and keyed, checks not yet processed /mailed.
- The goal is to issue checks for all vendors in full by June 30, 2025, with the exception of the big three, for which we continue to work on negotiating a payment plan. On June 23, WSFCS sent a wire transfer to ESS for \$482,343.83 and another on June 24 for \$314,824.90
- Option to reserve approximately \$900K in local per month in 2025-26 to support a payment plan for the big three

# Child Nutrition Fund Balance

- On June 10, the Board of Education approved borrowing up to \$6,000,000 from child nutrition fund balance to be used to paydown the deficit.
- Final amount of CNS loan will be available after July 1, when year-end processes are done.

# FY25-26 Savings Plan

Total Savings Planned = \$39,332,467

These savings will ensure a balanced budget for the 25-26 school year

# Non-Personnel Recommended Costs Savings

Cost Savings Measure	Estimated Savings	Status (a check mark means savings has been captured)
Reduced take home cars	\$300,000	✓ Savings in local budget
Eliminate cell phones	\$360,000	✓ Savings in local budget
Eliminate building based subs and ESS contract	\$2,700,000	✓ Sub costs in local budget (was not budgeted last year but is this year at a reduced cost)
Traffic control (not crossing guards)	\$400,000	✓ Savings in state budget
End Kingswood lease	\$200,000	✓ Savings in local budget
Eliminate supplemental programs such as IReady, Wayfinder, Discovery Ed, Panorama, etc.	\$2,478,467	✓ Savings in local, state, and federal budgets
Three-day work week in office in summer	\$175,000	✓ Started last week – will show up in reduced energy costs

# Non-Personnel Recommended Cost Savings Continued

Cost Savings Measure	Estimated Savings	Status
Eliminate out of state travel paid on local dollars	\$200,000	✓ Savings in local budget
Reduce printing costs	\$200,000	✓ Savings in local budget
Limit waxing to corridors (deep cleaning will still happen)	\$100,000	✓ Savings in local budget
Move out of 12 <sup>th</sup> street building (will save in utilities and custodial costs)	\$100,000	✓ Savings in state budget
Transport students to only residential and magnet schools)	\$3,500,000	✓ Savings in local budget – offset state deficit of 2024-25
Move costs from Title 2 to Grant funding to support Teacher Academy (this frees up funds to pay for other costs in local or state budget)	\$158,000	✓ Savings in Title 2 funds
Take TA PD from Title 2/change plans for delivery (this frees up funds to pay for other costs in local or state budget)	\$151,000	✓ Savings in Title 2 funds

# Personnel Recommended Cost Savings (all savings captured in state and local personnel costs)

Cost Savings Measure	Estimated Savings	Status
Eliminate 81 positions in central office	\$7,600,000	✓
Reduced number of employees by 148 during allotment process	\$10,360,000	✓
Eliminate subs for TAs (with exception of coverage required by law)	\$400,000	✓
Eliminate unenrolled pre-k classes	\$400,000	✓
Additional allotment shifts to better align to state allotments (rather than increasing class sizes)	\$8,750,000	✓ In progress with schools

## Other Savings/Not budgeted in 2025-26

- One time bonus in December for \$3,000,000 will not be paid again
- One year payment of \$62.00 per month of article 46 the Board approved to give teachers in FY24-25 totaling \$3,400,000

Additional Allotment Decreases to Better Align  
to State Allotments  
**Total Savings is \$8,750,000**

# School-Based Allotment Shifts

## General Notes

- All but two of school-based allotment categories are allotted higher than the state allotments. (CTE and AIG are the only allotments within or very close to state allotments).
- District considered a variety of models for positions reversions in lieu of increase class size including per pupil amount, average daily membership band and community eligibility bands.

## District Approach to Apply Formula

- District chose a weighted formula model that school's percent of economically disadvantaged student populations (CEP – 70%) and school size (ADM – 30%). The district set up 5 bands for CEP and 4 bands for ADM.
- Model also lessens the impact on Title I schools who are losing their allotted district flex positions due to carry over monies being less than initially project in January.

## Communication with Schools

- District leadership met with principals today in 4 groups to review the proposed reductions; formulas and next steps.
- Principals have been provided the parameters of flexibility to consider school needs in the process.
- Principals have met with their area superintendent and human resources to identify their position reduction(s) and review revised staffing plans.

# School-Based Allotment Shifts

## Impact Considerations

- The reversion could impact up to 175 positions and when including loss of district flex positions, the number would increase to 228
- Classified employees may have to change job type. For example, a testing coordinator could become a teacher assistant or a data manager.
- Teachers moving to areas that they are licensed but not preferred
- To keep everyone employed, there is a possibility of “domino” moves to make the pieces of the puzzle fit.

## Recap of Budget Impact

- \$8.75 million reduction in 2025-26 budget
- Approximately 20% of the \$44.8 million overall reduction for 2025-26

# Interim Budget Resolution

- On Board Action this evening is an Interim Budget Resolution request
- Because NC School Districts cannot finalize their budgets until the Legislature completes their work (adopts a budget/enacts mini-budget bills/continuation), staff is presenting an Interim Budget Resolution that allows the work of the district to continue effective July 1
- The Interim Budget resolution reflects funding available for the 2025-26 school year
- The \$44 million in reductions (personnel and non-personnel) is being removed/reallocated in the beginning budgets of departments and schools

# Article 46

- Forsyth County Referendum March 2020, passed
- 2020-2021 First year of disbursement to WSFCS
- “True-Up” for these funds happens in the fall, for the previous year
- Fiscal Year 2021, 2022, 2023 the “true-up” resulted in additional revenue
- Fiscal Year 2024 “true-up” resulted in funds owed back to the county \$775K
- Fiscal Year 2025 anticipated \$1.2 million will be owed back to the County
- Between 2021-2022 and 2022-2023 two adjustments that impacted teacher supplements were made from Article 46 funds
  - Additional \$80 per month across the board for all teachers
  - Additional \$1.2 million to ensure a 4% increase for all teachers

## Article 46 (continued)

- For the 2025-26 school year WSFCS will split out the Article 46 Local Supplement pay from traditional Local Supplement pay on teacher paystubs
- WSFCS will need to recalculate the amount, based on anticipated revenue and the “true-up” pay back of \$1.2 million
- Anticipate that yearly changes may occur in the amount, as revenue fluctuates
- One year payment of \$62.00 per month of article 46 the Board approved to give teachers in FY24-25 totaling \$3,400,000 will be removed

For discussion and decision – As we will now report Article 46 separately on teacher paystubs, do we report Article 46 entirely or do we report Article 46 after the subtraction of the \$80/month and the \$1.2 million that are commitments to the local supplement. This decision does not impact the amount allocate, but how reported on paystub.

# IRS Update on Federal Withholding

- WSFCS requested that the IRS provide district with documentation detailing federal withholding payments made by WSFCS and any outstanding penalties/interest due
- Initial review indicates federal withholding payments due to the IRS have been made
- Initial review indicates that some payments may have been late and therefore penalties/interest accrued
- Initial review also indicates that some required reports that accompany payments were not sent by WSFCS
- Further investigation and contact with IRS-assigned Revenue Officer is needed to understand how payments received by the IRS have been applied and to understand how to proceed to reconcile the missing reports

# NC Auditor's Office Investigative Audit

- NC Auditor's Office letter, April 2025, initiating an investigative audit
- Ongoing collaboration, sharing of financial documents, resource requests, resource platforms
- Meeting at WSFCS on June 17
- Expected report from Auditor's office will provide overview of the investigative audit process, records reviewed, findings issued, recommended/required actions, and a district response to the investigative audit report
- WSFCS anticipates:
  - Findings around insufficient processes/structures
  - Findings around processes/structures not consistently followed
  - Findings around lack of oversight to prevent exceeding budget – human and systems
  - Additional findings on overall mis-steps, mis-management, lack of competence in the WSFCS

# Tyler ERP Transition – Replacing AS400 and HRMS

- Effective July 1, 2025, WSFCS will move to Tyler as the Enterprise Resource Planning (ERP) system for the district
- Training has been ongoing over the 2024-25 school year
- WSFCS will begin with the Budgeting, Accounts Payable, Accounts Receivable, Purchasing, and Warehousing modules July 1
- WSFCS plans to implement the Payroll and HR modules beginning January 2026
- The functionality, work-flow, permissions, and safeguards within the Tyler product will address many, if not all, of the mis-steps and mis-management that have occurred in previous years.

# Next Steps

- Does the Board want to ask the County for a one-time payment in the amount of \$18,000,000 to pay back state overages for FY24-25? This is \$14,100,000 less than previous request – not recommended at this time
- Consider Board review and approval of a request to the County to provide flexibility in the use of capital outlay funds and bond interest earnings for operating needs deficit in the 2024-25 budget
- Board will be asked to adopt an Interim Budget Resolution during Action portion of today's meeting
- Continued collaboration and review with the IRS
- Continued collaboration with the NC Auditor's office

## Next Steps (continued)

- Work with staff and Board Members to establish a Board Budget Calendar for 2025-26
- Finalize and release local budgets to departments and schools
- Finalize payback dates and specific plans for remaining vendors using revenue sources outlined in previous slide
- Provide weekly budget/finance updates to the state board and our school district community – website is now live



**Questions?**



P.O. Box 2513 ▪ Winston-Salem, NC 27102-2513

July 31, 2025

North Carolina State Board of Education  
Attn: Eric C. Davis, Chairman  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
[Eric.Davis@dpi.nc.gov](mailto:Eric.Davis@dpi.nc.gov)

Re: Bi-weekly State Board of Education Update

Dear Chair Davis,

Pursuant to your letter dated July 19, 2025, please accept this bi-weekly update on behalf of the Winston-Salem/Forsyth County Board of Education.

On Monday, July 21, 2025, Superintendent Moore and several staff members met with the Forsyth County Commissioners regarding the district's request for flexibility to utilize approximately \$8.5 million of reallocated bond funds for district operational needs. The Forsyth County Commissioners deferred their vote on this request until their August meeting. If approved, these funds would go towards the outstanding balance owed to the State.

On Tuesday, July 29, 2025, Board of Education members voted to send a request to Forsyth County state legislators requesting financial assistance in addressing the district's Fiscal Year 2024-2025 budget deficit. In a formal letter to Rep. Donny Lambeth, the head of the Forsyth County delegation, Board Chair Deanna Kaplan requested a special allocation of up to \$50.1 million. A copy of the letter is attached for your review. In the meantime, the district is continuing its efforts to reduce the 2024-2025 budget deficit, which includes ongoing conversations with the three large vendors in an effort to reach a mutually agreeable resolution of these debts.

Also on Tuesday, July 29, 2025, the Board of Education voted on a rubric that will be used to evaluate responses to the Requests for Proposals for the superintendent search firms. The Board plans to vote on a search firm at its August 12, 2025, school board meeting. The district continues its search for a more permanent chief financial officer position.

The district continues to review available funds and will likely need to make further reductions in local expenditures to balance the 2025-2026 budget. The district has recently been

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notified of anticipated reductions in state allotments, which will need to be addressed. Additionally, the district has \$8 million less in federal carryover funds from last fiscal year. The district is evaluating the effect of both the state reductions and loss of federal carryover funds, and what additional reductions will be taken to account for the loss of those funds. In the meantime, the district has frozen hiring of vacant positions at Central Office except for bus drivers, kitchen assistants and community coaches. Hiring is frozen at schools as well until the district can reassess enrollment at the 10<sup>th</sup> day of school.

If you have any questions or would like to discuss this matter further, please do not hesitate to contact me.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

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Deanna Kaplan, Board Chair

cc: North Carolina State Board of Education  
WS/FCS Board of Education  
Angela Clark, WS/FCS Interim Chief Finance Officer  
Amanda Lehmert Killian, WS/FCS Chief Communications Officer  
Chris Weikart, WS/FCS Chief Human Resource Officer  
Dionne Jenkins, WS/FCS General Counsel  
Allison Schafer, State Board of Education General Counsel

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[Catty Moore, Interim Superintendent](#)



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August 14, 2025

North Carolina State Board of Education  
Attn: Eric C. Davis, Chairman  
6301 Mail Service Center  
Raleigh, NC 27699-6301

**Via Electronic Mail**  
[Eric.Davis@dpi.nc.gov](mailto:Eric.Davis@dpi.nc.gov)

Re: Bi-weekly State Board of Education Update

Dear Chair Davis,

Please accept this bi-weekly update on behalf of the Winston-Salem/Forsyth County Board of Education.

We are pleased to report that this afternoon the Forsyth County Commissioners approved a request to allocate \$3.8 million in unspent capital funds and a one-time payment of \$4.7 million to the district. We will use these funds to pay a portion of the \$11.3 million we owe the state for overspending on non-instructional support. With this decision, the commissioners requested the Board of Education provide assurances that the district will continue its plans to build a new Ashley Elementary School.

To further help resolve the Fiscal Year 2024-2025 debt, the Board of Education set a time in September to meet with Forsyth County's state legislative delegation to review the district's request for a special allocation of up to \$50.1 million. Several members of the delegation expressed concern over the timing of the letter, given House and Senate schedules, and/or a desire to first review the Investigative Audit Report from the Office of the State Auditor.

That audit report was released today. We are grateful to the Auditor's staff for this comprehensive review. The team had full access to the district's financial systems and reviewed records dating back to 2017. [Read the full report online.](#)

The report notes the district's failure to reduce staff as the student population declined, not reducing expenses after temporary pandemic relief funds expired, and poor practices, such as not reconciling budgets, not budgeting for contract costs, and overspending. The Auditor's team notes in the report that they "did not find any evidence of malfeasance." The district continues to collaborate with the Auditor's Office on a new community-facing budget dashboard to provide

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easy public access to our financial data.

As part of our public communications about the audit, Moore announced her recommendation that the Board of Education create an External Audit Committee of stakeholders appointed by the board, the Forsyth County Commissioners, and the superintendent. This will provide an additional, independent level of accountability for the district's finances.

We hope the release of this audit, and our responses to it, are another step forward in rebuilding the community's trust and demonstrating our commitment to restoring our fiscal health through accountability and transparency.

On Tuesday, August 12, Interim Superintendent Catty Q. Moore reported additional one-time savings to help the district pay the Fiscal Year 2024-2025 debt. They include Central Office furloughs, which would save approximately \$200K per day; providing no annual increase to the local supplement, a savings of \$375K per year; and providing no annual increase to the local longevity for classified staff, a savings of \$100K per year.

At this meeting, Moore also provided additional recommendations for Fiscal Year 2025-2026 budget reductions. In the last month, the district has worked with HIL Consultants to review budgets and local, state, and federal funding sources; personnel funding and allotments; and non-personnel funding and obligations for the 2025-2026 fiscal year. HIL's analysis identified several areas where the district is staffed above state allotments or providing services well above state standards and those of comparable districts. The [full HIL report](#) is available online for your review.

The consultants identified several areas for review and potential reductions:

- Central Office-based administration and staffing
- School-based non-instructional staffing
- Exceptional Children's program ratios and staffing
- District-funded dental insurance
- School administrative staffing

Based on the recommendations and our review, the district believes it will need to make an additional \$19.3-\$25.3 million in reductions to have a balanced budget for this fiscal year.

Moore will bring a recommendation for a Reduction in Force (RIF) to the Board of Education on Tuesday, August 19. As a district, our investment priorities remain quality core

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instruction, a well-rounded education, meeting the behavioral and mental health needs of students and staff, employee recruitment and retention, and efficient operations. Any reductions will be made with these core values in mind, as well as an assurance that we are meeting our obligations to provide a Free Appropriate Public Education for our students.

Sincerely,  
Winston-Salem/Forsyth County Board of Education

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Deanna Kaplan, Board Chair

cc: North Carolina State Board of Education  
WS/FCS Board of Education  
Angela Clark, WS/FCS Interim Chief Finance Officer  
Amanda Lehmert Killian, WS/FCS Chief Communications Officer  
Chris Weikart, WS/FCS Chief Human Resource Officer  
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[Catty Q. Moore, Interim Superintendent](#)

# Exhibit C



August 14, 2025

## Winston-Salem/Forsyth County Schools

### WHY WE CONDUCTED THIS REPORT

The Office of the State Auditor (OSA) initiated a review into the financial standing of Winston-Salem/Forsyth County Schools (WS/FCS or the District) based on concerns reported to the State Auditor's Tipline. As of July 29, 2025, WS/FCS reported an estimated \$46 million budget deficit for FY 2025.<sup>1</sup>

### OBJECTIVE

The objective of this review was to determine the factors that contributed to the District's FY 2025 deficit.

### WHAT WE FOUND

OSA found that WS/FCS is running a deficit because:

1. The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population;
2. The District used temporary COVID-era funds to pay staff salaries and did not remove positions when the temporary aid ended;
3. The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets;

4. The District did not reconcile budgeted and actual revenue and expenditures in a timely manner. As a result, no corrective action was taken when there was a material difference in budgeted and actual revenue and expenditures during the fiscal period;
5. The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability;
6. The District inappropriately uses suspense accounts—temporary holding accounts intended for transactions that could not be immediately classified—as fund equity or fund balance accounts across multiple funds; and
7. The District did not adequately consider its contracts when creating its budget.

Beyond these findings, OSA assessed that the WS/FCS Financial Services Department's failure to correct prior audit findings has contributed to poor accounting procedures, budgetary practices, and the FY 2025 budget shortfall.

### FINDING 1 DETAILS & RECOMMENDATION

**The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population.**

<sup>1</sup> <https://www.wsfcs.k12.nc.us/article/2324128>. A budget deficit occurs when expenditures exceed appropriated revenue or available financial resources during a given fiscal period.

**NOTE:** OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared. This special report is based on the limited information available to OSA during our investigation and is not exhaustive. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

## FINDING 1 DETAILS & RECOMMENDATION

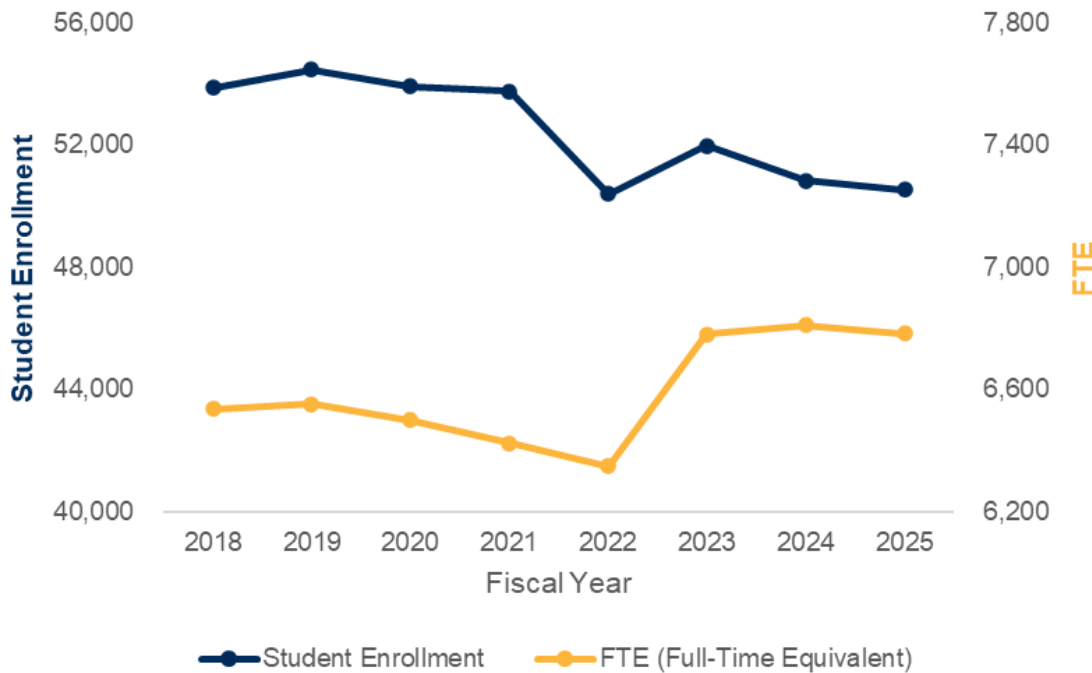
All school districts in North Carolina receive funding based, in part, on student enrollment. As WS/FCS’s student enrollment declined, the District failed to make proportional staffing adjustments.

**Table 1: Student Enrollment and Full-Time Equivalent (FTE) Counts Across Fiscal Years**

Fiscal Year	Student Enrollment	FTE
2018	53,878	6,538
2019	54,480	6,553
2020	53,920	6,501
2021	53,777	6,424
2022	50,411	6,350
2023	51,979	6,782
2024	50,842	6,812
2025 (Partial Year)	50,550	6,783

Student enrollment and FTE data for WS/FCS from FY 2018 to FY 2025. Data for FY 2018 student enrollment and FTE was obtained from the WS/FCS Financial Services Department. The remaining data was sourced from the WS/FCS “BOE Budget Workshop and 2025-2026 Budget Request” presentation delivered on April 15, 2025.<sup>2</sup>

**Figure 1: Student Enrollment and Full-Time Equivalent (FTE) Counts Across Fiscal Years**



WS/FCS’s student enrollment and full-time equivalent (FTE) staffing data from FY 2018 through FY 2025. This graph displays data from Table 1.

<sup>2</sup> [https://simbli.eboardsolutions.com/SB\\_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D](https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D)

**NOTE:** OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared. This special report is based on the limited information available to OSA during our investigation and is not exhaustive. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

## FINDING 1 DETAILS & RECOMMENDATION

WS/FCS appears to have proportionally reduced staffing as a result of decreased enrollment through FY 2022, but this practice has not persisted. Specifically, the number of FTEs added since FY 2022 does not reflect the general decline of student enrollment that has occurred in the District.<sup>3</sup> This misalignment between staffing and student enrollment contributed to the District’s budget deficit.

**Recommendation:** WS/FCS should consider adjusting its staffing to more proportionately reflect the number of students it serves and the appropriations it receives, or whether other appropriate funding exists to support its positions.

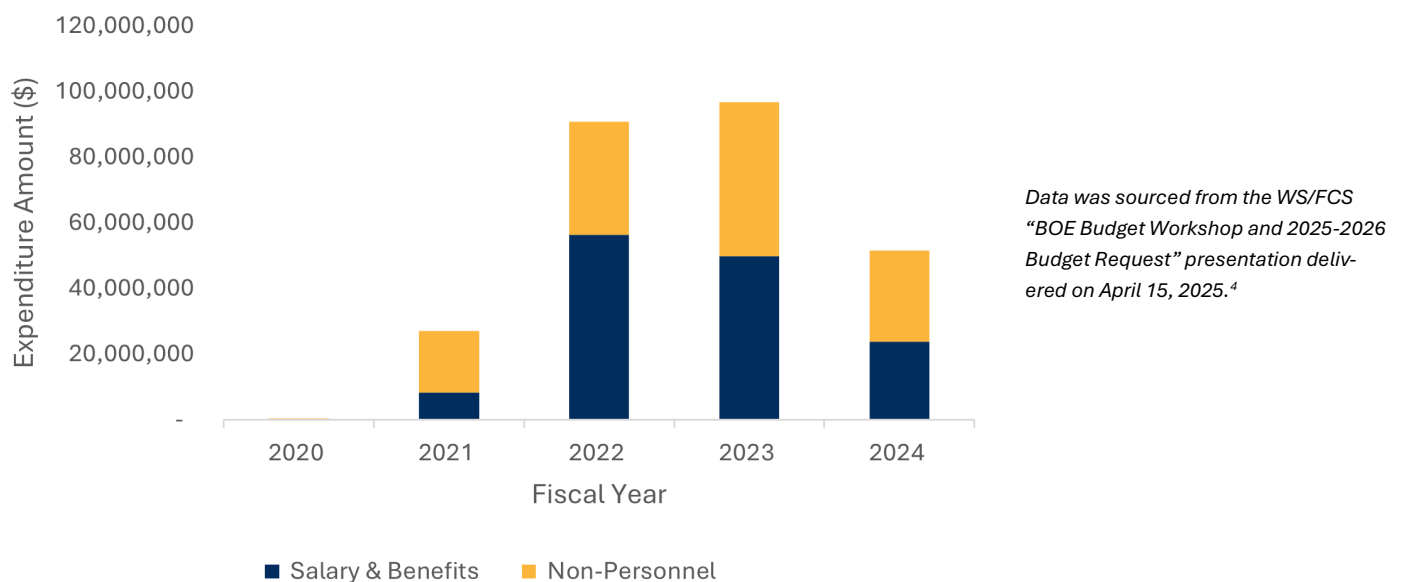
## FINDING 2 DETAILS & RECOMMENDATION

**The District used temporary COVID-era funds to support salaries and did not remove positions when the temporary aid ended.**

During the COVID-19 pandemic, the federal government provided educational relief monies through the Elementary and Secondary School Emergency Relief (ESSER) Fund. When the federal government began allotting ESSER Fund awards in March 2020, WS/FCS increased the number of permanent positions it funded with federal dollars and used ESSER funds to pay teacher salaries, even though much of the new revenue sources from the federal fund were temporary in nature. As federal grant money began to expire, WS/FCS made no efforts to eliminate positions supported by ESSER.

Figure 2 is a graphical representation of the District’s ESSER Fund expenditures from FY 2020 to FY 2024.

**Figure 2: ESSER Expenditures Across Fiscal Years**



<sup>3</sup> Although the District experienced a slight increase in student enrollment between FY 2022 and FY 2023, student numbers have steadily decreased since then.

<sup>4</sup> [https://simbli.eboardsolutions.com/SB\\_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D](https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D)

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## FINDING 2 DETAILS & RECOMMENDATION

Table 2 provides a detailed breakdown of the District’s ESSER Fund expenditures from FY 2020 to FY 2024.

**Table 2: ESSER Expenditures Across Fiscal Years**

Pay Type	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Salary	-	4,709,775	10,733,706	13,401,105	8,473,524
Operational Support Pay	-	8,881	319,442	584,953	254,690
Salary Differential	-	-	-	-	-
Benefit Related Pay	-	-	-	14,442	1,982
Sub Pay	-	537,521	57	-	457
<b>Salary Totals</b>	-	5,256,178	11,053,205	14,000,499	8,730,654
Supplement	-	305,984	1,029,154	1,639,214	1,080,117
Extra Duty Pay	-	900,086	4,127,690	5,689,937	8,705,384
Bonus Pay	-	-	32,179,772	19,644,918	(1,300)
<b>Additional Pay Totals</b>	-	1,206,070	37,336,617	26,974,069	9,784,201
Total Salary	-	6,462,248	48,389,822	40,974,568	18,514,854
Benefit	-	1,714,648	7,818,823	8,868,906	5,216,831
<b>Total Salary &amp; Benefits</b>	-	<b>8,176,896</b>	<b>56,208,645</b>	<b>49,843,474</b>	<b>23,731,686</b>
Purchased Services	-	2,343,631	10,647,994	24,175,808	17,447,099
Supplies Materials	-	16,500,658	23,884,908	22,648,907	10,369,818
Capital Outlay	-	7,760	13,735		
<b>Total non-personnel</b>	<b>491,686</b>	<b>18,852,049</b>	<b>34,532,901</b>	<b>46,824,715</b>	<b>27,830,651</b>
<b>Total Expense</b>	<b>491,686</b>	<b>27,028,945</b>	<b>90,741,547</b>	<b>96,668,189</b>	<b>51,562,337</b>

ESSER Fund expenditures across fiscal years. Data was sourced from the WS/FCS “BOE Budget Workshop and 2025-2026 Budget Request” presentation delivered on April 15, 2025.<sup>5</sup>

<sup>5</sup> [https://simbli.eboardsolutions.com/SB\\_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D](https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D)

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## FINDING 2 DETAILS & RECOMMENDATION

Table 3 shows the number of positions and funding sources from FY 2018 to FY 2025.

**Table 3: Positions by Funding Source**

Fiscal Year	Positions from State Fund	Positions from Federal Fund	Positions from General (local) Fund	Total Positions by FTE
2018	5,109	562	867	6,538
2019	5,150	462	941	6,553
2020	5,027	468	1,006	6,501
2021	4,977	523	924	6,424
2022	4,795	542	1,013	6,350
2023	4,862	645	1,275	6,782
2024	4,883	566	1,363	6,812
2025 (Partial Year)	4,908	536	1,339	6,783

*Number of positions available in the District by funding source for each fiscal year. Data was sourced from the WS/FCS Financial Services Department. Highlighted cells note trends of interest.*

Once ESSER funds were no longer available, WS/FCS reduced the number of positions funded by the federal fund and increased the number of positions funded by the general (local) fund, even though revenue from Forsyth County could not support this staffing. The decision to absorb federally funded positions into the general (local) fund budget without adequate revenue contributed to the District's budget deficit.

**Recommendation:** Since the federal government is no longer appropriating ESSER funds, WS/FCS should determine how much money it has to support full-time positions, in light of its other financial obligations, and adjust its staffing and funding of positions accordingly. WS/FCS should refrain from using temporary funding to support non-temporary positions in the future, or if it uses temporary funding to support non-temporary positions for a time, it should plan for how to it will continue funding those positions once the temporary funding is no longer available.

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## FINDING 3 DETAILS & RECOMMENDATION

**The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets.**

WS/FCS regularly overspent its stated budget lines using a budget override function in its accounting system to approve purchase orders (POs) that exceeded an account's budget line. WS/FCS informed OSA that only the District's Chief Financial Officer (CFO) can approve a purchase order (PO) that exceeds its related budget. OSA assessed available POs from FY 2025 and found that from July 1, 2024 through May 9, 2025 (the former CFO's last day of employment with the District), WS/FCS manually overrode the budget 311 times for an associated 308 POs (some POs required more than one override). The district reported 19,603 POs from July 1, 2024 through May 9, 2025.

In each instance of an override, the CFO should have soon thereafter executed, and the WS/FCS Board of Education (the Board) should have approved, an upward budget adjustment for affected accounts and an equivalent downward budget adjustment or budgeted an additional legitimate source of revenue for other accounts to appropriately reflect the budget override. Of the 311 overrides, only 33 overridden accounts received an upward budget adjustment within 30 days of the PO date. Thus, 278 account-line budgets were not adjusted to reflect the increased budget required by overridden POs in a timely manner.

As a result, affected accounts did not accurately reflect how much money the District had left to spend while the overrides remained uncorrected. This lack of timely budget clarity contributed to the budget deficit.

**Recommendations:** Unless an emergency arises, the District's CFO and Financial Services Department should consistently use the budget transfer process adopted by the District in a Budget Resolution on September 10, 2024, in place of the budget override process.<sup>6</sup> The budget transfer process gives the superintendent authority to raise the amount of money appropriated to certain budgets while equivalently lowering the amount of money appropriated to other budgets. The CFO may initiate these transfers up to a certain threshold between functions or projects within the same fund. The Board is to receive notice of any such transfers made by the superintendent at its next meeting.<sup>7</sup> Going forward, when a budget does not contain sufficient money to fund a pending PO, the CFO should complete a budget transfer prior to completing the PO, rather than a budget override. If the CFO must utilize the budget override function, each budget override should be accompanied by a subsequent budget transfer soon thereafter. The budget transfer process will permit the CFO and Financial Services Department to appropriately account for all purchases and remaining funds. Adopting this process will help the District maintain a current and sufficient budget for each of its accounts, avoid approving POs that exceed budget thresholds, and promote transparency about its financial condition.

<sup>6</sup> Section 14 of the WS/FCS Budget Resolution, which was approved on September 10, 2024, by the Board. Source: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030885&AID=409357&MID=14855>

<sup>7</sup> The superintendent can execute budget transfers without notifying the Board if they are "between sub-functions and objects of expenditure within a function without limitations," pursuant to Section 14(a) of the Budget Resolution.

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## FINDING 4 DETAILS & RECOMMENDATION

**The District did not reconcile budgeted and actual revenue and expenditures in a timely manner.**

When WS/FCS prepared its original budget, the District appropriated an equal amount of estimated revenue to expenditure accounts, thereby establishing the spending limits for those expenditures at the beginning of the year. Throughout the fiscal year, via budget amendments, the District appropriated additional equal amounts of estimated revenue to expenditure accounts, effectively increasing spending limits.

During its meeting with OSA on June 17, 2025, WS/FCS informed OSA that the District’s Financial Services Department did not perform timely reconciliations between estimated revenue/expenditures and actual revenue/expenditures in prior years. No actions were taken when material differences existed between budgeted expenditures and actual expenditures, as well as budgeted revenue and actual revenue. As a result, expenditures and liabilities were incurred against financial resources that were not available or appropriated. The District’s failure to consistently monitor its budget contributed directly to its budget deficits.

Table 4 shows whether actual revenue was over or under actual expenditures across fiscal years.

**Table 4: Revenue Over (Under) Expenditures of Governmental Funds (Excluding Individual Schools Fund)**

Fiscal Year	Revenue	Expenditures	Revenue Over (Under) Expenditures
2018	540,921,985	546,833,799	(5,911,814)
2019	578,740,135	588,730,966	(9,990,831)
2020	570,032,625	564,931,127	5,101,498
2021	622,017,258	610,811,568	11,205,690
2022	735,746,531	739,292,563	(3,546,032)
2023	745,790,844	746,817,109	(1,026,265)
2024	722,071,071	737,477,678	(15,406,607)
2025 (Partial Year)	685,531,474	699,830,067	(14,298,593)

*Revenue and expenditure data for WS/FCS. Data for FY 2025 was summarized from the trial balance provided by WS/FCS’s Financial Services Department on June 5, 2025. The individual schools fund was not included in FY 2025 because the data was unavailable. Data for FY 2018 through FY 2024 were extracted from the District’s publicly available audited financial statements. For consistency, this data includes all governmental funds other than the individual schools fund.*

**Recommendation:** WS/FCS should conduct monthly reconciliations between budgeted revenue/expenditures and actual revenue/expenditures to maintain current information about budget variances.

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## FINDING 5 DETAILS & RECOMMENDATION

The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability.

WS/FCS expanded bonus payments during the COVID-19 pandemic. In subsequent years, the District continued providing bonuses without properly reevaluating the funding sources for such disbursements.

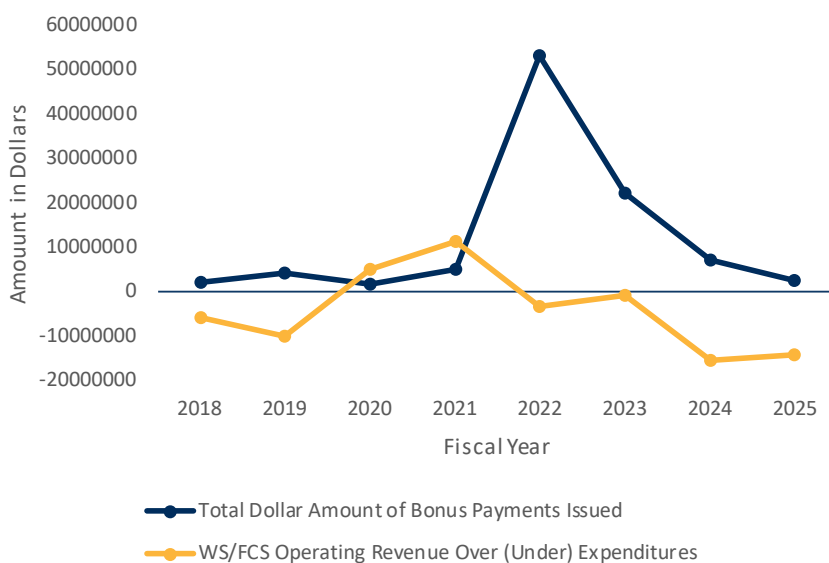
Table 5 presents the funding sources for bonus payments across fiscal years.

**Table 5: Bonus Payments Paid from Governmental Funds (Object Code 180 and 183)**

Fiscal Year	State Fund	General Fund	Federal Fund	Special Revenue Fund	Total	WS/FCS Operating Revenue Over (Under) Expenditure
2018	1,701,249	39,501	238,640	8,014	1,987,403	(5,911,814)
2019	1,438,314	2,201,369	428,888	14,471	4,083,042	(9,990,831)
2020	1,552,715	47,250	254,474	34,939	1,889,378	5,101,498
2021	1,647,600	2,368,392	781,474	124,638	4,922,103	11,205,690
2022	11,859,455	7,990,452	32,179,772	1,197,750	53,227,429	(3,546,032)
2023	1,359,250	161,535	19,659,262	1,058,418	22,238,464	(1,026,265)
2024	2,140,039	4,063,953	118,700	940,375	7,263,067	(15,406,607)
2025 (Partial Year)	1,301,240	3,000	706,650	694,088	2,704,978	(14,298,593)
<b>Total</b>	<b>22,999,861</b>	<b>16,875,451</b>	<b>54,367,859</b>	<b>4,072,692</b>	<b>98,315,864</b>	

Bonus payment expenditures from WS/FCS. Data was compiled from the trial-balance documents provided by WS/FCS.

**Figure 3: Total Bonus Payments from Governmental Funds vs Operating Revenue Over (Under) Expenditures**



Total dollar amount of bonus payments by WS/FCS compared to WS/FCS operating revenue across fiscal years. This graph displays data from Table 5.

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## FINDING 5 DETAILS & RECOMMENDATION

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Some bonuses paid during this period were issued pursuant to state directive and were funded by state monies (for instance, performance bonuses for teachers based on end-of-year test scores). These bonuses must be issued to comply with the state law. See, e.g., Section 7A.3 of Session Law 2023-134. However, in FY 2022 and FY 2023, the District issued additional discretionary bonus payments from federal, general, and special revenue funds yet overspent its annual revenue in each of these years. This pattern continued in FY 2024, when WS/FCS issued bonuses largely using general funds and again overspent its annual revenue.

**Recommendations:** WS/FCS should consider refraining from issuing discretionary bonus payments until its financial condition improves. Before issuing future bonus payments, WS/FCS should carefully consider how doing so will impact fund balances.

## FINDING 6 DETAILS & RECOMMENDATION

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### **The District inappropriately uses “suspense accounts” in multiple funds.**

A suspense account is automatically generated by accounting software, or manually generated by the software user, when a transaction cannot be immediately classified due to missing, unclear, or incorrect information. It is a temporary account used to hold transactions until they can be properly classified. In standard accounting practice, all items in a suspense account should be promptly investigated and resolved to ensure the account regularly maintains a zero balance.

WS/FCS’s Financial Services Department treats suspense accounts as equity accounts<sup>8</sup> rather than using them as temporary holding accounts for transactions pending classification. As of June 5, 2025, the total balance under all the District’s suspense accounts was \$332,008,316, and \$145,546 was posted to these accounts between July 1, 2024 and June 5, 2025. The improper use of suspense accounts may delay the resolution of misclassified transactions and weaken budgetary control by creating confusion over the availability and use of funds, which could contribute to the District’s budget deficit.

**Recommendations:** WS/FCS should only use suspense accounts for their intended purpose—a temporary holding place for properly classifying transactions. The District should regularly review and analyze such accounts. Additionally, the District should ensure that suspense accounts are cleared in a timely manner and that transactions are reclassified to the appropriate accounts.

<sup>8</sup> An equity represents the ownership interest in an entity. In government accounting, it is often referred as fund balance or net position. In simple terms:  $\text{Asset} - \text{Liabilities} = \text{Equity}$ ;  $\text{Revenue} - \text{Expenditure} = \text{Changes in Equity}$  in a given Fiscal Year.

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## FINDING 7 DETAILS & RECOMMENDATION

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### **The District does not adequately consider its contracts when creating its budget.**

During its meeting with OSA on June 17, 2025, the District stated that when preparing its budget for contracted expenditures each year, it creates purchase orders for those expenditures as a control to ensure it considers all contracts in the budget. However, the District does not have a control to ensure that it has identified all contracts. As a result, contracts may not be given a purchase order and therefore, the District is not able to ensure that it budgets for all of its contracted expenditures. For example, the District failed to appropriately budget for its contract with ESS Southeast, LLC, a substitute staffing firm. The company only had one purchase order with WS/FCS, entered in 2021, which became a contract that has been active for several years. Because a new purchase order was not issued each year, WS/FCS failed to budget for this expenditure, which led to increased deficits.

**Recommendations:** The District should more fully consider the financial liabilities agreed to in its contracts when creating its budget. The District should consider maintaining all active contracts in a central repository so that the District can understand the entirety of its current and future contractual liabilities. The District should review all active contracts when creating its annual budget.

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## ADDITIONAL ASSESSMENT

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### **WS/FCS has not fully corrected previous audit findings.**

Several findings made by external auditors in the District's audited financial statements for FYs 2017, 2018, 2019, and 2023 identified poor accounting procedures in the Financial Services Department. These findings have not been fully corrected by the District and, as a result, contributed to the FY 2025 deficit. The audit findings are included as Attachment 1.

**Recommendation:** WS/FCS should adjust its accounting procedures in response to previous years' audit findings.

### **OSA's Budget Dashboard, Feedback on New Accounting Software, and Concluding Remarks**

During OSA's meeting with the District, OSA provided a preview of a budget dashboard that is in development. The budget dashboard seeks to display information that informs WS/FCS and the public about the financial position of the District. OSA will continue to work with the District to refine this tool.

WS/FCS also gave OSA a demonstration of the District's new accounting software from Tyler Technologies, which appears to administer controls for the District that are not currently present. The District is actively implementing this system. While the new software appears to be sufficient for addressing the District's needs, the District should proactively monitor its expenditures and provide accurate, current financial information to the Board and the public.

WS/FCS should consider implementing OSA's recommendations, improving its accounting procedures based upon prior audit findings, utilizing OSA's dashboard (upon completion), and completing the implementation of its new accounting software. Although taking such actions will not immediately resolve the District's current budget challenge, adopting OSA's recommendations will help the District prevent financial issues from occurring in the future.

OSA will continue to monitor WS/FCS's financial condition and plans to release a follow-up report in the coming months to review whether each of these findings has been corrected. During OSA's limited review, OSA did not find any evidence of malfeasance on the part of WS/FCS. This, however, does not preclude potential future allegations, whether similar or different in nature, from being subject to investigation or audit by OSA.

As a final note, the information contained in this report is based on documentation provided to OSA by WS/FCS prior to publication and may not reflect any updates, changes, or new information that became available after its release.

OSA appreciates the cooperation of WS/FCS staff and their willingness to provide requested documentation as OSA conducted this review.

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## RESPONSE FROM WS/FCS

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P.O. Box 2513 • Winston-Salem, NC 27102

August 8, 2025

David L. Boliek  
State of North Carolina  
Office of the State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699

**RE:** Winston-Salem/Forsyth County Schools Response to Investigative Audit Findings

Dear Mr. Boliek,

The Winston-Salem/Forsyth County School (WS/FCS) district has received and reviewed the results of the investigative audit initiated on April 21, 2025. We appreciate the time and effort taken by the Auditor's Office in reviewing our financial records and providing recommendations for how we can continue to improve our processes and procedures. The WS/FCS accepts responsibility for its current financial situation and acknowledges the difficult path forward in restoring the financial health of the district. We are committed to transparency, accountability, and to rebuilding the public's trust by showing good stewardship of public dollars.

As noted in the draft audit report, the information below sets forth the district's response to the report's findings and recommendations.

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### FINDING 1

**Auditor's Finding 1:** The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population.

**WS/FCS Response:** WS/FCS acknowledges that it has not adequately reduced its staffing over the past few years to align with the gradual decline in student enrollment. WS/FCS has begun making reductions by instituting a reduction-in-force of 81 positions in Central Office and has re-adjusted the 2025-2026 school-based allotments to be more aligned with the State allotment formulas. As of the date of this letter, the district has approximately 474 fewer full-time positions than it did for 2024-2025. We anticipate making further reductions

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## RESPONSE FROM WS/FCS

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in the coming year to be more aligned with current student enrollment as well as state and federal appropriations. Please note, Table 1 data was compiled from annual state reporting submitted each October and does not include vacant positions.

**Persons responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer, and Chris Weikart, Chief Human Resources Officer.

**Completion date:** The current wave of positions reductions will be complete by December 1, 2025. An additional reduction may be needed next spring, to be completed by August 1, 2026, for the 2026-27 school year. The District will conduct annual reconciliations of formulas and enrollment every fall.

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### FINDING 2

**Auditor's Finding 2:** The District used temporary COVID-era funds to pay staff salaries and did not remove positions when the temporary aid ended.

**WS/FCS Response:** WS/FCS acknowledges that it did not adequately reduce the number of ESSER-paid positions once the federal funds were no longer available. In addition to the adjustments and reductions noted in the response to Finding 1 above, going forward the District will ensure that all staffing allocations are supported and specified by budgeted and available state, federal, and/or local funds.

**Persons responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer, and Chris Weikart, Chief Human Resources Officer.

**Completion date:** In process to be completed by June 30, 2026.

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### FINDING 3

**Auditor's Finding 3:** The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets.

**WS/FCS Response:** WS/FCS acknowledges that it approved purchase orders that exceeded account budgets without subsequently revising those budgets. For decades, WS/FCS has operated on an outdated, archaic financial management system known as AS400. The AS400 system lacked many of the internal controls that modern financial management systems contain. Fortunately, WS/FCS is currently in the midst of a

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## RESPONSE FROM WS/FCS

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conversion to an Enterprise Resource Planning (ERP) system referred to as Tyler Munis (“Tyler”). The new ERP system has built-in controls that will prevent any purchases from exceeding the budgeted line-item amounts. No user will be able to exceed a budgeted line item without a budget transfer. This will ensure that the CFO and Finance Department can appropriately account for all purchases and remaining funds.

Additionally, the District will conduct a thorough review of its policies and procedures on budget transfers as well as established dollar amount thresholds that require Board approval. Changes to policies and procedures will be implemented and appropriate training will be provided for all staff who are responsible for managing a departmental budget.

**Persons responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer and the Financial Department team.

**Completion date:** In process to be completed by June 30, 2026.

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### FINDING 4

**Auditor's Finding 4:** The District did not reconcile budgeted and actual revenue and expenditures in a timely manner. As a result, no corrective action was taken when there was a material difference in budgeted and actual revenue and expenditures during the fiscal period.

**WS/FCS Response:** WS/FCS acknowledges not reconciling budgeted and actual revenue and expenditures in a timely manner. Beginning with the 2025-2026 year, WS/FCS will re-institute providing a monthly budget update to the Board of Education. In August, the district will begin to provide monthly budget-to-actual reports as a regular part of the monthly Finance Committee, so that the Board will maintain current information about budget variances.

The WS/FCS has contracted with HIL Consulting Group through December 2025 and will seek recommendations on the format and type of any other reports that may be helpful to the Board and WS/FCS leadership to carefully and clearly evaluate the status of the budget on an ongoing basis.

**Persons responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer with support from HIL Consulting Group.

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## RESPONSE FROM WS/FCS

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**Completion date:** In process to begin August 2025 and monthly thereafter.

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### FINDING 5

**Auditor's Finding 5:** The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability.

**WS/FCS Response:** WS/FCS acknowledges that it did not reassess COVID-era bonuses to ensure alignment with current fund availability. WS/FCS will not issue any bonuses other than state-allocated bonuses for district personnel. In the future, WS/FCS will ensure that adequate funds are available, regardless of the funding source, before contemplating any bonuses to its employees.

**Person responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer

**Completion date:** Complete.

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### FINDING 6

**Auditor's Finding 6:** The District inappropriately uses suspense accounts – temporary holding accounts intended for transactions that could not be immediately classified – as fund equity or fund balance accounts across multiple funds.

**WS/FCS Response:** WS/FCS acknowledges the use of suspense accounts. Upon information and belief, the SunPac financial system, which was our financial partner prior to the transition to Tyler Munis, created the “suspense accounts” automatically, and it was the responsibility of WS/FCS to reverse the journal entries out of those suspense accounts into the appropriate accounts. WS/FCS acknowledges that it did not properly adjust these accounts, and it is working with SunPac to understand how the reported amount has accumulated over the years and what immediate steps it needs to take to reflect a zero balance.

**Person responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer

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## RESPONSE FROM WS/FCS

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**Completion date:** A review with SunPac is currently in progress, to be completed by June 30, 2026.

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### FINDING 7

**Auditor's Finding 7:** The District did not adequately consider its contracts when creating its budget.

**WS/FCS Response:** WS/FCS acknowledges that it did not properly account for certain contracts, namely the contract with ESS Southeast, LLC, in previous budgets. Under the new Tyler system, all contracts are required to be uploaded into the system and must be associated with a specific line item in the budget. As stated in response to Finding 3 above, Tyler has built-in controls that will ensure that no purchase orders are issued on any contracts for which there are not adequate funds in the budget. All contracts will be pre-audited by the Chief Financial Officer in accordance with State law.

Additionally, the district is reviewing its current policies and procedures regarding contract administration and is committed to creating a centralized repository of contracts, either through Tyler or some other system, so that the district can more clearly assess its current and future contractual obligations. The district will train all contract administrators on any new or revised policies and ensure that contract administrators are familiar with district guidelines and expectations.

**Persons responsible for taking correction action:** Angela Clark, Interim Chief Financial Officer, John Mann Jr., Director of Procurement Services and Dionne Jenkins, General Counsel

**Completion date:** In process, to be completed by June 30, 2026.

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### ADDITIONAL ASSESSMENT

**Auditor's Additional Assessment:** The District has failed to correct prior audit findings, which has contributed to poor accounting procedures, budgetary practices, and the FY 2025 budget shortfall.

**WS/FCS Response:** WS/FCS acknowledges the repeat findings noted in the attached excerpts from audit reports going back as far as 2017. Since 2017, the district has

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## RESPONSE FROM WS/FCS

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experienced significant changes in leadership including four Chief Financial Officers, four Superintendents, three different school boards, and considerable turnover across several departments, including the Finance Department and Human Resources. WS/FCS recognizes the need for stronger internal processes and succession planning to address the systemic inefficiencies and lack of controls that have existed for nearly a decade or more. WS/FCS also recognizes the need for additional training to build and maintain the capacity of staff to manage the financial operations of such a large institution.

The district will seek out learning opportunities about the state's complex financial system that may be available for its next Superintendent, Chief Financial Officer, Finance Department staff, and senior leadership. The Superintendent and Board will establish a regular cadence to review progress on the audit recommendations. This work will continue to be the focus of the new permanent Superintendent and Chief Financial Officer.

The WS/FCS appreciates the opportunity to work with the Auditor's office on the development of a budget dashboard and looks forward to ongoing discussions and collaboration on the public release of the dashboard. The district remains committed to building the necessary systems and internal processes that promote accountability and transparency. WS/FCS will continue to cooperate with the Auditor's office on any future requests or ongoing monitoring for the 2025-2026 school year.

WS/FCS maintains, and we believe the Auditor's report confirms, that the current financial crisis which WS/FCS is experiencing was not the result of any illegal misappropriation of funds or fraudulent behavior on the part of any member of its Finance Department or district leadership. It was the result of years of poor accounting practices and lack of financial management. WS/FCS accepts accountability for its financial mistakes and will take all necessary steps to restore the financial health of this district.

If you have any additional questions, please do not hesitate to reach out to me.

Sincerely,



Catty Q. Moore, Interim Superintendent  
Winston-Salem/Forsyth County Schools

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## SOURCES AND ATTACHMENTS

### Attachment 1- Audit Findings in prior year financial statement audits.

#### **FY 2024 Audit:**

##### ***Finding 2024-001***

*Deficit in Fund Balance for the Special Revenue Fund*

#### **MATERIAL WEAKNESS**

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* The Special Revenue Fund has a deficit in fund balance of \$1,981,248 at June 30, 2024.

*Effect:* The Special Revenue Fund does not have sufficient assets to pay their liabilities at June 30, 2024.

*Cause:* Continued increases in costs that have exceeded appropriations in the Special Revenue Fund.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2023-001

*Recommendation:* We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Special Revenue Fund in order to reduce the deficit.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

##### ***Finding 2024-002***

*Expenditures in Excess of Budget for General Fund, Special Revenue Fund, Federal Grants Fund, and Child Nutrition Fund*

#### **MATERIAL WEAKNESS**

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* For the General Fund, the Board expended \$63,129 more for regular instructional services, \$977,627 more for school leadership, \$110,386 more for co-curricular, \$667,696 more for school-based support, \$6,279,995 more for operational support, \$12,707 more for system-wide pupil support, and \$1,452,106 more for non-programmed charges than appropriated in the annual budget ordinance. For the Special Revenue Fund, the Board expended \$185,254 more for special populations than appropriated in the annual budget ordinance. For the Federal Grants Fund, the Board expended \$1,578,506 more for financial and human resources than appropriate in the annual budget ordinance. For the Child Nutrition Fund, the Board expended \$5,016,223 more for operating expenditures than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Cause:* The Board received and expended funds in the General Fund, Special Revenue Fund, Federal Grants Fund, and Child Nutrition Fund that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

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**Finding 2024-003**

*Reconciliation and Proper Recording of Certain Balance Sheet Accounts*

**MATERIAL WEAKNESS**

*Criteria:* Balance sheet accounts should be reconciled to underlying accounting records and subledgers on a periodic basis.

*Condition:* Account reconciliations and proper procedures for certain balance sheet accounts were not being performed accurately or timely resulting in an initial misstatement in the accounts at June 30, 2024

*Effect:* Several adjustments, some identified by Board staff and other identified as a result of the audit, were required to adjust accounts to actual at June 30, 2024.

*Cause:* Given staffing constraints and other factors, the Board was not able to successfully execute their closing process on a timely basis.

*Recommendation:* Employees responsible for account reconciliations should receive training on how to perform the necessary procedures appropriately. The Balance Sheet should also be examined on a periodic basis to ensure that accounts agree to their respective underlying records. The underlying records should also be investigated to ensure they are accurate. The Board and management should analyze the department to determine if additional headcount resources are needed.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

**Finding 2024-004**

**Noncompliance: Activities Allowed or Unallowed - Allotment Overdraft**

*Career and Technical Education - State: Months of Employment*

**SIGNIFICANT DEFICIENCY**

*Criteria:* The Board should not exceed the positional or months allotted to them by the North Carolina Department of Instruction.

*Condition:* The Board exceeded the Career Technical Education Months of Employment Category by approximately 14.27 months.

*Effect:* Monies were spent in excess of what was allotted.

*Cause:* The Board was not appropriately monitoring the Months Allocated vs. Months Used in FY 2024 report which resulted in an overuse of allotted months.

*Recommendation:* Proper procedures should be followed to prevent an overuse of months. The Board should also refund all allotment overdrafts during the fiscal year 2024 back to the North Carolina Department of Instruction.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

*Question costs:* \$72,106. This amount was calculated using estimated monthly salary and benefit rates for the respective positional category, multiplied by the number of overused months.

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WS/FCS Response to Audit Findings:



P.O. Box 2513 • Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2024**

**Schedule 15  
(Page 1 of 2)**

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***Finding 2024-001***

*Name of Contact Person:* Thomas Kränz, Chief Financial Officer

*Corrective Action:* Management agrees with this finding. The deficit in the Special Revenue Fund of \$1,966,671 is a continuation from the prior year. In FY2023 the deficit was \$2,016,121. The initial deficit was the result of the district not recording all applicable journal entries in a timely manner. Contributing to this situation was the loss of staff. Finance is working diligently in the hiring of personnel to address these vacancies. The primary vacant positions were the Director of Finance and two purchasing positions.

*Proposed Completion Date:* June 30, 2025

***Finding 2024-002***

*Name of Contact Person:* Thomas Kranz, Chief Financial Officer

*Corrective Action:* Management agrees that monies were expended during FY2024, which had not been properly appropriated. As a result of this action Finance spent funds that were not correctly appropriated in the General Fund, the Special Revenue Fund, the Federal Grants Fund, and the School Nutrition Fund.

Management concurs with the audit findings. Per State Statute, funds cannot be spent unless properly appropriated by the School Board. Management attempted to close out FY2024 to record journal entries reflecting revenues and expenses for year-end related transactions. Due to the staffing shortfall, as mentioned above, journal entries and the reconciliation of accounts were not performed in a timely manner. This oversight led to the expenditure of funds before being properly appropriated.

Another contributing factor in making all of the applicable journal entries, was the limited number of journal entries that could be processed at one time on the DPI system.

To ensure that this situation does not arise in the future, Finance recommends that all amendments and transfers are presented to the School Board as soon as all paperwork is complete. Finance has requested from the Superintendent and School Board for there to be a Finance Section at every regular School Board meeting for the primary purpose of presenting budget amendments and transfers to the Superintendent and School Board in a timely manner.

*Proposed Completion Date:* June 30, 2025

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**Finding 2024-003**

*Name of Contact Person:* Thomas Kranz, Chief Financial Officer

*Corrective Action:* Management agrees with this finding. Delays in the reconciliation of accounts were primarily due to the staffing shortages discussed previously. To ensure that this matter is properly addressed in the future, all reconciliations will be performed and reviewed monthly. All adjusting journal entries will be recorded in the following month.

At year end all entries will be prepared and entered in the accounting system within 45 days of year end. This timeline is expected to result in the audit being completed by the deadline of October 31<sup>st</sup>.

*Proposed Completion Date:* June 30, 2025

**Finding 2024-004**

*Name of Contact Person:* Thomas Kranz, Chief Financial Officer

*Corrective Action:* The overallotment of the CTE position, which resulted in a 1.427 overallotment, was encountered as management at year end attempted to ensure that all allotments were utilized. To ensure that this situation does not arise in the future, management will close out the allotment process review at year end no later than 30 days prior to the actual year end.

*Proposed Completion Date:* June 30, 2025

**Prior Year Corrective Action Status- External Auditor Comment:**

**Winston-Salem/Forsyth County Board of Education  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2024**

**Schedule 16**

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**Finding 2023-001**

*Status:* See Finding 2024-001.

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**FY 2023 Audit:**

***Finding 2023-001***

***Deficit in Fund Balance for the Special Revenue Fund***

**MATERIAL WEAKNESS**

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* The Special Revenue Fund has a deficit in fund balance of \$2,016,121 at June 30, 2023.

*Effect:* The Special Revenue Fund does not have sufficient assets to pay their liabilities at June 30, 2023.

*Cause:* Continued increases in costs that have exceeded appropriations in the Special Revenue Fund.

*Recommendation:* We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Special Revenue Fund in order to reduce the deficit.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

**WSFCS Response to Audit Findings:**



P.O. Box 2513 • Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2023**

**Schedule 15**

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***Finding 2023-001***

*Name of Contact Person:* Thomas Kranz, Chief Financial Officer

*Corrective Action:* Management agrees with this finding. The deficit in the Special Revenue Fund Balance was the direct result of the over-appropriation in Fund Balance, from purchase orders carried over from the prior year. At June 30, 2023, cash and investments totaled \$27,936,772; which was sufficient to pay the accounts payable and accrued expenses which totaled \$3,043,115 as of year-end. Management will monitor the Special Revenue Fund Budget daily as part of the Pre-Audit Process for Purchases and Contracts, to ensure that no approval of an expenditure will have a negative impact on the Special Revenue Fund Balance. In the event that a proposed transaction could have a negative impact on the fund balance, steps will be taken in accordance with applicable policies to move the expenditures to the appropriately funded fund.

*Proposed Completion Date:* June 30, 2024

**NOTE:** OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared. This special report is based on the limited information available to OSA during our investigation and is not exhaustive. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

**Winston-Salem/Forsyth County Board of Education  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2023**

**Schedule 16**

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***Finding 2022-001***

Corrected

***Finding 2022-002***

Corrected

**FY 2022 Audit:**

***Finding 2022-001***

***Over-Appropriation of Fund Balance for the Special Revenue Fund***

**MATERIAL WEAKNESS**

*Criteria:* In accordance with State law [G.S. 115C-425], appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget year.

*Condition:* The Board appropriated \$7,513,699 of fund balance in the Special Revenue Fund but only had a total fund balance of \$2,930,290 as of the close of the preceding fiscal year.

*Effect:* The Board over-appropriated fund balance which is in violation of State law [G.S. 115C-425].

*Cause:* Continued increases in education costs that have exceeded appropriations in the Special Revenue Fund.

*Recommendation:* We recommend management appropriately monitor the budget to identify means to reduce expenditures in the Special Revenue Fund. Continued over appropriation of fund balance can lead to the Special Revenue Fund recognizing a deficit in fund balance.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

***Finding 2022-002***

***Expenditures in excess of budget for the Special Revenue Fund***

**MATERIAL WEAKNESS**

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

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*Condition:* For the Special Revenue Fund, the Board expended \$7,280,981 more for school-based support than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Cause:* The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

**WSFCS Response to Audit Findings:**



P.O. Box 2513 • Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2022**

**Schedule 15**

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***Finding 2022-001***

**MATERIAL WEAKNESS**

*Name of contact person:* Thomas Kranz, Chief Financial Officer

*Corrective action:* Management agrees with this finding. The appropriate amount of fund balance was approved, but it was recorded in the Special Revenue Fund instead of the General Fund. Management will monitor the Special Revenue Fund Budget daily as part of the Pre-Audit Process for Purchases and Contracts, to ensure that no approval of an expenditure will have a negative impact on the Special Revenue Fund Balance. In the event that a proposed transaction could have a negative impact on the fund balance, steps will be taken in accordance with applicable policies to move the expenditures to the appropriately funded fund.

*Proposed completion date:* June 30, 2023

***Finding 2022-002***

**MATERIAL WEAKNESS**

*Name of contact person:* Thomas Kranz, Chief Financial Officer

*Corrective action:* Management agrees with this finding. This relates to the Emergency Connectivity Fund. The revenues and expenses associated with purchases were made directly by the grantor for the benefit of the Board. Management will institute a process to ensure that no new revenues during the year are spent without all applicable budget adjustments approved prior to the actual expenditure of the revenues.

*Proposed completion date:* June 30, 2023

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**Prior Year Corrective Action Status- External Auditor Comment:**

**Winston-Salem/Forsyth County Board of Education  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2022**

**Schedule 16**

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There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2021.

**Fiscal Year 2021: No Audit Findings.**

**Prior Year Corrective Action Status- External Auditor Comment:**

**Winston-Salem/Forsyth County Board of Education  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2021**

**Schedule 16**

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***Finding 2020-001***

Corrected

***Finding 2020-002***

Corrected

***Finding 2020-003***

Corrected

**FY 2020 Audit:**

***Finding 2020-001***

***Expenditures in excess of budget for General Fund***

**SIGNIFICANT DEFICIENCY**

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* For the General Fund, the Board expended \$16,135, and \$450,401 more for leadership, and public relations and nonprogrammed charges, respectively, than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2019-003.

*Cause:* The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

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## ***Finding 2020-002***

### ***Deficit in Fund Balance for the Capital Outlay Fund and Deficit in Net Position for the Day Care Fund***

#### **SIGNIFICANT DEFICIENCY**

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* The Capital Outlay Fund has a deficit in fund balance of \$845,498 and the Day Care Fund has a deficit in net position of \$798,028 June 30, 2020, respectively.

*Effect:* The Capital Outlay Fund and Day Care Fund do not have sufficient assets to pay their liabilities at June 30, 2020.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2019-004.

*Cause:* Continued increases in costs that have exceeded appropriations in the Capital Outlay Fund and exceeded revenues in the Day Care Fund.

*Recommendation:* We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Capital Outlay Fund and the Day Care Fund in order to reduce the deficits.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

## ***Finding 2020-003***

### ***Timely Filing of the Data Collection Form and Reporting Package***

#### **MATERIAL WEAKNESS**

*Criteria:* 2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period. The Federal Audit Clearinghouse considers the submission complete when it has received the electronic submission of both the data collection form and the reporting package.

*Condition:* The June 30, 2019 reporting package and data collection form were not received by the Federal Audit Clearinghouse until May 7, 2020.

*Effect:* The June 30, 2019 reporting package and data collection form were not filed timely in accordance with 2 CFR section 200.512(a).

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2019-005.

*Cause:* The June 30, 2019 audit was not completed until April 20, 2020 due to significant delays in preparing the financial information required to perform an audit.

*Recommendation:* We recommend management continue monitor its procedures and internal controls to ensure they are appropriately implemented to provide for a timely filing of the reporting package and data collection form.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

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**WSFCS Response to Audit Findings:**



P.O. Box 2513 ■ Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2020**

**Schedule 15**

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***Finding 2020-001***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* There were a few accruals that should have been accounted for before year end that were not realized until after the June 30<sup>th</sup>. We will continue to monitor accruals and continue to ensure that transfers are approved to appropriate budget in alignment with expenditures.

*Proposed Completion Date:* June 30, 2021

***Finding 2020-002***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* The deficit in capital outlay fund balance is related to the finding from the prior year. The deficit has been reduced significantly from the prior year. The deficit in the day care fund balance is due to the lack of revenue from the closure of school related to the COVID-19 pandemic. The district will continue to monitor expenditures and ensure that funds are received before expended.

*Proposed Completion Date:* June 30, 2021

***Finding 2020-003***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* This finding was due to employee turnover on the Finance team. The Finance team implemented reporting processes including a period close checklist which will be prepared to ensure all processes are completed timely, every period. Because of these new processes, we believe that the data collection form will be filed timely for the June 30, 2020 audit.

*Proposed Completion Date:* March 31, 2021

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***Finding 2019-001***

Corrected

***Finding 2019-002***

Corrected

***Finding 2019-003***

Repeat, see finding 2020-001

***Finding 2019-004***

Repeat, see finding 2020-002

***Finding 2019-005***

Repeat, see finding 2020-003

***Finding 2019-006***

Corrected

**FY 2019 Audit**

***Finding 2019-001***

***Internal Controls Over Financial Reporting***

**MATERIAL WEAKNESS**

*Criteria:* Internal control over financial reporting are the control activities designed by the Board of Education to provide reasonable assurance regarding the reliability of financial reporting in accordance with the appropriate accounting standards. These control activities over financial reporting should be selected and developed so that they contribute to the mitigation of risks for the achievement of objectives to acceptable levels.

*Condition:* Account reconciliations were not being performed accurately or timely and detective review controls were not occurring which resulted in erroneous balances at June 30, 2019.

*Effect:* Numerous audit adjustments were required. Cash and other accounts may be misstated.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2018-001.

*Cause:* The control activities over financial reporting have not been implemented to appropriately prevent and/or detect misstatements.

*Recommendation:* We recommend that the Board reviews its procedures over financial reporting to determine if the procedures are appropriately designed and if the individuals are in place with the necessary skills and knowledge to implement them.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

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**Finding 2019-002**

**Manual Journal Entries**

MATERIAL WEAKNESS

*Criteria:* There should be a system of control in place to ensure that those responsible for reviewing and approving journal entries do not have access to prepare journal entries.

*Condition:* Our review of journal entries revealed that many entries lacked proper approval by a responsible employee and in some cases, adequate documentation to explain why the journal entry was prepared.

*Effect:* Without a system of control, there remains a risk that the financial statements could be intentionally or inadvertently misstated and that fraud could be perpetrated without being detected.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2018-002.

*Cause:* The Board has a policy in place, whereby all journal entries should be approved by the finance officer or other designated members of management, however, it does not appear that policy was always followed.

*Recommendation:* We recommend that the Board monitors its policy for approval of journal entries and that all journal entries be accompanied by fully explanations and by reference to adequate supporting data.

*Views of responsible officials and planned corrective actions:* The Board of Education agrees with this finding.

**Finding 2019-003**

**Expenditures in excess of budget for General Fund, State Public School Fund, Capital Outlay Fund, and Child Nutrition Fund**

MATERIAL WEAKNESS

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* For the General Fund, the Board expended \$3,777,779, \$20,923, \$380,728, \$298,006, \$256,813, \$1,002 and \$71,333 more for regular instructional, special populations, alternative programs, school leadership, school-based support, alternative programs and services support and development, and ancillary services, respectively, than appropriated in the annual budget ordinance. For the State Public School Fund, the Board expended \$1,216,389 more for special populations than appropriated in the annual budget ordinance. For the Capital Outlay Fund, the Board expended \$1,271,511 more for buses and motor vehicles than appropriated in the annual budget ordinance. For the Child Nutrition Fund, the Board spend \$51,913 for operating expenditures than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2018-003.

*Cause:* The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

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## ***Finding 2019-004***

### ***Deficit in Fund Balance and Over-Appropriation of Fund Balance for the Capital Outlay Fund***

#### **MATERIAL WEAKNESS**

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* The Capital Outlay Fund has a deficit in fund balance of \$1,409,068 at June 30, 2019 and the Board over-appropriated fund balance which is in violation of State law [G.S. 115C-425].

*Effect:* The Capital Outlay Fund did not have sufficient assets to pay its liabilities at June 30, 2019.

*Cause:* Continued increases in construction costs that have exceeded appropriations in the Capital Outlay Fund.

*Recommendation:* We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Capital Outlay Fund in order to reduce the deficit.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

## ***Finding 2019-005***

### ***Timely Filing of the Data Collection Form and Reporting Package***

#### **MATERIAL WEAKNESS**

*Criteria:* 2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period. The Federal Audit Clearinghouse considers the submission complete when it has received the electronic submission of both the data collection form and the reporting package.

*Condition:* The June 30, 2018 reporting package and data collection form were not received by the Federal Audit Clearinghouse until July 17, 2019.

*Effect:* The June 30, 2018 reporting package and data collection form were not filed timely in accordance with 2 CFR section 200.512(a).

*Cause:* The June 30, 2018 audit was not completed until May 28, 2019 due to significant delays in preparing the financial information required to perform an audit.

*Recommendation:* We recommend management continue monitor its procedures and internal controls to ensure they are appropriately implemented to provide for a timely filing of the reporting package and data collection form.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

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**Finding 2019-006**

**Noncompliance: Activities Allowed or Unallowed**

**SIGNIFICANT DEFICIENCY**

*Criteria:* Only those individuals in positions allotted by the State Board of Education (SBE) and, if applicable, professionally certified by DPI can be paid with State Public Schools Funds. The Department of Public Instruction determines and fixes the salary for each grade and type of certificate, which it authorizes. Certified & Non-Certified Employees paid with State Public Schools Funds are to be paid in accordance with the state salary schedules. (G.S. 115C-272, 115C-284 and 285, 115C-296 and 302.1, 115C-316 and 115C-416).

*Condition:* School personnel were paid with State Public Schools Funds not in accordance with the State salary schedule.

*Effect:* The NC Department of Public Instruction was overcharged salaries and benefits.

*Cause:* The appropriate policies and procedures were not in place to ensure that the salary exception list was being periodically monitored and personnel were appropriately licensed for the positions they held.

*Questioned costs:* \$30,683. This is the amount of salaries and benefits which were listed on the NC Department of Public Instruction exception list as overpaid.

*Recommendation:* We recommend that management implement procedures to ensure proper monitoring of the NC Department of Instruction exception list. Furthermore, we recommend management implement proper procedures to ensure that personnel are not placed in positions for which they have not obtained the appropriate license. Any exceptions, including the unallowed amount of \$30,683 detailed above, should be settled with the NC Department of Public Instruction. We recommend that underpaid individuals on the salary exception list have payment made to adjust their salary as a prior year adjustment.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

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P.O. Box 2513 • Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2019**

**Schedule 15  
(Page 1 of 2)**

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***Finding 2019-001***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Previous corrective action was not fully implemented due to employee turnover. We will train staff to perform reconciliations and will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences in a timely fashion.

*Proposed Completion Date:* June 30, 2020

***Finding 2019-002***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* The Finance Department has reviewed and implemented a multi-tiered system of approval of Journal Entries. Previous corrective action was not fully implemented due to employee turnover. All manual journal entries will be prepared by a staff employee and reviewed and approved by a manager or above to ensure accuracy and proper supporting documentation prior to posting.

*Proposed Completion Date:* June 30, 2020

***Finding 2019-003***

*Name of Contact Person:* Andrea D. Gillus

*Corrective Action:* There was significant high-level of turnover in the district including the finance department. For that reason, many year-end budget amendments and budget transfers were not prepared in order to ensure that funds were expended were being appropriated. We have since implemented a monthly report of revenue and expenses to board by function in order to ensure that expenses do not exceed the budget. We will ensure that transfers are approved to appropriate budget in alignment with expenditures. In addition, we'll make sure all revenue that is expended is appropriated.

*Proposed Completion Date:* June 30, 2020

**NOTE:** OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared. This special report is based on the limited information available to OSA during our investigation and is not exhaustive. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

**Finding 2019-004**

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. We will continue to monitor expenditures and ensure that funds are received before expended.

Proposed Completion Date: June 30, 2020

**Finding 2019-005**

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. A period close checklist will be prepared to ensure all processes are completed timely, every period. We will start the June 30, 2020 audit earlier and will make every effort to complete the audit and submit by the required date.

Proposed Completion Date: June 30, 2020

**Finding 2019-006**

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. We have hired an experienced Payroll Specialist to monitor the exception list and take appropriate action, as well as, coordinate appropriate licensure for new hires with Human Resources. We will ensure that all overpayments are corrected during the fiscal year.

Proposed Completion Date: June 30, 2020

**Prior Year Corrective Action Status- External Auditor Comment:**

**Winston-Salem/Forsyth County Board of Education  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2019**

**Schedule 16**

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**Finding 2018-001**

Repeat, see finding 2019-001

**Finding 2018-002**

Repeat, see finding 2019-002

**Finding 2018-003**

Repeat, see finding 2019-003

**Finding 2018-004**

Corrected

**NOTE:** OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared. This special report is based on the limited information available to OSA during our investigation and is not exhaustive. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

**FY 2018 Audit:**

***Finding 2018-001***

***Internal Controls Over Financial Reporting***

**MATERIAL WEAKNESS**

*Criteria:* Internal control over financial reporting are the control activities designed by the Board of Education to provide reasonable assurance regarding the reliability of financial reporting in accordance with the appropriate accounting standards. These control activities over financial reporting should be selected and developed so that they contribute to the mitigation of risks for the achievement of objectives to acceptable levels.

*Condition:* Account reconciliations were not being performed accurately or timely and detective review controls were not occurring which resulted in erroneous balances at June 30, 2018.

*Effect:* Numerous audit adjustments were required. Cash and other accounts may be misstated.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2017-001.

*Cause:* The control activities over financial reporting have not been implemented to appropriately prevent and/or detect misstatements.

*Recommendation:* We recommend that the Board reviews its procedures over financial reporting to determine if the procedures are appropriately designed and if the individuals are in place with the necessary skills and knowledge to implement them.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

***Finding 2018-002***

***Manual Journal Entries***

**MATERIAL WEAKNESS**

*Criteria:* There should be a system of control in place to ensure that those responsible for reviewing and approving journal entries do not have access to prepare journal entries.

*Condition:* Our review of journal entries revealed that many entries lacked proper approval by a responsible employee and in some cases, adequate documentation to explain why the journal entry was prepared.

*Effect:* Without a system of control, there remains a risk that the financial statements could be intentionally or inadvertently misstated and that fraud could be perpetrated without being detected.

*Cause:* The Board has a policy in place, whereby all journal entries should be approved by the finance officer or other designated members of management, however, it does not appear that policy was always followed.

*Recommendation:* We recommend that the Board monitors its policy for approval of journal entries and that all journal entries be accompanied by fully explanations and by reference to adequate supporting data.

*Views of responsible officials and planned corrective actions:* The Board of Education agrees with this finding.

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### ***Finding 2018-003***

#### ***Expenditures in excess of budget for General Fund, State Public School Fund, and Capital Outlay Fund***

##### **SIGNIFICANT DEFICIENCY**

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* For the General Fund, the Board expended \$133,017, 283,145, and \$176,011 more for regular instructional, special populations, and non-programmed charges, respectively, than appropriated in the annual budget ordinance. For the State Public School Fund, the Board expended \$713,311 more for special populations, than appropriated in the annual budget ordinance. For the Capital Outlay Fund, the Board expended \$462,838 more for buses and motor vehicles than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2017-003.

*Cause:* The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

### ***Finding 2018-004***

#### ***Noncompliance: Activities Allowed or Unallowed – Allotment Overdraft***

##### **SIGNIFICANT DEFICIENCY**

*Criteria:* The Board should not incur expenditures in excess of the dollar amounts allotted for the State Public School Fund.

*Condition:* The Board incurred expenditures in excess of allotments by \$26,597 for the Transportation of Pupils Program.

*Effect:* Monies were spent in excess of what was allotted.

*Cause:* The Board did not have proper procedures in place to ensure that expenditures did not exceed the dollar amounts allotted.

*Recommendation:* Proper procedures should be put in place to ensure that expenditures do not exceed the dollar amounts allotted. The board should also refund all allotment overdrafts in during fiscal year 2018 back to the North Carolina Department of Public Instruction.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding.

*Questioned costs:* \$26,597. This is the amount that State Public School Fund expenditures were made in excess of allotments for the State Public School Fund.

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P.O. Box 2513 ■ Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

**Schedule 15**

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***Finding 2018-001***

*Name of Contact Person:* Kim Slusher

*Corrective Action:* Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Due to unique outsourcing processes on certain payables expenditures and payroll error correction processes, these investigations took an excessive amount of time and effort. We will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences. Bank reconciliations are currently up to date. We have worked with our IT Department and continue to do so to ensure that all balances are rolling forward. The OPEB report will continually be monitored for inaccuracies and matched against the dental file. We have made changes to the finance departments to have a new person take over Capital Assets.

*Proposed Completion Date:* Complete

***Finding 2017-002***

*Name of Contact Person:* Kim Slusher

*Corrective Action:* The Finance Department has reviewed and implemented a multi-tiered system of approval of Journal Entries. As we try to improve upon the process the finance department is limited in staff.

*Proposed Completion Date:* Complete

***Finding 2017-003***

*Name of Contact Person:* Kim Slusher

*Corrective Action:* We will continue to monitor all purpose codes to make sure that we do not over spend. We have also implemented new procedures to help ensure that we have all funds encumbered. Also do to timing of audit we are unable to do budget amendments and transfers.

*Proposed Completion Date:* 06/30/19

***Finding 2017-004***

*Name of Contact Person:* Kim Slusher

*Corrective Action:* We will continue to monitor allotments vs. expenditures. To ensure that we do not over spend and that we are at a zero balance at year end. We have also implemented the all items must have purchase orders so that we can see that funds are encumbered. We are also now working very closely with the COO of Operations.

*Proposed Completion Date:* Complete

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***Finding 2017-001***

Repeat, see finding 2018-001

***Finding 2017-02***

Corrected

***Finding 2017-03***

Repeat, see finding 2018-003

**FY 2017 Audit:**

***Finding 2017-001***

***Bank reconciliations not performed in a timely manner***

MATERIAL WEAKNESS

*Criteria:* Bank reconciliations should be performed timely and miscellaneous differences should be resolved.

*Condition:* The Board did not complete bank reconciliations for various cash accounts timely and did not resolve miscellaneous differences.

*Effect:* Cash and other accounts may be misstated.

*Cause:* Management did not perform reconciliations timely and did not resolve miscellaneous differences.

*Recommendation:* We recommend management complete bank reconciliations on a monthly basis and resolve any miscellaneous differences.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

***Finding 2017-002***

***Deficit in Fund Balance of Day Care Fund***

SIGNIFICANT DEFICIENCY

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* The Day Care Fund has a deficit in fund balance of \$11,959

*Effect:* The Day Care Fund did not have sufficient assets to pay its liabilities at June 30, 2017.

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*Cause:* As a result of the Board recognizing their proportionate share of the pension liability, the Day Care Fund recognized an additional \$12,488 in expenses.

*Recommendation:* We recommend that management identify means to reduce expenditures in the Day Care Fund in order to reduce the deficit.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

### ***Finding 2017-003***

#### ***Expenditures in excess of budget for General Fund and Local Special Expense Fund***

##### **SIGNIFICANT DEFICIENCY**

*Criteria:* General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

*Condition:* For the General Fund, the Board expended \$175,157 more for Alternative Programs than appropriated in the annual budget ordinance. For the Local Special Expense Fund, the Board expended \$563,314 more for Special Populations than appropriated in the annual budget ordinance.

*Effect:* Monies were spent that had not been appropriated.

*Cause:* The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

*Recommendation:* Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

### ***Finding 2017-004***

##### **SIGNIFICANT DEFICIENCY**

#### **Activities Allowed or Unallowed**

*Criteria:* DPI allocates to LEAs funding for operations and a specific number of months of employment for classroom teachers, school building administration, instructional support, vocational education, family support nurses and literacy coaches.

*Condition:* Winston-Salem/Forsyth County Schools exceeded the months of employment in classroom teachers, school building administration, instructional support and vocational education.

*Effect and Questioned Cost:* Winston-Salem/Forsyth County Schools refunded \$314,215 from the General Fund to the state.

*Cause:* The number of employees paid from the State Fund exceeded the allowable.

*Recommendation:* We recommend management develop processes to ensure compliance with state allotment requirements.

*Views of Responsible Officials and Planned Corrective Actions:* The Board of Education agrees with this finding.

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**Winston-Salem/Forsyth County Board of Education  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

**Schedule 10**

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***Finding 2017-001***

*Name of Contact Person:* Kerry Crutchfield

*Corrective Action:* Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Due to unique outsourcing processes on certain payables expenditures and payroll error correction processes, these investigations took an excessive amount of time and effort. We will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences.

*Proposed Completion Date:* 01/01/2018

***Finding 2017-002***

*Name of Contact Person:* Kerry Crutchfield

*Corrective Action:* The Day Care Fund deficit was caused by an unexpected sizable increase in allocated pension liabilities, an amount unknown and unknowable to WS/FCS before the end of the fiscal year. We will attempt to increase revenues and/or decrease expenditures to eliminate this deficit, but the GAAP requirement to accrue pension liability numbers that are outside of our control makes this a moving target that is difficult to predict.

*Proposed Completion Date:* 01/01/2018

***Finding 2017-003***

*Name of Contact Person:* Kerry Crutchfield

*Corrective Action:* Sizable payables that were unknown to us before the end of the fiscal year caused these budgetary over-expenditures. We will attempt to do a better job of anticipating these types of payables in time to process budget amendments and/or transfers to prevent these exceptions.

*Proposed Completion Date:* 05/31/2018

***Finding 2017-004***

*Name of Contact Person:* Kerry Crutchfield

*Corrective Action:* Overuse of state allotments continues to decline in dollar value and we continue to accrue and make the refunds on a timely basis. In a district the size of WS/FCS, we will never be able to balance our state position allotments to -0- due to the impacts of payrolls occurring in late June beyond the available time to submit adjustments to NCDPI. We will continue to try to get as close to -0- balances as possible.

*Proposed Completion Date:* 06/30/2018

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# Exhibit D

## Exhibit D

### WS/FCS Community Budget Updates

In May 2025, the WS/FCS created a community budget update website with timely information about the district's work of addressing the 2024-2025 budget shortfall, as well as ongoing updates regarding the financial status of the district for the 2025-2026 school year. Updates are added to the site regularly and include links to board meeting recordings, presentations and other documents. The WS/FCS remains committed to ongoing transparency regarding its efforts to maintain a balanced budget and improve its financial management processes.

All previous and ongoing community budget updates can be found by visiting: <https://www.wsfcs.k12.nc.us/o/wsfcs/page/community-budget-updates>. However, individual budget updates may be accessed by clicking on the following links.

[May 8, 2025 Budget Update](#)

[June 27, 2025 Budget Update](#)

[May 16, 2025 Budget Update](#)

[July 11, 2025 Budget Update](#)

[May 23, 2025 Budget Update](#)

[July 25, 2025 Budget Update](#)

[May 30, 2025 Budget Update](#)

[July 31, 2025 Budget Update](#)

[June 6, 2025 Budget Update](#)

[August 8, 2025 Budget Update](#)

[June 13, 2025 Budget Update](#)

[August 14, 2025 NC Audit Update](#)

[June 20, 2025 Budget Update](#)

[August 15, 2025 Budget Update](#)

A comprehensive set of Powerpoint presentations and other documents may be found at the following site: <https://www.wsfcs.k12.nc.us/o/wsfcs/page/community-budget-updates>. However, the WS/FCS wishes to provide direct links to the following documents for the State Board's consideration:

[April 8, 2025, Reduction in Force Update](#)

[May 27, 2025, Budget and Cost Saving Update](#)

[July 29, 2025, Budget Update](#)

[August 12, 2025, Budget Update](#)

[August 19, 2025, Review of OSA Report](#)

[August 26, 2025, Budget Update](#)

Videos from Board Meetings between March 25, 2025 and August 26, 2025 may be viewed at the following link: <https://www.wsfcs.k12.nc.us/o/wsfcs/page/community-budget-updates>.

# **Exhibit E**

4109 Gladstonbury Road  
Winston-Salem, NC 27104  
(336) 816-9606

August 27, 2025

Mr. Eric C. Davis, Chairman  
North Carolina State Board of Education  
Raleigh, NC

RE: Appeal of 1% Interest Penalty  
Winston-Salem/Forsyth County Schools

Dear Mr. Davis:

This letter is written in support of the appeal by the Winston-Salem/Forsyth County Schools ("WSFCS") to waive the 1% monthly interest penalty about to be imposed on WSFCS for funds owed to the state. I am a resident of Forsyth County and currently serve as acting Chair of the Education Foundation for the Winston-Salem/Forsyth County Schools, Inc. I practiced law in this county for 47 years. My three children all matriculated through the WSFCS and my wife served on the School Board from 2002 to 2014. While I understand the need to provide an incentive for WSFCS to pay the debt off as soon as possible, there are some countervailing considerations that should be taken into account:

1. WSFCS has no ability to raise funds on its own. It relies on county, state and federal money, plus a few small grants. If the funds it gets from those sources are used to pay off the debt, there will be less money to operate the school system which, in turn, means that it will be the students and teachers who pay the price. The interest penalty will only exacerbate the problem.
2. The Forsyth County Commissioners, on a narrow vote, have agreed to pay a portion of the WSFCS debt, but it cannot be counted on to pay more, nor will the federal government.
3. There MAY be some local sources of private funds to pay a portion of the debt, but it will take time to raise those funds, and those sources will NOT be available if their contributions are used to pay interest.
4. Let's not forget that the state has a constitutional obligation to provide public education. The state did not cause the current problem, but the interest penalty will add to it.

I therefore request, as a matter of common sense, and in the interest of providing the best education possible for the children of Forsyth County, that the interest penalty be waived. At a minimum, it should be suspended for a period long enough (e.g., 3 years) to determine whether and how this problem can be solved.

Please add this letter to the record on appeal.

Sincerely,

A handwritten signature in blue ink that reads "Neal Tackabery". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Neal E. Tackabery

Dear Eric Davis,

You have received a request from Winston-Salem Forsyth Public School Board to waive the 1% monthly penalty on the school's outstanding debt to DPI of \$11,000,000.

I do hope you will look favorably on this request. There have been obvious serious mistakes, and the cause is very hard to understand and explain. But I feel strongly that for the good of our kids and our community, it is time to look forward and do what is right for the kids and the future for and Winston-Salem/Forsyth County Public Schools. The recent personnel reduction and lay-offs were necessary to right size the schools, but it is devastating to our kids and our community. I feel they have been punished enough, when they are really not at fault. Our community will find a way to respond to this tragedy. Your help and understanding on this particular issue appears to me to be reasonable and appropriate. It would be much appreciated by our kids and our community. Thank you for all you do for Public Schools in North Carolina.

Paul Fulton



August 27, 2025

Mr. Eric Davis  
Chairman  
North Carolina State Board of Education

Dear Mr. Davis,

I am writing to offer my strong support of the request to waive the 1% interest rate on the balance owed to the DPI. I am confident that the mistakes that were made have been corrected and that the cost reduction have been made to ensure fiscal responsibility in the future. A decision to waive this interest will enable the school system to move forward with their mission of educating the children of our community.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Donald E. Flow". The signature is written in a cursive style with a large, prominent "D" and "F".

Donald E. Flow  
Chairman and CEO  
Flow Companies

**BOARD OF COMMISSIONERS**

**DON MARTIN, CHAIRMAN  
GLORIA WHISENHUNT, VICE CHAIR  
DAN BESSE  
RICHARD V. LINVILLE  
TONYA D. MCDANIEL  
GRAY WILSON  
MALISHA WOODBURY**



**SHONTELL ROBINSON  
COUNTY MANAGER  
KYLE HANEY  
DEPUTY COUNTY MANAGER  
DENISE PRICE  
DEPUTY COUNTY MANAGER  
ASHLEIGH B. MATTHEWS  
CLERK TO THE BOARD**

**FORSYTH COUNTY, NORTH CAROLINA**

August 28, 2025

Chairman Eric Davis:

I am writing to express my strong support for the Winston-Salem/Forsyth County Board of Education's appeal regarding the decision to impose a one percent per month interest penalty on the district's outstanding debt of more than \$11 million to the Department of Public Instruction.

The imposition of this penalty places an additional financial strain on the district at a time when every available resource is needed to support student achievement, classroom instruction, and critical operational needs. While fiscal responsibility and accountability are important, applying this large a penalty is counterproductive at this time because it diverts funds away from students and into interest costs. I do understand the need to treat all school districts the same. An idea might be to leave the one percent a month interest for any balance below \$500,000 or some other threshold and then change the interest rate to one percent a year for any remaining balance. Then, the State Board could treat all districts the same and the interest burden not as great.

I also want to note that the Forsyth County Board of Commissioners recently approved a reallocation of \$8,568,810.46 to help Winston-Salem/Forsyth County Schools address this debt obligation, with a portion of those funds distributed to charter schools as required by law. Given the County's demonstrated commitment to assist, it would be extremely helpful for NCDPI to partner in this effort by waiving or adjusting the interest penalty. Doing so would allow the district to keep more funds in the classroom where they are most needed.

I respectfully request your approval of this appeal and the waiver or adjustment of the interest penalty. This action would demonstrate fairness and reinforce the shared goal of ensuring that limited resources are used in the most impactful way possible—directly benefiting students.

Thank you for your consideration and for your continued service to North Carolina's schools.

Sincerely,

A handwritten signature in cursive script that reads "Don Martin".

Don Martin  
Chairman, Forsyth County Board of Commissioners