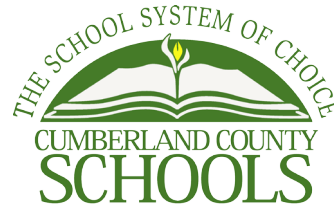


CUMBERLAND COUNTY BOARD OF EDUCATION
Fayetteville, North Carolina



**Comprehensive
Annual
Financial
Report**

For The Fiscal Year Ended June 30, 2014



CUMBERLAND COUNTY BOARD OF EDUCATION

Fayetteville, North Carolina

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2014*

*Frank Till, Ed. D
Superintendent*

*Prepared by
Finance Department
Frank R. Lopes, Jr., CPA
Associate Superintendent Business Operations*

**CUMBERLAND COUNTY BOARD OF EDUCATION
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JUNE 30, 2014**

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Introductory Section

LETTER OF TRANSMITTAL

GREGORY E. WEST, CHAIRMAN
JAMES A. MCLAUCHLIN, VICE CHAIRMAN
MICHAEL C. BOOSE
ALICIA S. CHISOLM
KIMBERLY P. FISHER

December 15, 2014

Cumberland County Board of Education and the Citizens of Cumberland County



MACKY HALL
LARRY LANCASTER
CARRIE SUTTON
SUSAN B. WILLIAMS

DR. FRANK TILL
SUPERINTENDENT

Presented herein is the Comprehensive Annual Financial Report (CAFR) of Cumberland County Board of Education (Board) for the fiscal year ended June 30, 2014. The Superintendent and Associate Superintendent for Business Operations are responsible for the accuracy, completeness, and clarity of the CAFR. The Finance Department has prepared the CAFR in accordance with U.S. Generally Accepted Accounting Principles. The data presented is accurate in all material respects and is presented in a manner which fairly reflects the financial position and results of operation of the Board. All necessary disclosures have been provided to enable the reader to gain a maximum understanding of the Board's financial activity.

Reporting Entity

The Cumberland County Board of Education is a Local Education Agency whose authorities and responsibilities are governed by Chapter 115C of the North Carolina

General Statutes. The system is the fifth largest school system in the State providing for the public school needs of the county's three hundred thousand residents over a six hundred square mile area. Enrollment in the system has been fairly constant over the past ten years averaging over fifty one thousand students each year. For the fiscal year ended June 30, 2014, fifty-two elementary schools, thirty-four secondary schools and eleven administrative buildings covered the county. The oldest school building currently in use dates back to 1897.

As defined by the Governmental Accounting Standards Board and based upon North Carolina General Statute 115C-40, the Board is a separate governmental reporting entity since its members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. County, State, and federal governments provide funding to the Board, who must comply with requirements of these

LETTER OF TRANSMITTAL (continued)

entities.

The Board is made up of nine members. Six of the members are elected by county voters specifically residing in the electoral district. The three remaining members are elected at large by all qualified voters in the county. All terms are for four years and elections are part of the general election process.

Management's Discussion and Analysis

A narrative overview accompanies the basic financial statements in the management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A which should be read in conjunction with the financial statements. The MD&A can be found immediately following the independent auditor's report.

Economic Conditions and Outlook

Cumberland County serves as a major commercial center, regional shopping center, and regional medical service center for the smaller and less developed counties that surround it. It is also the home of one of the largest military complexes in the world, comprised of Fort Bragg and Pope Field. As one of the largest employers in the area, the military base contributes a significant amount to the economy every year and makes Fayetteville one of the State's strongest retail and housing markets.

Based on information received from the County of Cumberland, North Carolina, the Department of Defense is the County's largest civilian employer, employing more than twenty-three thousand employees over two categories. Cumberland County Schools (CCS) is the largest non-military employer, employing approximately 6,400 full time employees. Cumberland County Hospital System, Inc. doing business as Cape Fear Valley Health System employs over 5,400 employees. Wal-Mart, having five local SuperCenters and one distribution center, employs over 2,800 employees across the County. Goodyear Tire & Rubber Company, employing approximately 2,300 people, is the sixth largest employer and the largest manufacturer. Farming and agricultural businesses also contribute significantly to the County's economy.

Major Initiatives

The 2013-2014 school year yielded positive gains in student achievement for the Cumberland County Schools (CCS). Assessment results for CCS students reflect continuous improvement. The North Carolina Department of Public Instruction (NCDPI) assessment results for CCS in 2013-2014 are as follows:

- 89% of the schools met growth
- 92% of the elementary schools met growth
- 77% of the middle schools met growth
- 94% of the high schools met growth

LETTER OF TRANSMITTAL (continued)

For the second year in a row, CCS had two high schools (Cross Creek Early College and Howard Health and Life Sciences) with a 100% graduation rate.

The CCS graduation rate in 2013-2014 was 81.2%, compared to 81.7% in 2012-2013.

The Class of 2014 earned \$3 million more in scholarships, grants and financial aid compared to the Class of 2013 to net over \$51 million for continuing their education.

The CCS' language immersion initiative remains on the cutting edge of research-based educational models, global competency as an educational community, and career and college readiness initiatives for students. Kindergarten through 5th grade students at E. E. Miller and W. H. Owen elementary schools are learning Spanish, whereas students in the same grades at New Century International Elementary School are being taught Mandarin Chinese. Both language groups are exposed to 70-90% of language immersion in their instructional day. Curriculum objectives are mastered in all subject areas, while the students become fluent in a second language.

These language programs were created by CCS to serve a uniquely diverse community demographic with a local economic landscape that is largely dependent on Fort Bragg military installation. Over 80 different languages are spoken in our schools representing 44 different countries. CCS is challenged to embrace non-traditional instructional designs that meet the needs of a highly diverse student population. Rigorous programs that will ensure their

children's academic success are being sought by families relocating to the area. The language programs also offer options to families who may have chosen private school alternatives.

There is a strong parent involvement component as parents are engaged in the process and success of their student, which equates to strong community engagement regarding language programs' success. These programs were designed to impact academic and achievement results by providing participants with acquisition of a second language at an early age, tapping into the benefits of world language learning, which includes the following: (1) positive effect on intellectual growth; (2) enriched and enhanced mental development; (3) flexibility in thinking; (4) greater sensitivity to language and an ear for listening; (5) appreciation of people from other countries and cultures; (6) and increased job opportunities. The programs provide a bridge to language studies to create a seamless flow from kindergarten to high school through a student's entire K-12 experience.

As evidence by the 2013 Broad Prize nomination, CCS is committed to innovative strategies that exemplify the highest standards of preparing our students for life beyond 12th grade.

During the 2013-2014 Fiscal Year, the following safety and security measures were undertaken and have been completed:

LETTER OF TRANSMITTAL (continued)

- Lobby Access Control walls were installed in 18 schools.
- Additional door and hardware up-fits for assembly area installed in 2013-2014 were completed at seven schools.
- Security fencing and gate installations were completed at 14 schools.
- Knox Box installations for Emergency Services Responders were completed at approximately 30 schools.
- Hope Mills Middle School is currently piloting a wireless entry access control lock installation.

CCS continues to ensure that personal safety and security are priorities for its students and staff.

In 2013-2014, the CCS' Technology Department made a plan to join forces with the Academies of Information Technology from Gray's Creek and Pine Forest high schools. The purpose was two-fold. The technology staff and academy students would refurbish discarded school computers and donate them to students who did not have a computer at home. CCS' School Social Workers were called upon to identify students from their individual schools whose families met the criteria. Each qualifying family received a certificate to redeem for a computer at the CCS' Operations Center on December 7, 2013. Prior to claiming their refurbished computer, each student recipient was required to write a one-page essay to explain how they would use their computer. The students and their parents attended a workshop which highlighted proper computer use as well as internet safety. The

Technology Department's staff and 113 academy students built 131 fully-functioning desktop computers from salvaged parts of 280 discarded computers. Due to the overall success of Computer Refurbishment Day, CCS decided to make it an annual event. Not only will this program continue to help provide necessary access to digital content for all students outside the normal school day, it will also provide parents of these students with the opportunity to use the computers to access vital digital tools as they work with their children.

The Cumberland County Board of Education has adopted a Strategic Plan. This plan specifies goals, strategies, and outcomes as follows:

- Attract and retain the best public school teachers
- Adequate resources for public schools
- Accountability system that nurtures academic improvement
- Increased local control and flexibility
- Increased accountability

The County and the Board of Education have worked to develop a plan for increasing local current expense funding from the County. The plan adopted by both boards will increase funding for 2014 – 2018 fiscal years.

Accounting System

Due to the diverse nature of school operations and the need to comply with promulgations established by the Governmental Accounting Standards Board, separate

LETTER OF TRANSMITTAL (continued)

entities called funds are established for recording and summarizing all financial transactions. The Board's funds are divided into three major classifications: governmental, proprietary and fiduciary. State Public School, General, Special Revenue, Federal Grants, Individual Schools, Combined Athletics, and Capital Projects funds comprise the governmental fund types. The proprietary fund type includes two Enterprise Funds – The School Food Service Fund and the Child Care Fund. The Administrative Fund, used to account for scholarship money under the control of the board for the benefit of students in the districts, is a fiduciary fund type. All funds except enterprise funds are accounted for during the year on a modified accrual basis of accounting. Enterprise Funds are presented on a full accrual basis.

Budgetary and Internal Controls

Budgetary and internal controls are established and maintained to ensure assets are safeguarded and to provide reasonable assurance of proper recording of financial transactions in accordance with U.S. Generally Accepted Accounting Principles. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Budgetary controls include an annual balanced budget that must be adopted for all funds except the individual school funds, combined athletic funds and administrative fund in accordance with the North Carolina School Budget and Fiscal Control Act. Also, expenditures cannot legally exceed appropriations at

the function level for governmental fund types and budget amendments must be reported to the Board at the next meeting. As an additional control required by State statute, the Board maintains an encumbrance accounting system that is an allocation of budgeted money for purchase orders in process. Outstanding encumbrances at year-end are re-appropriated in the following year's budget. Furthermore, pre-audit procedures are performed in accordance with the North Carolina School Budget and Fiscal Control Act to ensure availability of funds prior to issuance of purchase orders or payment of claims. Internal controls include examination of activity funds of individual schools each year by the internal audit staff for compliance with federal, State, and local Board policy. Additional review procedures include submitting monthly transactions of State and federal funds and details of disbursements from these funds to the North Carolina Department of Public Instruction. Annually, external auditors perform an audit on the entire school system, as required by State statute, as well as compliance audits for federal and State financial assistance programs.

Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cumberland County Board of Education for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance

LETTER OF TRANSMITTAL (continued)

with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Cumberland County Board of Education has received a Certificate of Achievement for the last twenty-one consecutive years (fiscal years ended 1993-2013). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Cumberland County Board of Education also received a Certificate of Excellence in Financial Reporting from the Association of School Business Officials (ASBO) for the years ended 1993 – 2013. The Certificate of Excellence Award is the highest form of recognition in school financial reporting.

The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their

system's Comprehensive Annual Financial Report for review by an ASBO panel. We believe our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO.

Independent Audit

The financial statements have been audited by the independent certified public accounting firm of Cherry Bekaert LLP and their unmodified opinion is expressed herein.

Cumberland County Board of Education has adhered to the requirements of the Single Audit Act involving legal compliance for expenditures of federal and State grant funds, through issuance of separate reports.

LETTER OF TRANSMITTAL (continued)

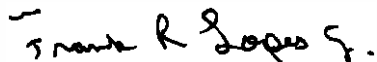
Acknowledgments

The preparation of the CAFR of Cumberland County Board of Education would not have been possible without the endeavors of the entire staff of the Finance Department as well as other departments and administration. Our expression of gratitude is for the collective efforts of all who contributed.

Respectfully submitted,



Frank Till, Ed.D
Superintendent



Frank R. Lopes, Jr., CPA
Associate Superintendent
Business Operations

BOARD MEMBERS AND SUPERINTENDENT

Dr. Frank Till
Superintendent

Gregory E. West
Chairman

James A. McLaughlin
Vice Chairman

Michael C. Boose

Alicia S. Chisolm

Kimberly P. Fisher

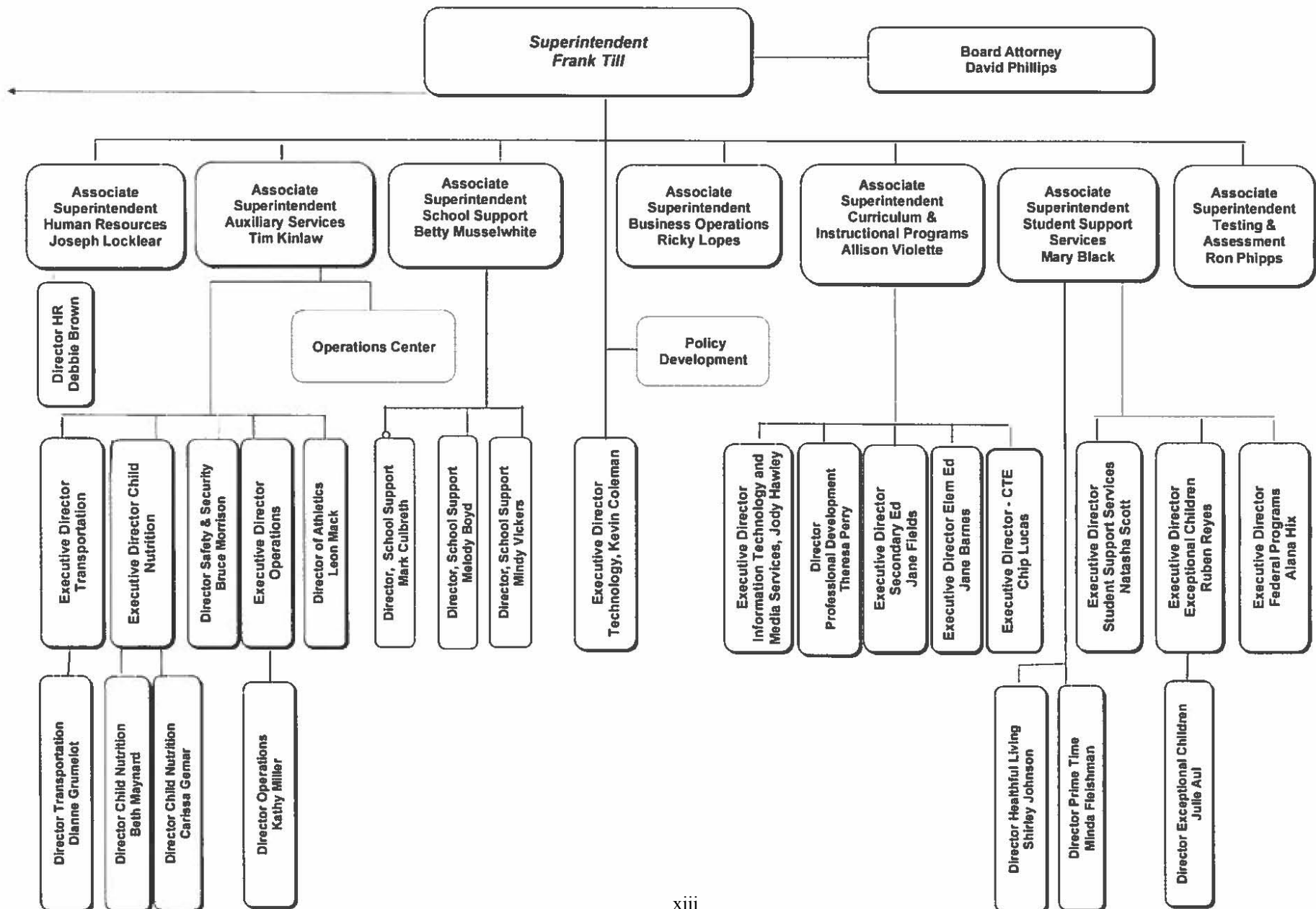
Macky Hall

Larry Lancaster

Carrie Sutton

Susan B. Williams

ORGANIZATIONAL CHART



CERTIFICATE OF ACHIEVEMENT / GFOA



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Cumberland County
Board of Education
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading 'Jeffrey R. Egan'.

Executive Director/CEO

CERTIFICATE OF EXCELLENCE / ASBO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Cumberland County Board of Education

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

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Financial Section

Report of Independent Auditor

Cumberland County Board of Education
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County Board of Education (the "Board") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2014, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grant Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, the statistical section, and schedule of expenditures of federal and State awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Chasmy P. B. L. P.

Fayetteville, North Carolina
December 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Cumberland County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The student enrollment remained relatively constant from the previous year.
- The Board completed 4 classroom additions to Grays Greek Middle School in January 2014. The Board also made significant security upgrades and several building renovations to include ceiling and window replacements.
- The Board has experienced budget constraints during the year due to the downturn in the economy. In spite of these budget constraints, the Board has continued to provide students with resources to achieve success.

Overview of the Financial Statements

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

- *Report of Independent Auditor*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for nonmajor governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative

liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

Government-wide Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

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

Fund Financial Statements

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

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

Cumberland County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Cumberland County Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Before and After School Child Care Fund.

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cumberland County Board of Education has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$293,699,049 as of June 30, 2014. The largest component of net position is Net Investment in Capital Assets of \$271,915,169 (net of related debt) which is 91% of total net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position
as of June 30, 2014 and 2013
(Amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current assets	\$ 60,941	\$ 67,196	\$ 12,185	\$ 12,872	\$ 73,126	\$ 80,068
Capital assets	271,222	278,655	2,113	2,194	273,335	280,849
Total assets	332,163	345,851	14,298	15,066	346,461	360,917
Current liabilities	17,957	18,308	376	253	18,333	18,561
Long-term liabilities	30,271	26,902	982	1,216	31,253	28,118
Total liabilities	48,228	45,210	1,358	1,469	49,586	46,679
Defer inflow resources	3,176	2,508			3,176	2,508
Invested cap assets	269,802	276,669	2,113	2,194	271,915	278,863
Restricted net assets	5,312	5,348			5,312	5,348
Unrestricted net assets	5,645	16,116	10,827	11,403	16,472	27,519
Total net assets	\$ 280,759	\$ 298,133	\$ 12,940	\$ 13,597	\$ 293,699	\$ 311,730

Note that net position decreased during the year by \$18 million or 6.0% over the previous year. The bulk of this change was related to the governmental activities. The business-type activities were fairly consistent with the prior year. The governmental activities change is due in large part to a \$4.5 million dollar reduction in revenue. The largest portion of this reduction is due to expiring federal grants that resulted in a \$3 million reduction in federal grant revenue and state revenue decreased by \$1.4 million. Additionally, the Board received \$3.4 million less from the County for capital outlay expenditures. The remaining decrease is due to the use of fund balance to supplement local current funds resulting in a \$6.7 million reduction in cash (current assets). In the current year, there were security upgrades, repairs and renovation projects funded. Expenditures across both the governmental and business like activities were fairly consistent between the fiscal years.

Table 2A
Condensed Statement of Activities
as of June 30, 2014

	Governmental Activities 6/30/2014	Business-type Activities 6/30/2014	Total Primary Government 6/30/2014
Revenues:			
Program rev:			
Chg. for svcs.	\$ 8,708,219	\$ 9,409,209	\$ 18,117,428
Op. grants & contr.	288,861,407	19,734,575	308,595,982
General Rev:			
County	83,956,205		83,956,205
State	184,145		184,145
Other revenues	17,761,230	37,682	17,798,912
Total revenues	399,471,206	29,181,466	428,652,672
Expenses:			
Govtl activities:			
Instr. programs	339,184,696		339,184,696
Supp. Svcs.	72,859,978		72,859,978
Ancillary Services	58,137		58,137
Nonprog. Chgs.	1,107,798		1,107,798
Depr.	3,634,136		3,634,136
Business-type Activities:			
Food service		25,841,581	25,841,581
Child care		3,997,102	3,997,102
Total expenses	416,844,745	29,838,683	446,683,428
Incr (Dec) net position	(17,373,539)	(657,217)	(18,030,756)
Beginning net position	298,132,499	13,597,306	311,729,805
Ending net position	\$ 280,758,960	\$ 12,940,089	\$ 293,699,049

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2B
Condensed Statement of Activities
as of June 30, 2013

	Governmental Activities 6/30/2013	Business-type Activities 6/30/2013	Total Primary Government 6/30/2013
Revenues:			
Program rev:			
Chg. for svcs.	\$ 8,708,138	\$ 10,692,231	\$ 19,400,369
Op. grants & contr.	293,405,301	19,489,409	312,894,710
General Rev:			
County	87,399,359		87,399,359
State	1,443,255		1,443,255
Other revenues	19,901,209	38,183	19,939,392
Total revenues	410,857,262	30,219,823	441,077,085
Expenses:			
Govtl activities:			
Instr programs	349,478,797		349,478,797
Supp. Svcs.	72,811,036		72,811,036
Ancillary Services	70,955		70,955
Nonprog. Chgs.	859,363		859,363
Depr.	3,624,801		3,624,801
Business-type Activities:			
Food service		26,345,033	26,345,033
Child care		4,267,183	4,267,183
Total expenses	426,844,952	30,612,216	457,457,168
Incr (Dec) net position	(15,987,690)	(392,393)	(16,380,083)
Beginning net position	314,120,189	13,989,699	328,109,888
Ending net position	\$ 298,132,499	\$ 13,597,306	\$ 311,729,805

Instructional expenses comprised 81.2% of total governmental-type expenses while support services made up 17.9% of expenses. County funding comprised 21% of total governmental revenue. Much of the remaining 79% of total governmental revenue consisted of restricted state and federal money. Business-type activities generated revenues of \$29.1 million and had expenses of \$29.8 million. Net position decreased in the business-type activities by \$.6 million.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$39.8 million, an \$6.6 million decrease from the prior year. The decrease was due to an \$6.7 million excess of expenditures over revenues in the General Fund. The Board intentionally appropriated fund balance to prevent a negative impact at the classroom level.

The State Public School Fund revenues and expenditures decreased by \$1.4 million and Capital Projects revenues decreased by \$4.5 million.

Proprietary Funds: The Board's business-type funds showed an overall decrease in net position of \$657,000. The School Food Service Fund generated a profit of \$119,000, a decrease of \$232,000 from the previous year. A decrease in sales of \$985,000 and a decrease of \$503,000 in operating expenses offset by a \$175,000 increase in federal reimbursements contributed to this decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Before and After School Child Care Fund has a decrease in net position of \$776,000 primarily due to operational losses. Participation in the program is decreasing while state and grant requirements dictate more expenses.

General Fund Budgetary Highlights

Over the course of the year, the Board approved 167 budget amendments to account for changes in revenue and expenditure expectations. The total system-wide budget was modified by a net increase of \$6.3 million (or 1.4%) over various funds. Budget amendments are submitted to the Board on a monthly basis to reflect new revenues in addition to revisions to expenditures estimated in the original budget. Because the state and federal budgets are not approved at the state level until after the fiscal year begins, numerous amendments are needed to reconcile the initial budget to the legislatively approved budget. We receive allotment changes bi-monthly for the state and federal funds which require budget amendments through the end of the fiscal year.

General fund revenue remained virtually the same in fiscal year 2013-2014 due to economic uncertainties.

The variance between the original budgeted expenditures and the final budgeted expenditures was only .3%, a small percentage spread among various functions.

The actual expenditures from the General Fund were significantly less (\$5.2 million) than the final budgeted expenditures. The budget is prepared in February and approved in May (by law) before any revenue amounts are known. As a result, we budget based on a worst-case scenario. State allotments comprise over 63% of our total budget and are revised every two weeks. Our practice has been to spend all state allotments first, general fund last. A decrease in state and federal funding required a budgeted appropriation of \$12.5 million in fund balance in reserve to balance the budget for 2013-2014.

General fund expenditures decreased by \$2.3 million. During the 2013-2014 year, there was a reduction in teachers in regular instructional services for the general fund.

Capital Assets

The capital assets decreased by \$7,514,031 (or 2.7%) from the previous year. The decrease in assets for the governmental funds resulted because depreciation expense exceeded the increase in the capital asset additions. The business-type capital assets changed minimally from the previous year. Details of the current year's activity are located in footnotes to the financials. (See Notes to the Financial Statements, Section II A 4. Capital Assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 3
Summary of Capital Assets
as of June 30, 2014 and 2013

	6/30/2014	6/30/2013
Governmental Activities		
Land	\$ 9,361,168	\$ 9,361,168
Construction in Process	45,019	559,920
Blds & Improvements	246,903,336	252,727,662
Furniture & Equipment	4,419,901	5,049,822
Vehicles	10,492,307	10,956,096
Total	\$ 271,221,731	\$ 278,654,668
Business-type Activities		
Bids & Improvements	\$ 9,400	\$ 10,013
Furniture & Equipment	2,093,939	2,169,699
Vehicles	9,915	14,636
Total	\$ 2,113,254	\$ 2,194,348
Total Primary Government		
Land	\$ 9,361,168	\$ 9,361,168
Construction in Process	45,019	559,920
Blds & Improvements	246,912,736	252,737,675
Furniture & Equipment	6,513,840	7,219,521
Vehicles	10,502,222	10,970,732
Total	\$ 273,334,985	\$ 280,849,016

Debt Outstanding

During the year the Board's outstanding debt decreased by \$374,000 due primarily to payments on installment purchases and an increase in the obligation for compensated absences. The Board is limited by North Carolina General Statutes with regard to the types of debt it can issue and for what purpose that debt can be used. The County holds all debt issued for school capital construction. Details of the

current year's activity are located in the footnotes to the financials. (See Notes to the Financial Statements, Section II. B. 7.)

Risk Management

The board has recorded an estimated claims liability in relation to risk management for any exposure to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. (See Notes to the Financial Statements, Section II.B.5.)

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the school district. The following factors have positively affected the economic outlook of Cumberland County.

The County is the home of one of the nation's largest military bases. Fort Bragg is located northwest of the City of Fayetteville and contributes to the area economy as well as to the international and cosmopolitan culture of the community. The military impact on the local economy fluctuates depending on a variety of factors, including the number of military personnel deployed off base, capital projects and appropriation levels.

Over the years, the City of Fayetteville and the County have emerged as a major commercial center, regional shopping center and a regional medical service center. Fayetteville and the County serve as the primary retail market in a 15-county trade area.

The City of Fayetteville and Cumberland County have experienced the economic downturn and are facing budgetary challenges. However, community leaders recognize the importance of a successful school system and have been vital partners in the educational process.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Requests for Information

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

Frank R. Lopes, Jr.
Superintendent for Business Operations
Cumberland County Board of Education
Post Office Box 2357
Fayetteville, NC 28302

BASIC FINANCIAL STATEMENTS

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GOVERNMENT – WIDE FINANCIAL STATEMENTS

Cumberland County Board of Education
Statement of Net Position
June 30, 2014

	Governmental Activities	Business- Type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 46,002,088	\$ 10,671,026	\$ 56,673,114
Due from other governments	14,382,678	660,234	15,042,912
Receivables	81,158	57,416	138,574
Inventories	475,713	796,220	1,271,933
Capital assets			
Land and construction in progress	9,406,187	-	9,406,187
Other capital assets, net of depreciation	261,815,544	2,113,254	263,928,798
Total capital assets	271,221,731	2,113,254	273,334,985
Total assets	332,163,368	14,298,150	346,461,518
Liabilities			
Accounts payable	4,660,271	-	4,660,271
Accrued salaries and benefits	13,297,042	255,188	13,552,230
Unearned revenue	-	120,499	120,499
Long-term liabilities			
Due within one year	2,536,537	85,795	2,622,332
Due in more than one year	23,991,437	896,579	24,888,016
Risk management	3,742,844	-	3,742,844
Total liabilities	48,228,131	1,358,061	49,586,192
Deferred inflows of resources	3,176,277	-	3,176,277
Net position			
Net investment in capital assets	269,801,915	2,113,254	271,915,169
Restricted for			
Stabilization by state statute	203,464	-	203,464
School capital outlay	2,080,441	-	2,080,441
Individual schools	2,740,443	-	2,740,443
Programs	287,152	-	287,152
Unrestricted	5,645,545	10,826,835	16,472,380
Total net position	\$ 280,758,960	\$ 12,940,089	\$ 293,699,049

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

**Cumberland County Board of Education
Statement of Activities
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
Instructional services							
Regular instructional	\$ 195,690,647	\$ 98,758	\$ 155,679,659	\$ -	\$ (39,912,230)	\$ -	\$ (39,912,230)
Special populations	50,350,971	-	45,881,951	-	(4,469,020)	-	(4,469,020)
Alternative programs	25,987,369	-	22,971,342	-	(3,016,027)	-	(3,016,027)
School leadership	29,220,118	-	11,261,521	-	(17,958,597)	-	(17,958,597)
Co-curricular	13,280,148	8,609,461	-	-	(4,670,687)	-	(4,670,687)
School-based support	24,655,443	-	19,928,035	-	(4,727,408)	-	(4,727,408)
System-wide support services							
Support and development	7,897,355	-	964,708	-	(6,932,647)	-	(6,932,647)
Special populations support and development	1,392,545	-	859,103	-	(533,442)	-	(533,442)
Alternative programs and services support and development	567,106	-	562,695	-	(4,411)	-	(4,411)
Technology support	2,184,435	-	1,195,853	-	(988,582)	-	(988,582)
Operational support	53,482,787	-	27,688,710	-	(25,794,077)	-	(25,794,077)
Financial and human resource	3,158,029	-	258,779	-	(2,899,250)	-	(2,899,250)
Accountability	636,182	-	26,750	-	(609,432)	-	(609,432)
System-wide pupil support	68,825	-	-	-	(68,825)	-	(68,825)
Policy, leadership and public relations	3,472,714	-	1,015,847	-	(2,456,867)	-	(2,456,867)
Ancillary services	58,137	-	58,137	-	-	-	-
Non-programmed charges	1,107,798	-	508,317	-	(599,481)	-	(599,481)
Unallocated depreciation expense	3,634,136	-	-	-	(3,634,136)	-	(3,634,136)
Total governmental activities	416,844,745	8,708,219	288,861,407	-	(119,275,119)	-	(119,275,119)
Business-type activities							
School food service	25,841,581	6,197,778	19,734,575	-	-	90,772	90,772
Child care	3,997,102	3,211,431	-	-	-	(785,671)	(785,671)
Total business-type activities	29,838,683	9,409,209	19,734,575	-	-	(694,899)	(694,899)
Total primary government	\$ 446,683,428	\$ 18,117,428	\$ 308,595,982	\$ -	(119,275,119)	(694,899)	(119,970,018)
General revenues							
Unrestricted county appropriations - operating					76,220,676	-	76,220,676
Unrestricted county appropriations - capital					7,735,529	-	7,735,529
Unrestricted State appropriations - capital					184,145	-	184,145
Investment earnings, unrestricted					175,568	37,682	213,250
Miscellaneous, unrestricted					17,585,662	-	17,585,662
Total general revenues and transfers					101,901,580	37,682	101,939,262
Change in net position					(17,373,539)	(657,217)	(18,030,756)
Net position, beginning					298,132,499	13,597,306	311,729,805
Net position, ending					\$ 280,758,960	\$ 12,940,089	\$ 293,699,049

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

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FUND FINANCIAL STATEMENTS

**Cumberland County Board of Education
Balance Sheet
Governmental Funds
June 30, 2014**

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Special Revenue	Capital Outlay	Non-Major Funds	
Assets							
Cash and cash equivalents	\$ 39,074,832	\$ -	\$ -	\$ 3,392,989	\$ 755,469	\$ 2,778,798	\$ 46,002,088
Due from other governments	-	10,999,493	1,350,113	278,791	1,754,281	-	14,382,678
Accounts receivable	81,158	-	-	-	-	-	81,158
Inventory	475,713	-	-	-	-	-	475,713
Total assets	\$ 39,631,703	\$ 10,999,493	\$ 1,350,113	\$ 3,671,780	\$ 2,509,750	\$ 2,778,798	\$ 60,941,637
Liabilities							
Accounts payable and accrued liabilities	\$ 4,112,647	\$ -	\$ -	\$ 79,960	\$ 429,309	\$ 38,355	\$ 4,660,271
Accrued salaries and benefits payable	819,045	10,999,493	1,350,113	128,391	-	-	13,297,042
Total liabilities	4,931,692	10,999,493	1,350,113	208,351	429,309	38,355	17,957,313
Deferred inflows of resources	-	-	-	3,176,277	-	-	3,176,277
Fund balances							
Nonspendable:							
Inventories	475,713	-	-	-	-	-	475,713
Restricted:							
Stabilization by state statute	203,464	-	-	-	-	-	203,464
School capital outlay	-	-	-	-	2,080,441	-	2,080,441
Individual schools	-	-	-	-	-	2,740,443	2,740,443
Programs	-	-	-	287,152	-	-	287,152
Assigned:							
Designated for subsequent year's expenditures	7,637,947	-	-	-	-	-	7,637,947
Risk management	3,742,844	-	-	-	-	-	3,742,844
Unassigned	22,640,043	-	-	-	-	-	22,640,043
Total fund balances	34,700,011	-	-	287,152	2,080,441	2,740,443	39,808,047
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,631,703	\$ 10,999,493	\$ 1,350,113	\$ 3,671,780	\$ 2,509,750	\$ 2,778,798	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	271,221,731
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(26,527,974)
Risk management liabilities that are not due and payable in the current period and therefore are not reported in the funds.	(3,742,844)
Net position of governmental activities	<u>\$ 280,758,960</u>

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

Cumberland County Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Major Funds					Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Special Revenue	Capital Outlay		
Revenues							
State of North Carolina	\$ -	\$ 256,942,773	\$ -	\$ 1,568,808	\$ 184,145	\$ -	\$ 258,695,726
Cumberland County	76,220,676	-	-	-	7,735,529	-	83,956,205
U.S. Government	-	-	31,918,634	9,835,541	-	-	41,754,175
Other	1,223,950	-	-	3,903,989	221,317	9,715,844	15,065,100
Total revenues	77,444,626	256,942,773	31,918,634	15,308,338	8,140,991	9,715,844	399,471,206
Expenditures							
Current							
Instructional services							
Regular instructional	16,808,011	152,460,416	3,219,243	11,983,512	-	-	184,471,182
Special populations	3,046,954	35,042,606	10,839,345	1,088,721	-	-	50,017,626
Alternative programs	703,736	7,955,656	15,015,686	1,478,930	-	-	25,154,008
School leadership	17,753,276	11,198,671	62,850	205,321	-	-	29,220,118
Co-curricular	2,550,018	-	-	124,886	-	9,771,883	12,446,787
School-based support	4,336,160	19,250,828	677,207	57,903	-	-	24,322,098
System-wide support services							
Support and development	6,705,487	703,840	260,868	227,160	-	-	7,897,355
Special populations support and development	438,859	565,654	293,449	94,583	-	-	1,392,545
Alternative programs and services support and development	4,411	-	562,695	-	-	-	567,106
Technology support	988,582	1,195,853	-	-	-	-	2,184,435
Operational support	25,850,941	27,248,320	440,390	15,266	-	31,208	53,586,125
Financial and human resource	2,899,250	220,195	38,584	-	-	-	3,158,029
Accountability	609,432	26,750	-	-	-	-	636,182
System-wide pupil support	68,825	-	-	-	-	-	68,825
Policy, leadership and public relations	790,144	1,015,847	-	-	-	-	1,805,991
Ancillary services	-	58,137	-	-	-	-	58,137
Non-programmed charges	599,481	-	508,317	-	-	-	1,107,798
Debt service							
Principal	-	-	-	-	184,145	-	184,145
Capital outlay							
Land, buildings, and site improvement	-	-	-	-	3,453,635	-	3,453,635
Furniture and equipment	-	-	-	-	3,970,278	-	3,970,278
Vehicles and other	-	-	-	-	444,345	-	444,345
Total expenditures	84,153,567	256,942,773	31,918,634	15,276,282	8,052,403	9,803,091	406,146,750
Revenues over expenditures	(6,708,941)	-	-	32,056	88,588	(87,247)	(6,675,544)
Net change in fund balances	(6,708,941)	-	-	32,056	88,588	(87,247)	(6,675,544)
Fund balances, beginning	41,305,614	-	-	255,096	1,991,853	2,827,690	46,380,253
Increase in reserve for inventories	103,338	-	-	-	-	-	103,338
Fund balances, ending	\$ 34,700,011	\$ -	\$ -	\$ 287,152	\$ 2,080,441	\$ 2,740,443	\$ 39,808,047

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

**Cumberland County Board of Education
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds	\$ (6,675,544)
Change in fund balance due to change in reserve for inventory	103,338
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(7,432,937)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Installment purchases	565,970
Compensated absences	(191,522)
Risk management	<u>(3,742,844)</u>
Total changes in net position of governmental activities	<u>\$ (17,373,539)</u>

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

Cumberland County Board of Education
General Fund, State Public School Fund, Federal Grants Fund and Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 264,903,866	\$ 261,977,245	\$ 256,942,773	\$ (5,034,472)
Cumberland County	76,220,676	76,220,676	76,220,676	-	-	-	-	-
U.S. Government	-	-	-	-	-	-	-	-
Other	960,000	960,000	1,223,950	263,950	-	-	-	-
Total revenues	<u>77,180,676</u>	<u>77,180,676</u>	<u>77,444,626</u>	<u>263,950</u>	<u>264,903,866</u>	<u>261,977,245</u>	<u>256,942,773</u>	<u>(5,034,472)</u>
Expenditures								
Instructional services	48,713,617	48,263,827	45,198,155	3,065,672	235,156,422	230,613,693	225,908,177	4,705,516
System-wide support services	40,451,341	40,556,847	38,355,931	2,200,916	29,681,875	31,296,983	30,976,459	320,524
Ancillary services	-	-	-	-	65,569	66,569	58,137	8,432
Non-programmed charges	525,000	625,000	599,481	25,519	-	-	-	-
Total expenditures	<u>89,689,958</u>	<u>89,445,674</u>	<u>84,153,567</u>	<u>5,292,107</u>	<u>264,903,866</u>	<u>261,977,245</u>	<u>256,942,773</u>	<u>5,034,472</u>
Revenues over (under) expenditures	(12,509,282)	(12,264,998)	(6,708,941)	5,556,057	-	-	-	-
Fund balance appropriated	<u>12,509,282</u>	<u>12,264,998</u>	-	(12,264,998)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(6,708,941)</u>	<u>\$ (6,708,941)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances								
Beginning of year			41,305,614				-	
Increase in reserve for inventories			103,338				-	
End of year			<u>\$ 34,700,011</u>				<u>\$ -</u>	

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

Cumberland County Board of Education
General Fund, State Public School Fund, Federal Grants Fund and Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Federal Grants Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 1,573,345	\$ 1,639,968	\$ 1,568,808	\$ (71,160)
Cumberland County	-	-	-	-	-	-	-	-
U.S. Government	45,218,538	42,797,483	31,918,634	(10,878,849)	9,399,344	12,286,930	9,835,541	(2,451,389)
Other	-	-	-	-	3,035,458	4,243,855	3,903,989	(339,866)
Total revenues	<u>45,218,538</u>	<u>42,797,483</u>	<u>31,918,634</u>	<u>(10,878,849)</u>	<u>14,008,147</u>	<u>18,170,753</u>	<u>15,308,338</u>	<u>(2,862,415)</u>
Expenditures								
Instructional services	42,166,023	40,395,576	29,814,331	10,581,245	13,804,624	17,609,164	14,939,273	2,669,891
System-wide support services	2,566,823	1,755,517	1,595,986	159,531	203,523	561,589	337,009	224,580
Ancillary services	-	-	-	-	-	-	-	-
Non-programmed charges	485,692	646,390	508,317	138,073	-	-	-	-
Total expenditures	<u>45,218,538</u>	<u>42,797,483</u>	<u>31,918,634</u>	<u>10,878,849</u>	<u>14,008,147</u>	<u>18,170,753</u>	<u>15,276,282</u>	<u>2,894,471</u>
Revenues over (under) expenditures	-	-	-	-	-	-	32,056	32,056
Fund balance appropriated	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	32,056	<u>\$ 32,056</u>
Fund balances								
Beginning of year			-				255,096	
Increase in reserve for inventories			-				-	
End of year			<u>\$ -</u>				<u>\$ 287,152</u>	

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

**Cumberland County Board of Education
Statement of Net Position
Proprietary Funds
June 30, 2014**

	Major Fund	Enterprise Funds	
	School Food	Non-major Fund	
	Service	Child Care	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,764,405	\$ 2,906,621	\$ 10,671,026
Due from other governments	660,234	-	660,234
Receivables (net)	53,892	3,524	57,416
Inventories	796,220	-	796,220
Total current assets	9,274,751	2,910,145	12,184,896
Noncurrent assets			
Capital assets			
Furniture and equipment, net	2,000,817	102,522	2,103,339
Vehicles, net	789	9,126	9,915
Total noncurrent assets	2,001,606	111,648	2,113,254
Total assets	11,276,357	3,021,793	14,298,150
LIABILITIES			
Current liabilities			
Accrued salaries and benefits payable	246,816	8,372	255,188
Compensated absences	85,795	-	85,795
Unearned revenue	120,499	-	120,499
Total current liabilities	453,110	8,372	461,482
Noncurrent liabilities			
Compensated absences	896,579	-	896,579
Total liabilities	1,349,689	8,372	1,358,061
NET POSITION			
Net investment in capital assets	2,001,606	111,648	2,113,254
Unrestricted	7,925,062	2,901,773	10,826,835
Total net position	\$ 9,926,668	\$ 3,013,421	\$ 12,940,089

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

Cumberland County Board of Education
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

		Enterprise Funds	
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Operating revenues			
Food sales	\$ 6,197,778	\$ -	\$ 6,197,778
Child care fees	-	3,126,934	3,126,934
Other operating revenues	-	84,497	84,497
Total operating revenues	6,197,778	3,211,431	9,409,209
Operating expenses			
Food cost			
Purchase of food	8,276,272	59,169	8,335,441
Donated commodities	1,707,355	-	1,707,355
Salaries and benefits	11,573,838	2,405,672	13,979,510
Indirect costs	1,419,652	1,160,000	2,579,652
Materials and supplies	107,037	112,258	219,295
Repairs and maintenance	526,314	-	526,314
Depreciation	305,102	36,921	342,023
Contracted services	841,202	200,532	1,041,734
Other	1,084,809	22,550	1,107,359
Total operating expenses	25,841,581	3,997,102	29,838,683
Operating income (loss)	(19,643,803)	(785,671)	(20,429,474)
Nonoperating revenues			
Federal reimbursements	17,964,555	-	17,964,555
Federal commodities	1,707,355	-	1,707,355
State reimbursements	66,486	-	66,486
Indirect costs not paid	(26,590)	-	(26,590)
Interest earned	27,976	9,706	37,682
Sales tax refund	22,769	-	22,769
Total nonoperating revenues	19,762,551	9,706	19,772,257
Income before contributions and transfers	118,748	(775,965)	(657,217)
Change in net position	118,748	(775,965)	(657,217)
Total net position, beginning	9,807,920	3,789,386	13,597,306
Total net position, ending	\$ 9,926,668	\$ 3,013,421	\$ 12,940,089

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

**Cumberland County Board of Education
Statement of Cash Flows - Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2014**

		Enterprise Funds	
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Cash flows from operating activities			
Cash received from customers	\$ 6,061,526	\$ 3,211,431	\$ 9,272,957
Cash paid for goods and services	(12,404,768)	(1,554,509)	(13,959,277)
Cash paid to employees for services	(11,652,377)	(2,405,641)	(14,058,018)
Net cash provided (used) by operating activities	(17,995,619)	(748,719)	(18,744,338)
Cash flows from noncapital financing activities			
Federal reimbursements	17,964,555	-	17,964,555
State reimbursements	66,486	-	66,486
Sales tax refund	22,769	-	22,769
Net cash provided (used) by noncapital financing activities	18,053,810	-	18,053,810
Cash flows from capital and related financing activities			
Acquisition of capital assets	(254,521)	(7,040)	(261,561)
Net cash provided (used) by capital and related financing activities	(254,521)	(7,040)	(261,561)
Cash flows from investing activities			
Interest on investments	27,976	9,706	37,682
Net increase (decrease) in cash and cash equivalents	(168,354)	(746,053)	(914,407)
Cash and cash equivalents, beginning of year	7,932,759	3,652,674	11,585,433
Cash and cash equivalents, end of year	\$ 7,764,405	\$ 2,906,621	\$ 10,671,026

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

**Cumberland County Board of Education
Statement of Cash Flows - Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2014**

	Major Fund	Enterprise Funds	
	School Food	Non-major Fund	
	Service	Child Care	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (19,643,803)	\$ (785,671)	\$ (20,429,474)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities			
Depreciation	305,102	36,921	342,023
Loss on disposal	632	-	632
Donated commodities	1,707,355	-	1,707,355
Indirect costs not paid	(26,590)	-	(26,590)
Changes in assets and liabilities			
Increase in due from other governments	(146,548)	-	(146,548)
Decrease in accounts receivable	15,916	-	15,916
Increase in inventories	(96,934)	-	(96,934)
Increase in accounts payable and accrued liabilities	2,373	31	2,404
Decrease in unearned revenue	(5,620)	-	(5,620)
Decrease in compensated absences payable	(107,502)	-	(107,502)
Total adjustments	1,648,184	36,952	1,685,136
Net cash provided (used) by operating activities	\$ (17,995,619)	\$ (748,719)	\$ (18,744,338)
Supplemental schedule of non-cash activities:			
Donated commodities	\$ 1,707,355	\$ -	\$ 1,707,355

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

**Cumberland County Board of Education
Statement of Net Position
Fiduciary Fund
June 30, 2014**

	Private-Purpose Trust
Assets	
Cash and cash equivalents	<u>\$ 357,679</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net Position	
Assets held in trust for private purpose	<u>\$ 357,679</u>

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

**Cumberland County Board of Education
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014**

	<u>Private-Purpose Trust</u>
Additions	
Contributions and other revenue	\$ 87,579
Deductions	
Instructional costs	<u>68,100</u>
Change in net position	19,479
Net position - beginning of year	<u>338,200</u>
Net position - end of year	<u><u>\$ 357,679</u></u>

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

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Cumberland County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Cumberland County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have not been made because the effect of internal activities upon revenues and expenses is immaterial. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

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

Special Revenue Fund. The Special Revenue Fund is used to account for grants and other funding received for specifically designated uses.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

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

The Board reports the following major enterprise funds:

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

The Board reports the following fiduciary fund:

Administrative Fund. The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds, including the combined athletic funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be reported to the governing board at their next meeting. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Operating Revenues and Expenses

Operating revenues and expenses of the Board's proprietary funds consist of charges for services and the costs of providing those services. All other revenues and expenses are reported as nonoperating.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

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

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing \$2,500 or more with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Cumberland County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings	50
Equipment and furniture	5
Vehicles	10

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

5. Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meet this criterion - grants receivable in the Special Revenue Fund.

6. Long-term obligations

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

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the

salary-related payments as of June 30, 2014 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for School Capital Outlay – portion of fund balance that can only be used for School Capital Outlay [G.S. 159-18 through 22].

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

Restricted for Programs – revenue sources restricted for expenditures for the various instructional programs.

Committed Fund Balance – This classification includes amounts that can only be used for specific purpose imposed by majority vote by quorum of the Board (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action. The Board does not have any committed fund balance this fiscal year.

Assigned Fund Balance – This classification includes amounts the Board intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Board approves the appropriation; however, the budget ordinance authorizes the superintendent to modify the appropriations by resource or appropriation within funds up to \$5,000.

Risk management – portion of fund balance related to workers' compensation claims.

Unassigned Fund Balance – The classification includes amounts that have not been restricted, committed, or assigned to specific purposes or other funds.

Cumberland County Board of Education does not have a formal revenue spending policy. The Finance Officer does use resources in the following hierarchy: State funds, federal funds, local non-Board of Education funds and Board of Education funds. For purposes of fund balance classification, expenditures are spent from restricted fund balances first, followed in order by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this process if it is in the best interest of the Board of Education.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$240,950,913 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column):	\$ 463,000,125
Less: Accumulated Depreciation	<u>(191,778,394)</u>
Net Capital Assets	<u>271,221,731</u>

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are, therefore, not recorded in the fund statements:

Installment Purchases	(1,419,816)
Compensated Absences	(25,108,158)
Risk management	<u>(3,742,844)</u>
Total Adjustment	<u>\$ 240,950,913</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$10,697,995) as follows:

<u>Description</u>	<u>Amount</u>
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements.	\$ 103,338
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	4,723,537
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(12,113,787)
Loss on disposal of assets	(42,687)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on installment purchases are recorded as a use of funds on the fund statements, but affect only the statement of net position in the government-wide statements.

565,970

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:

Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.

(191,522)

Risk management expenses are accrued in the government-wide statements but not in the fund statements because they do not use current resources.

(3,742,844)

Total Adjustment

(\$ 10,697,995)

II. Detail Notes on All Funds

4. Assets

1. Deposits

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

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

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

At June 30, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$22,143,731. The bank balances with the financial institutions were \$34,128,171. Of these balances, \$1,327,827 was covered by federal depository insurance and \$32,800,344 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2014, the Board's investment balances were as follows:

Investment	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 563,598	N/A	AAAm
Department of State Treasurer Short Term Investment Fund (STIF)	29,362,600	Weighted average maturity of 1.3 years	Unrated
US Government Agencies	4,960,864	1-2 years	AA+/A-1+
Total	\$ 34,887,062		

The Board has no policy for managing interest rate risk or credit risk. For concentration risk, the Board places no limit on the amount that the Board may invest with any one user. The Short Term Investment Fund is 84.1% of the Board's total investments.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2014, were as follows:

	Due from other governments	Other
Governmental activities:		
General Fund	\$ -	\$ 81,158
Other governmental activities	14,382,678	-
Total	\$14,382,678	\$ 81,158
Business-type activities:		
School Food Service	\$ 660,234	\$ 53,892
Child Care	-	3,524
Total	\$ 660,234	\$ 57,416

Due from other governments consists of the following:

Governmental activities:		
Special Revenue Fund	\$ 278,791	Federal grants
State Public School Fund	10,999,493	Operating funds from DPI
Capital Outlay Fund	1,754,281	County Appropriations
Federal Grants Fund	1,350,113	Federal grant funds
Total	\$14,382,678	
Business-type activities:		
School Food Service	\$ 660,234	Federal funds
Total	\$ 660,234	

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

4. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Category	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,361,168	\$ -	\$ -	\$ 9,361,168
Construction in Progress	559,920	1,636,365	2,151,266	45,019
Total capital assets not being depreciated	9,921,088	1,636,365	2,151,266	9,406,187
Capital assets being depreciated:				
Buildings and Improvements	389,010,019	2,344,079	21,328	391,332,770
Furniture and Equipment	22,576,362	1,094,340	270,299	23,400,403
Vehicles	37,852,991	1,800,019	792,245	38,860,765
Total capital assets being depreciated	449,439,372	5,238,438	1,083,872	453,593,938
Less accumulated depreciation for:				
Buildings and Improvements	136,282,357	8,166,272	19,195	144,429,434
Furniture and Equipment	17,526,540	1,729,073	275,111	18,980,502
Vehicles	26,896,895	2,218,442	746,879	28,368,458
Total accumulated depreciation	180,705,792	\$ 12,113,787	\$ 1,041,185	191,778,394
Total capital assets being depreciated, net	268,733,580			261,815,544
Governmental Activity capital assets, net	\$ 278,654,668			\$ 271,221,731

Depreciation was charged to governmental functions as follows:

Instructional services – regular	\$ 5,572,342
Instructional services – special populations	242,276
Instructional services – alternative programs	605,689
Instructional services – co-curricular	605,689
Instructional services – school based support services	242,276
Instructional services – school leadership services	1,211,379
Unallocated depreciation	3,634,136
Total	<u>\$ 12,113,787</u>

Category	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and Equipment	\$ 12,416,087	\$ 254,581	\$ 34,217	\$ 12,636,451
Vehicles	124,288	-	-	124,288
Total capital assets being depreciated	12,540,375	254,581	34,217	12,760,739
Less accumulated depreciation for:				
Furniture and Equipment	10,367,213	301,946	33,525	10,635,634
Vehicles	120,343	3,156	-	123,499
Total accumulated depreciation	10,487,556	305,102	33,525	10,759,133
School Food Service capital assets, net	2,052,819			2,001,606
Before and After School Care Fund:				
Capital assets being depreciated:				
Buildings and Improvements	24,701	-	-	24,701
Furniture and Equipment	262,838	7,040	650	269,228
Vehicles	15,645	-	-	15,645
Total capital assets being depreciated	303,184	7,040	650	309,574
Less accumulated depreciation for:				
Buildings and Improvements	14,688	613	-	15,301
Furniture and Equipment	142,013	34,743	650	176,106
Vehicles	4,954	1,565	-	6,519
Total accumulated depreciation	161,655	\$ 36,921	\$ 650	197,926
Before and After School Care Fund capital assets, net	141,529			111,648
Business-type activities capital assets, net	\$ 2,194,348			\$ 2,113,254

Construction commitments

The Board has no active construction projects as of June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

Financing commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Cumberland County Board of Education has entered into an agreement to purchase 8 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the County Board of Education out of funds allocated to the County Board of Education. Because no future resources will be used to fund the payments under the installment agreement, no encumbrances of fund balance at June 30, 2014, has been recorded.

The payments due in the fiscal year ended June 30, 2014 are as follows:

Total purchase price, 8 buses	\$ 646,599
Total payments due in fiscal year 2014-2015	161,650
Remaining payments in subsequent years	<u>\$ 484,949</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Cumberland County Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary

information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of annual covered payroll. The contribution requirements of plan members and Cumberland County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013, and 2012 were \$23,265,616, \$22,952,897, and \$19,536,144, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriations act. The plan's benefit and contributions provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employees making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years or retirement service credit are eligible for coverage on a partially contributory basis. For such retirees, the State will pay 50% of the State Health Plan's noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, the persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expense on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013 and 2012, the Board paid all annual required contributions to the Plan for post-employment health care benefits of \$14,457,345, \$14,603,884, and \$13,129,129, respectively. These contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees and the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of the long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid annual required contributions to the DIPNC for disability benefits of \$1,178,006, \$1,213,398, and \$1,365,429, respectively. These contributions represented .44%, .44%, and .52% of covered payroll, respectively.

2. Other Employment Benefits

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

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

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

3. Deferred Inflows of Resources

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

	<u>Unearned Revenue</u>
Grants not yet earned (Special Revenue Fund)	<u>\$ 3,176,277</u>

Unearned grant revenue has been presented as a deferred inflow of resources on the Statement of Net Position because all eligibility requirements other than time requirements have been met.

4. Accounts Payable

Accounts payable as of June 30, 2014, are as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>
Governmental Activities:		
General	\$4,112,647	\$ 819,045
Other Governmental	<u>547,624</u>	<u>12,477,997</u>
Total - governmental activities	<u>\$4,660,271</u>	<u>\$13,297,042</u>
Business-type Activities		
School Food Service	\$ -	\$ 246,816
Child Care	<u>-</u>	<u>8,372</u>
Total - business-type activities	<u>\$ -</u>	<u>\$ 255,188</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The Board purchases excess workers'

compensation for locally and federally funded employees from Safety National. The Board self insures the first \$400,000 per occurrence.

The claims liability of \$3,742,844 at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The claims liability is actuarially determined and includes an estimate for claims incurred but not reported. This entire amount is accrued and reported in the government-wide statements in the governmental activities. Changes in the fund's claims liability amount during fiscal years 2013 and 2014 are as follows:

	<u>Balance - Beginning of Fiscal Year</u>	<u>Claims and Net Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance - End of Fiscal Year</u>
2012-13	\$ 2,071,669	\$ 1,383,864	\$ (703,688)	\$ 2,731,845
2013-14	2,731,845	1,935,366	(924,367)	3,742,844

The Board purchases General, Auto, and School Board Legal coverage from Lloyds of London with an excess limit of insurance aggregate for all lines of coverage totaling \$15,475,000.

The Board insures its tangible property assets of the Board with The North Carolina Department of Insurance Property Fund, Homeland Insurance Company of New York, and Maiden Specialty Insurance Company. The company provides coverage for the full blanket limit of \$1,182,469,180 (this is subject to the Catastrophe Limit of \$150,000,000.) A limit of \$5 million (per location/annual aggregate) is provided for any one flood or earthquake.

The Board participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits with no lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$50,000.

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

6. Contingent Liabilities

At June 30, 2014, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

7. Long-Term Obligations

a. Installment Purchase

The Board is authorized by State law [G.S.115C-47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In December 2004, the Board entered into such a contract to reduce the energy costs associated with thirty-two schools. The financing contract requires principal payments for twelve years beginning in the fiscal year 2006 with an interest rate of 3.84 percent. Payments are made from the General Fund.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on new

financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase buses through special third party financing arrangements by Bank of America Public Capital Corp. at total payments less than the purchase price.

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

<u>Governmental Activities</u>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 580,625	\$ 47,424
2016	411,695	32,207
2017	427,496	16,407
Totals	<u>\$ 1,419,816</u>	<u>\$ 96,038</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2014:

Compensated absences for governmental activities are typically liquidated by general and other governmental funds.

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>	<u>Current Portion</u>
Governmental Activities:					
Installment Purchase	\$ 1,985,786	\$ -	\$ 565,970	\$ 1,419,816	\$ 580,625
Compensated Absences	24,916,636	19,641,032	19,449,510	25,108,158	1,955,912
Total	<u>\$ 26,902,422</u>	<u>\$ 19,641,032</u>	<u>\$20,015,480</u>	<u>\$ 26,527,974</u>	<u>\$ 2,536,537</u>
Business- Type Activities:					
Compensated Absences	\$ 1,089,876	\$ 832,944	\$ 940,446	\$ 982,374	\$ 85,795

CUMBERLAND COUNTY BOARD OF EDUCATION, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

c. Fund Balance

The Board does not have a formal spending policy that provides policy for programs with multiple revenue sources. The Finance Officer does use resources in the following hierarchy: State funds, federal funds, local non-Board of Education funds and Board of Education funds. For purposes of fund balance classification, expenditures are spent from restricted fund balances first, followed in order by assigned fund balance and lastly unassigned fund balance.

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

Total fund balance – General Fund	\$ 34,700,011
Less:	
Inventories	475,713
Stabilization by State Statute	203,464
Appropriated fund balance in 2014 budget	7,637,947
Risk management.....	<u>3,742,844</u>
Remaining fund balance	<u>\$ 22,640,043</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances:

General Fund	\$ 122,306
Capital Outlay Fund	1,628,477

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to

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

IV. Subsequent Events

The Board has evaluated subsequent events through December 15, 2014, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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General Fund

The General Fund is the Board's operating fund, which is comprised solely of the Local Current Expense Fund. This fund is used primarily for educational purposes and is financed mainly through county appropriations and fines and forfeitures. The General Fund is accounted for on the modified accrual basis of accounting.

**Cumberland County Board of Education
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues			
Cumberland County appropriation	\$ 76,220,676	\$ 76,220,676	\$ -
Other			
Fines and forfeitures	900,000	715,027	(184,973)
Interest earned on investments	-	175,568	175,568
Rental of school property	60,000	98,758	38,758
Miscellaneous	-	234,597	234,597
Total other	<u>960,000</u>	<u>1,223,950</u>	<u>263,950</u>
Total revenues	<u>77,180,676</u>	<u>77,444,626</u>	<u>263,950</u>
Expenditures			
Instructional services:			
Regular instructional services:			
Regular curricular services		15,638,898	
CTE Curricular services		1,169,113	
Special populations services:			
Children with disabilities curricular services		2,027,146	
Special populations CTE curricular services		31,494	
Pre-K children with disabilities curricular services		190,847	
Speech and language pathology services		282,410	
Audiology services		7,847	
Academically/intellectually gifted curricular services		297,615	
Limited English proficiency services		209,595	
Alternative programs services:			
Attendance and social work services		476,785	
Remedial and supplemental K-12 services		170,397	
Pre-K readiness/remedial and supplemental services		56,554	
School leadership services		17,753,276	
Co-curricular services		2,550,018	
School-based support services:			
Educational media services		851,887	
Guidance services		894,470	
Health support services		487,353	

**Cumberland County Board of Education
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Safety and security support services		184,887	
Instructional technology services		1,915,007	
Staff development unallocated		1,539	
Parent involvement services		1,017	
Total instructional services	<u>48,263,827</u>	<u>45,198,155</u>	<u>3,065,672</u>
System-wide support services:			
Support and development services:			
Regular curricular support and development services		6,670,918	
CTE curricular support and development services		34,569	
Special populations support and development services		438,859	
Alternative programs and services support and development services		4,411	
Technology support services		988,582	
Operational support services:			
Printing and copying services		506,743	
Public utility and energy services		9,671,516	
Custodial/housekeeping services		2,780,143	
Transportation services		2,366,307	
Warehouse and delivery services		809,211	
Facilities planning, acquisition and construction services		84,647	
Maintenance services		9,632,374	
Financial and human resource services:			
Financial services		1,283,247	
Human resources services		1,616,003	
Accountability services:			
Student testing services		591,178	
Planning, research development and program evaluation		18,254	
System-wide pupil support			
Health support services		47,855	
Safety and security support services		20,970	
Policy, leadership and public relations services:			
Board of education		162,314	
Legal services		274,924	
Audit services		52,000	
Leadership services		269,121	

**Cumberland County Board of Education
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Positive (Negative) Variance
Public relations		31,785	
Total support services	40,556,847	38,355,931	2,200,916
Non-programmed charges:			
Payments to other governments	625,000	599,481	25,519
Total expenditures	89,445,674	84,153,567	5,292,107
Revenues over (under) expenditures	(12,264,998)	(6,708,941)	5,556,057
Fund balance appropriated	12,264,998	-	(12,264,998)
Net change in fund balance	\$ -	(6,708,941)	\$ (6,708,941)
Fund balance, beginning		41,305,614	
Increase in reserve for inventories		103,338	
Fund balance, ending		\$ 34,700,011	

Federal Fund

The Federal Fund is used to account for federal grant monies administered through the Department of Public instruction. These grant funds are received through allotments and not direct checks The Federal Fund is accounted for on the modified accrual basis of accounting.

**Cumberland County Board of Education
Federal Grants Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Revenues			
U. S. Government			
U. S. Department of Education	<u>\$ 42,797,483</u>	<u>\$ 31,918,634</u>	<u>\$ (10,878,849)</u>
Total revenues	<u>42,797,483</u>	<u>31,918,634</u>	<u>(10,878,849)</u>
Expenditures			
Instructional services	40,395,576	29,814,331	10,581,245
System-wide supporting services	1,755,517	1,595,986	159,531
Non-programmed charges	646,390	508,317	138,073
Total expenditures	<u>42,797,483</u>	<u>31,918,634</u>	<u>10,878,849</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
Fund balance, beginning		-	
Fund balance, ending		<u><u>\$ -</u></u>	

Non-Major Governmental Funds

The Board has two non-major governmental funds: the Individual Schools Fund, and the Combined Athletics Fund. The Individual Schools Fund accounts for funds held on behalf of various clubs and organizations and school fund raising activities. The Combined Athletic Fund accounts for revenues and expenditures related to various athletic activities. Nonmajor governmental funds are accounted for using the modified accrual basis of accounting.

**Cumberland County Board of Education
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2014**

	<u>Individual Schools Fund</u>	<u>Combined Athletics Fund</u>	<u>Combined Totals</u>
Assets			
Cash and cash equivalents	\$ 2,532,334	\$ 246,464	\$ 2,778,798
Total assets	<u>\$ 2,532,334</u>	<u>\$ 246,464</u>	<u>\$ 2,778,798</u>
Liabilities			
Accounts payable	\$ 38,355	\$ -	\$ 38,355
Total liabilities	<u>38,355</u>	<u>-</u>	<u>38,355</u>
Fund balances			
Fund balance - restricted	<u>2,493,979</u>	<u>246,464</u>	<u>2,740,443</u>
Total liabilities and fund balance	<u>\$ 2,532,334</u>	<u>\$ 246,464</u>	<u>\$ 2,778,798</u>

**Cumberland County Board of Education
Non-Major Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014**

	Individual Schools Fund	Combined Athletics Fund	Totals
Revenues			
Other	\$ 8,609,461	\$ 1,106,383	\$ 9,715,844
Total revenues	<u>8,609,461</u>	<u>1,106,383</u>	<u>9,715,844</u>
Expenditures			
Instructional services			
Co-curricular	8,606,787	1,165,096	9,771,883
System-wide supporting services			
Operational support services	-	31,208	31,208
Total expenditures	<u>8,606,787</u>	<u>1,196,304</u>	<u>9,803,091</u>
Revenues over expenditures	<u>2,674</u>	<u>(89,921)</u>	<u>(87,247)</u>
Net change in fund balance	2,674	(89,921)	(87,247)
Fund balance, beginning	2,491,305	336,385	2,827,690
Fund balance, ending	<u>\$ 2,493,979</u>	<u>\$ 246,464</u>	<u>\$ 2,740,443</u>

**Cumberland County Board of Education
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Positive (Negative) Variance
Revenues			
State of North Carolina	\$ 1,639,968	\$ 1,568,808	\$ (71,160)
U.S. Government	12,286,930	9,835,541	(2,451,389)
Other	4,243,855	3,903,989	(339,866)
Total revenues	18,170,753	15,308,338	(2,862,415)
Expenditures			
Instructional services			
Regular instructional		11,983,512	
Special populations		1,088,721	
Alternative programs		1,478,930	
School leadership		205,321	
Co-curricular		124,886	
School-based support		57,903	
Total instructional services	17,609,164	14,939,273	2,669,891
System-wide support services			
Support and development		227,160	
Special populations support and development		94,583	
Operational support		15,266	
Total support services	561,589	337,009	224,580
Non-program charges	-	-	-
Total expenditures	18,170,753	15,276,282	2,894,471
Revenues over (under) expenditures	-	32,056	32,056
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	32,056	\$ 32,056
Fund balance, beginning		255,096	
Fund balance, ending		\$ 287,152	

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital assets other than those financed by proprietary funds. Capital projects are funded primarily by county appropriations obtained from bond proceeds and sales tax revenues. The Capital Projects Fund is accounted for using the modified accrual basis of accounting.

**Cumberland County Board of Education
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues			
State of North Carolina			
State appropriations - buses	\$ 484,145	\$ 184,145	\$ (300,000)
Total State of North Carolina	<u>484,145</u>	<u>184,145</u>	<u>(300,000)</u>
Cumberland County			
County bond proceeds	819,439	621,800	(197,639)
Qualified school construction bonds	965,000	880,652	(84,348)
General county revenues	<u>10,592,742</u>	<u>6,233,077</u>	<u>(4,359,665)</u>
Total Cumberland County	<u>12,377,181</u>	<u>7,735,529</u>	<u>(4,641,652)</u>
Other			
Miscellaneous	<u>8,754</u>	<u>221,317</u>	<u>212,563</u>
Total other	<u>8,754</u>	<u>221,317</u>	<u>212,563</u>
Total revenues	<u>12,870,080</u>	<u>8,140,991</u>	<u>(4,729,089)</u>
Expenditures			
Capital Outlay			
Land, buildings, and site improvement		3,453,635	
Furnishings and equipment		3,970,278	
Vehicles and other		<u>444,345</u>	
Total capital outlay	<u>12,685,935</u>	<u>7,868,258</u>	<u>4,817,677</u>
Debt services			
Principal	<u>184,145</u>	<u>184,145</u>	<u>-</u>
Total expenditures	<u>12,870,080</u>	<u>8,052,403</u>	<u>4,817,677</u>
Revenues over (under) expenditures	<u>-</u>	<u>88,588</u>	<u>88,588</u>
Net change in fund balance	<u>\$ -</u>	<u>88,588</u>	<u>\$ 88,588</u>
Fund balance, beginning		1,991,853	
Fund balance, ending		<u>\$ 2,080,441</u>	

Enterprise Funds

The Enterprise Funds are used to account for the Board's food service operations and its before and after school care program. It is the intent of the Board that the costs of providing food services to the individual schools be partially recovered by user charges. The remainder is covered by Federal reimbursements and commodities. The before and after school care program is sustained entirely by participant fees. The Enterprise Funds are accounted for on the full accrual basis of accounting.

**Cumberland County Board of Education
School Food Service Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues, food sales	<u>\$ 7,750,000</u>	<u>\$ 6,197,778</u>	<u>\$ (1,552,222)</u>
Operating expenditures			
Business support services			
Purchase of food		8,373,206	
Donated commodities		1,707,355	
Salaries and benefits		11,681,340	
Indirect costs		1,419,652	
Repairs and maintenance		526,314	
Materials and supplies		107,037	
Contracted services		841,202	
Other		1,084,809	
Equipment purchases		254,521	
Total operating expenditures	<u>27,322,770</u>	<u>25,995,436</u>	<u>1,327,334</u>
Operating loss	<u>(19,572,770)</u>	<u>(19,797,658)</u>	<u>(224,888)</u>
Nonoperating revenues			
Federal reimbursements	19,550,000	17,964,555	(1,585,445)
Federal commodities	-	1,707,355	1,707,355
State reimbursements	-	66,486	66,486
Interest earned	-	27,976	27,976
Sales tax refund	22,770	22,769	(1)
Total nonoperating revenues	<u>19,572,770</u>	<u>19,789,141</u>	<u>216,371</u>
Excess of expenditures over revenue	<u>\$ -</u>	<u>(8,517)</u>	<u>\$ (8,517)</u>
Reconciliation of modified accrual to full accrual basis			
Revenues and fund balance appropriated under expenditures		(8,517)	
Reconciling items			
Depreciation		(305,102)	
Indirect costs not paid		(26,590)	
Equipment purchases, net of contributions		254,521	
Decrease in compensated absences payable		107,502	
Decrease in inventories		96,934	
Change in net assets (full accrual)		<u>\$ 118,748</u>	

**Cumberland County Board of Education
Child Care Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Child care fees	\$ 4,193,679	\$ 3,126,934	\$ (1,066,745)
Other operating revenue	35,000	84,497	49,497
Total operating revenues	<u>4,228,679</u>	<u>3,211,431</u>	<u>(1,017,248)</u>
Operating expenditures			
Regular community service			
Purchase of food		59,169	
Salaries and benefits		2,405,672	
Indirect costs		1,160,000	
Materials and supplies		112,258	
Contracted services		200,532	
Equipment purchases		7,040	
Other		22,550	
Total operating expenditures	<u>4,409,997</u>	<u>3,967,221</u>	<u>442,776</u>
Operating loss	<u>(181,318)</u>	<u>(755,790)</u>	<u>574,472</u>
Nonoperating revenues			
Interest income	-	9,706	(9,706)
Excess of expenditures over revenues before other financing sources	<u>(181,318)</u>	<u>(746,084)</u>	<u>564,766</u>
Other financing sources			
Fund balance appropriated	181,318	-	181,318
Excess expenditures over revenues and other sources	<u>\$ -</u>	<u>(746,084)</u>	<u>\$ 746,084</u>
Reconciliation of modified accrual to full accrual basis			
Revenues and fund balance appropriated under expenditures		(746,084)	
Reconciling items			
Depreciation		(36,921)	
Equipment purchases, net of contributions		7,040	
Change in net assets (full accrual)		<u>\$ (775,965)</u>	

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Statistical Section

**CUMBERLAND COUNTY BOARD OF EDUCATION
STATISTICAL SECTION
Introduction
June 30, 2014**

The Statistical Section of the District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial outlook.

Section

Schedule

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and operations have changed over time. Government-wide data are presented for the past nine fiscal years. Governmental Fund revenue sources and expenditures by function are presented over a 10 year period.

Net Position by Component
Changes in Net Position
Fund Balances of Governmental Funds
Changes in Fund Balances of Governmental Funds

Debt Capacity

Since the District has no tax-levying or debt-issuing authority, the County of Cumberland provides significant funding to the school system. Selected fiscal data from the County of Cumberland have been included to help the reader better understand the school system and its financial operations.

Ratios of Outstanding Debt by Type
Ratios of Net General Bonded Debt Outstanding
Computation of Legal Debt Margins
Schedule of Outstanding Debt

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. County information is included.

Principal Property Taxpayers
Property Tax Levies and Collections
Assessed Value of Taxable Property
Property Tax Rates-Direct & Overlapping Governments
Demographic and Economic Statistics
Principal Employers

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Full-Time Employees by Function
Schools and Student Programs
Capital Asset Information

Sources of Information

Unless otherwise noted, the information for the school system is derived from the comprehensive annual financial reports for the relevant years.

CUMBERLAND COUNTY BOARD OF EDUCATION
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net investment in capital assets	\$ 269,801,915	\$ 276,668,882	\$ 279,824,817	\$ 270,647,358	\$ 261,041,423	\$ 253,370,765	\$ 235,558,195	\$ 235,131,593	\$ 234,748,736	\$ 238,826,680
Restricted	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970	(7,781,489)	3,633,036	3,743,537	3,119,819
Unrestricted	5,845,545	16,115,845	28,962,529	19,357,451	24,398,519	11,088,418	22,121,624	3,679,279	6,334,534	1,737,573
Total governmental activities net position	\$ 280,758,960	\$ 298,132,499	\$ 314,120,189	\$ 300,859,934	\$ 288,368,700	\$ 267,195,151	\$ 249,898,330	\$ 242,443,908	\$ 244,826,807	\$ 243,684,072
Business-type activities										
Net investment in capital assets	\$ 2,113,254	\$ 2,194,348	\$ 2,145,122	\$ 2,380,098	\$ 2,086,221	\$ 1,958,001	\$ 2,408,683	\$ 2,810,433	\$ 3,055,150	\$ 3,459,760
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,826,835	11,402,958	11,844,577	11,393,701	10,483,496	9,044,128	9,813,454	9,845,695	8,687,216	8,999,694
Total business-type activities net position	\$ 12,940,089	\$ 13,597,306	\$ 13,989,699	\$ 13,773,799	\$ 12,529,717	\$ 11,002,129	\$ 12,220,137	\$ 12,456,128	\$ 11,742,366	\$ 12,459,454
Primary Government										
Net investment in capital assets	\$ 271,915,169	\$ 278,863,230	\$ 281,769,939	\$ 273,027,456	\$ 263,107,644	\$ 255,328,766	\$ 237,984,878	\$ 237,742,026	\$ 237,803,886	\$ 242,286,440
Restricted	5,311,500	5,347,972	5,532,843	10,855,125	2,928,758	2,737,970	(7,781,489)	3,633,036	3,743,537	3,119,819
Unrestricted	16,472,380	27,518,603	40,807,108	30,751,152	34,862,015	20,130,544	31,935,078	13,524,974	15,021,750	10,737,267
Total primary government net position	\$ 293,699,049	\$ 311,729,805	\$ 328,109,888	\$ 314,633,733	\$ 300,898,417	\$ 278,197,280	\$ 262,118,467	\$ 254,900,036	\$ 256,569,173	\$ 256,143,526

Source: Information taken from the District's audited financial statements.

CUMBERLAND COUNTY BOARD OF EDUCATION

**CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited**

	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
Instructional services:										
Regular instructional	\$ 195,690,647	\$ 204,189,972	\$ 205,563,524	\$ 196,209,193	\$ 197,407,850	\$ 207,660,666	\$ 201,252,812			
Special populations	50,350,971	50,499,490	49,608,160	52,390,966	51,481,795	53,269,215	49,720,458			
Alternative programs	25,987,369	26,810,690	29,080,306	32,505,502	29,653,193	25,552,650	26,350,996			
School leadership	29,220,118	29,577,572	29,494,171	29,921,721	28,874,473	29,874,703	32,451,609			
Co-curricular	13,280,148	13,019,167	13,129,035	13,095,664	16,915,392	13,961,680	12,758,965			
School-based support	24,655,443	25,381,906	25,075,397	29,369,091	26,936,649	32,820,250	29,524,544			
System-wide support services:										
Support and development	7,897,355	8,263,834	7,760,504	8,546,453	8,246,906	10,209,811	10,841,888			
Special populations support and development	1,392,545	1,399,897	1,351,302	795,931	1,060,737	1,068,909	499,696			
Alternative programs, services support & development	567,106	608,945	691,729	826,762	778,720	772,985	303,018			
Technology support	2,184,435	1,800,324	1,634,107	1,735,592	2,010,096	1,947,346	(304,797)			
Operational support	53,482,787	53,645,786	51,185,132	53,748,930	56,858,787	52,558,430	57,010,984			
Financial and human services	3,158,029	3,143,566	3,169,763	3,144,528	3,173,890	1,738,977	1,785,475			
Accountability	636,182	621,771	667,398	697,551	695,331	849,505	791,013			
System-wide pupil support	68,825	1,408	62,096	1,723,065	2,680,661	1,127,211	1,045,980			
Policy, leadership and public relations	3,472,714	3,325,505	3,647,991	1,764,204	1,748,437	1,839,298	1,769,086			
Ancillary services	58,137	70,955	211,378	223,760	1,281,023	104,774	350,842			
Nonprogram charges	1,107,798	859,363	727,426	304,079		281,763	167,898			
Unallocated depreciation expense *	3,634,136	3,624,801	3,328,814	2,227,414	4,040,769	2,843,500	2,714,667			
Interest expense	-	-	-	102,870	115,474	127,613	139,303			
Total governmental activities expenses (1)	\$ 416,844,745	\$ 426,844,952	\$ 426,388,233	\$ 429,333,276	#####	\$ 438,407,286	\$ 429,174,437	\$ 404,312,899	\$ 371,485,066	\$ 372,577,220
Business-type activities:										
School food service	25,841,581	26,345,033	25,797,742	24,773,817	24,358,714	25,548,508	24,215,900	\$ 22,921,524	\$ 22,608,129	\$ 22,579,165
Child care	3,997,102	4,267,183	4,349,369	4,469,324	4,386,373	4,022,588	3,742,969	3,784,921	3,369,785	2,879,881
Total business-type activities	29,838,683	30,612,216	30,147,111	29,243,141	28,745,087	29,571,096	27,958,869	26,706,445	25,977,914	25,459,046
Total primary government	446,683,428	457,457,168	456,535,344	458,576,417	462,705,270	467,978,382	457,133,306	431,019,344	397,462,980	398,036,266
Program Revenues:										
Governmental activities:										
Charges for services										
Instruction	8,708,219	8,708,138	8,555,377	9,485,113	9,078,769	9,473,108	9,478,413	\$ 1,214,887	\$ 677,826	\$ 511,665
Supporting services	-	-	-	104,243	(40,908)	1,174,123	1,227,346	1,205,181	39,506	41,809
Operating grants and contributions	288,861,407	293,405,301	311,055,627	310,924,419	314,728,483	315,926,288	307,846,021	291,857,125	273,244,148	262,870,957
Capital grants and contributions	-	-	-	6,861,981	3,020,547	1,549,192	5,538,152	5,334,731	618,680	1,214,727
Total governmental activities program revenue	\$ 297,569,626	\$ 302,113,439	\$ 319,611,004	\$ 327,375,756	\$ 326,786,891	\$ 328,122,711	\$ 324,089,932	\$ 299,611,924	\$ 274,580,160	\$ 264,639,158

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

Note (1): The prior years' governmental activities functional breakdown can not be provided due to a state mandated major overhaul to the uniform chart of accounts for the fiscal year beginning July 1, 2007 and after.

Source: Information taken from the District's audited financial statements.

**CUMBERLAND COUNTY BOARD OF EDUCATION
CHANGES IN NET POSITION (CONTINUED)
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited**

	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Program revenues (continued):										
Business-type activities										
Charges for services										
School food service	\$ 6,197,778	\$ 7,182,334	\$ 7,487,313	\$ 7,624,246	\$ 7,838,115	\$ 8,299,404	\$ 8,291,197	\$ 8,085,948	\$ 7,123,597	\$ 7,324,869
Child care	3,211,431	3,509,897	3,652,720	4,088,159	4,447,734	3,682,667	3,555,785	3,698,742	3,416,139	3,282,622
Operating grants and contributions	19,734,575	19,489,409	19,160,373	18,119,763	17,410,497	16,113,546	15,555,042	15,318,629	14,471,110	13,664,682
Capital grants and contributions	-	-	-	574,877	467,973	56,248	169,730	-	-	-
Total business-type activities program revenue	29,143,784	30,181,640	30,300,406	30,407,045	30,164,319	28,151,865	27,571,754	27,103,319	25,010,846	24,272,173
Total primary government program revenue	326,713,410	332,295,079	349,911,410	357,782,801	356,951,210	356,274,576	351,661,686	326,715,243	299,591,006	288,911,331
Net (expense)/revenue										
Governmental activities	(119,275,119)	(124,731,513)	(106,777,229)	(101,957,520)	(107,173,292)	(110,284,575)	(105,084,505)	(104,700,975)	(96,904,906)	(107,938,062)
Business-type activities	(694,899)	(430,576)	153,295	1,163,904	1,419,232	(1,419,231)	(387,115)	396,874	(967,068)	(1,186,873)
Total primary government net expense	(119,970,018)	(125,162,089)	(106,623,934)	(100,793,616)	(105,754,060)	(111,703,806)	(105,471,620)	(104,304,101)	(97,871,974)	(109,124,935)
General revenues and other changes in net assets:										
Governmental activities:										
Unrestricted county appropriations - operating	76,220,676	76,220,676	76,220,676	76,646,227	78,831,036	71,812,043	69,959,192	65,348,540	62,690,705	60,861,512
Unrestricted county appropriations - capital	7,735,529	11,178,683	18,852,519	13,265,645	21,964,872	18,347,140	8,698,988	1,823,292	2,340,391	7,065,196
Unrestricted State appropriations - operating	-	-	-	7,645,251	7,997,849	6,809,524	6,914,570	7,098,008	6,924,257	6,338,832
Unrestricted State appropriations - capital	184,145	1,443,255	1,074,975	-	-	854,095	1,020,904	-	-	-
Unrestricted U. S. Government	-	-	-	9,029,612	7,609,600	8,498,418	9,752,354	5,429,922	6,073,005	7,103,292
Investment earnings, unrestricted	175,568	112,276	402,790	785,628	859,278	1,430,862	1,862,934	1,818,577	1,421,114	958,843
Miscellaneous, unrestricted	17,585,662	19,788,933	23,486,524	7,076,391	11,084,206	19,829,314	14,329,985	20,799,737	18,598,169	21,077,808
Total governmental activities	101,901,580	108,743,823	120,037,484	114,448,754	128,346,841	127,581,396	112,538,927	102,318,076	98,047,641	103,405,483
Business-type activities:										
Investment earnings, unrestricted	37,682	38,183	62,605	80,178	108,356	201,223	151,124	316,888	249,980	90,552
Total business-type activities	37,682	38,183	62,605	80,178	108,356	201,223	151,124	316,888	249,980	90,552
Total primary government general revenues	101,939,262	108,782,006	120,100,089	114,528,932	128,455,197	127,782,619	112,690,051	102,634,964	98,297,621	103,496,035
Change in net position, governmental activities	(17,373,539)	(15,987,690)	13,260,255	12,491,234	21,173,549	17,296,821	7,454,422	(2,382,899)	1,142,735	(4,532,578)
Change in net position, business-type activities	(657,217)	(392,393)	215,900	1,244,082	1,527,588	(1,218,008)	(235,991)	713,762	(717,088)	(1,096,321)
Total primary government	\$ (18,030,756)	\$ (16,380,083)	\$ 13,476,155	\$ 13,735,316	\$ 22,701,137	\$ 16,078,813	\$ 7,218,431	\$ (1,669,137)	\$ 425,647	\$ (5,628,900)

Source: Information taken from the District's audited financial statements.

CUMBERLAND COUNTY BOARD OF EDUCATION
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable:										
Inventories	\$ 475,713	\$ 372,375	\$ 372,375	\$ 459,416	\$ 315,281	\$ 299,505	\$ 270,897	\$ 348,852	\$ 202,732	\$ 200,421
Restricted:										
Stabilization by State Statute	203,464	273,333	395,741	900,475	791,127	2,016,673	2,310,201	1,121,550	1,292,153	1,208,572
Assigned:										
Subsequent year's expenditures	7,637,947	12,509,287	14,745,584	8,314,605	9,471,690	1,564,027	2,150,501	4,268,956	2,130,525	3,168,332
Risk Management	3,742,844									
Unassigned:	22,640,043	28,150,619	34,539,567	35,052,981	32,059,171	25,491,782	24,352,275	21,011,480	24,686,433	24,171,198
Total General Fund	<u>\$ 34,700,011</u>	<u>\$ 41,305,614</u>	<u>\$ 50,053,267</u>	<u>\$ 44,727,477</u>	<u>\$ 42,637,269</u>	<u>\$ 29,371,987</u>	<u>\$ 29,083,874</u>	<u>\$ 26,750,838</u>	<u>\$ 28,311,843</u>	<u>\$ 28,748,523</u>
All other governmental funds										
Restricted:										
Stabilization by State Statute	2,080,441	1,271,774		7,003,956	15,353,791	10,337,258	13,334,571	4,091,499	2,761,383	4,697,035
School capital outlay	-	720,079	2,070,130							
Individual Schools Programs	2,740,443	2,827,690	3,066,972	2,950,694	2,922,908	2,757,342	2,801,687	2,600,547	2,535,698	2,390,315
Programs	287,152	255,096								
Unassigned:				(4,106,667)	(14,108,088)	(8,494,722)	(11,702,168)	(3,059,010)	(1,553,544)	(3,967,531)
Total all other governmental funds	<u>\$ 5,108,036</u>	<u>\$ 5,074,639</u>	<u>\$ 5,137,102</u>	<u>\$ 5,847,983</u>	<u>\$ 4,168,611</u>	<u>\$ 4,599,878</u>	<u>\$ 4,434,090</u>	<u>\$ 3,633,036</u>	<u>\$ 3,743,537</u>	<u>\$ 3,119,819</u>
Total all governmental funds	<u>\$ 39,808,047</u>	<u>\$ 46,380,253</u>	<u>\$ 55,190,369</u>	<u>\$ 50,575,460</u>	<u>\$ 46,805,880</u>	<u>\$ 33,971,865</u>	<u>\$ 33,517,964</u>	<u>\$ 30,383,874</u>	<u>\$ 32,055,380</u>	<u>\$ 31,868,342</u>

Source: Information taken from the District's audited financial statements.

Note: All prior years have been restated/formatted to comply with GASB 54 guidance that was effective for FY2011.

CUMBERLAND COUNTY BOARD OF EDUCATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
State of North Carolina	\$ 258,695,726	\$ 262,064,127	\$ 263,753,731	\$ 264,186,520	\$ 266,412,582	\$ 288,668,324	\$ 287,400,409	\$ 268,836,338	\$ 245,708,763	\$ 236,798,607
Cumberland County	83,956,205	87,399,359	95,073,195	83,498,545	104,643,298	99,561,249	87,712,271	72,863,503	71,157,293	75,389,516
U. S. Government	41,754,175	46,225,579	63,638,836	79,240,143	71,108,516	49,283,257	45,337,692	40,656,725	41,122,489	41,337,992
Other	15,065,100	15,168,197	17,182,726	17,667,303	15,677,137	17,019,980	18,118,554	18,590,909	17,443,517	16,342,701
Total revenues	399,471,206	410,857,262	439,648,488	444,592,511	457,841,533	454,532,810	438,568,926	400,947,475	375,430,062	369,868,816
Expenditures (1)										
Instructional programs	325,631,819	335,652,591	341,644,140	347,375,929	343,674,211	356,567,417	343,996,859			
Supporting services	71,296,593	70,278,700	69,926,176	76,176,312	71,934,025	74,286,461	71,221,876			
Ancillary services	58,137	70,955	211,378	223,760	1,281,023	108,627	446,357			
Nonprogram charges	1,107,798	859,363	727,426	528,958	228,449	790,842	592,845			
Capital outlay	7,868,258	11,362,514	21,362,443	17,921,213	27,424,190	22,671,464	19,329,343			
Debt Service										
Principal	184,145	1,443,255	1,074,975	3,040,787	2,134,145	4,346,389	2,134,612			
Interest and fees										
Total expenditures	406,146,750	419,667,378	434,946,538	445,266,959	446,676,043	458,771,200	437,721,892	404,438,922	375,245,335	372,814,346
Revenues over (under) expenditures	(6,675,544)	(8,810,116)	4,701,950	(674,448)	11,165,490	(4,238,390)	847,034	(3,491,447)	184,727	(2,945,530)
Other financing sources (uses)										
Installment purchase obligations issued	-	-	-	4,299,893	1,652,749	4,663,683	2,365,011	1,673,821	-	5,386,829
Total other financing sources (uses)	-	-	-	4,299,893	1,652,749	4,663,683	2,365,011	1,673,821	-	5,386,829
Net change in fund balances	\$ (6,675,544)	\$ (8,810,116)	\$ 4,701,950	\$ 3,625,445	\$ 12,818,239	\$ 425,293	\$ 3,212,045	\$ (1,817,626)	\$ 184,727	\$ 2,441,299
Debt service as a percentage of noncapital expenditures	0.05%	0.35%	0.26%	0.71%	0.51%	1.00%	0.51%	0.32%	0.20%	0.16%

Note: Excludes changes in reserve for inventory

Note (1): The prior years' expenditures by functional breakdown can not be provided due to a state mandated major overhaul to the uniform chart of accounts for the fiscal years beginning July 1, 2007 and after.

Source: Information taken from the District's audited financial statements.

CUMBERLAND COUNTY BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE FOR THE COUNTY OF CUMBERLAND
Ten Year Comparison
Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase			
2014	\$ 43,428,866	\$ 107,612,285	\$ 1,611,032	\$ 2,238,691	\$ 1,136,000	\$ 29,921,676	-	\$ 1,870,800	\$ 187,819,350	NA	\$ 565
2013	52,440,072	118,020,741	2,032,294	2,878,317	1,154,000	32,046,017	-	2,182,600	210,754,041	NA	636
2012	60,755,177	128,414,197	2,437,416	-	1,172,000	34,052,849	-	2,494,400	229,326,039	NA	700
2011	68,316,237	97,733,506	2,827,016	40,025,000	1,189,000	35,949,129	-	2,806,200	248,846,088	NA	762
2010	76,686,270	89,702,189	3,201,690	43,274,182	1,205,000	37,048,301	-	3,118,000	254,235,632	1.85%	784
2009	84,127,362	78,247,122	3,562,009	46,666,905	1,221,000	40,630,262	-	-	254,454,660	1.94%	793
2008	92,254,480	57,950,000	3,908,523	49,554,052	1,236,000	43,198,781	-	-	248,101,836	1.92%	783
2007	100,436,598	62,250,000	4,241,761	4,526,143	1,250,000	46,078,781	-	-	218,783,283	1.84%	699
2006	108,558,716	66,475,000	4,562,232	5,631,302	1,250,000	48,693,781	-	-	235,171,031	2.13%	751
2005	116,720,834	70,635,000	4,537,080	2,999,271	1,250,000	51,058,781	-	-	247,200,966	2.40%	804

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

Debt balances are shown at carrying value net of related unamortized premium and other adjustments. Prior years have been restated.

(1) Percentage of Personal Income: Total debt of the primary government divided by personal income (See Demographic and Economic Statistics page).

(2) Per Capita: Total debt of the primary government divided by the population for that fiscal year (See Demographic and Economic Statistics page).

NA: Information not available

CUMBERLAND COUNTY BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
Unaudited

Fiscal Year	Total General Obligation Bonds	Percentage of Personal Income (1)	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
2014	\$ 44,564,866	NA	0.20%	\$134
2013	53,594,072	NA	0.24%	162
2012	61,927,177	NA	0.29%	189
2011	69,505,237	NA	0.33%	213
2010	77,891,270	NA	0.38%	240
2009	85,348,362	0.65%	0.41%	266
2008	93,490,480	0.72%	0.49%	295
2007	101,686,598	0.85%	0.58%	325
2006	109,808,716	0.99%	0.67%	351
2005	117,970,834	1.15%	0.80%	384

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.
Debt balances are shown at carrying value net of related unamortized premium and other adjustments.
Prior years have been restated.

Note (1) Bureau of Economic Analysis.

Note (2) See assessed value of taxable property for the County of Cumberland in subsequent schedule.

NA: Information not available

CUMBERLAND COUNTY BOARD OF EDUCATION
COMPUTATION OF LEGAL DEBT MARGIN FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt Limit	\$ 2,104,340	\$ 2,020,254	\$ 2,098,236	\$ 2,037,270	\$ 1,878,634	\$ 1,509,817	\$ 1,458,735	\$ 1,401,693	\$ 1,357,421	\$ 1,306,923
Total net debt applicable to limit	42,711	49,115	56,830	65,845	73,815	82,295	90,235	98,230	106,165	114,140
Legal debt margin	<u>\$ 2,061,629</u>	<u>\$ 1,971,139</u>	<u>\$ 2,041,406</u>	<u>\$ 1,971,425</u>	<u>\$ 1,804,819</u>	<u>\$ 1,427,522</u>	<u>\$ 1,368,500</u>	<u>\$ 1,303,463</u>	<u>\$ 1,251,256</u>	<u>\$ 1,192,783</u>
Total net debt applicable to the limit as a percentage of debt limit	2.03%	2.43%	2.71%	3.23%	3.93%	5.45%	6.19%	7.01%	7.82%	8.73%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Property Value	\$ 23,146,730
Plus : Exempt Property	<u>3,157,526</u>
Total Assessed Value	<u>\$ 26,304,256</u>
Debt Limit (8% of total assessed value)	2,104,340
Debt applicable to limit:	
Total Bonded debt	42,711
Authorized and unissued debt	<u>20,126</u>
	62,837
Less: Statutory deductions	
Authorized and unissued debt	20,126
Revenue bonds	<u>-</u>
	20,126
Total amount of debt applicable to debt limit	<u>42,711</u>
Legal debt margin	<u>\$ 2,061,629</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF OUTSTANDING DEBT
Last Ten Fiscal Years
Unaudited

Years Ended June 30	Balance Installment Purchases	Minimum Future Payments Year 1	Minimum Future Payments Year 2	Minimum Future Payments Year 3	Minimum Future Payments Year 4	Minimum Future Payments Year 5	Minimum Future Payments Beyond 5 Years	Debt Percentage of Personal Income (1)	Debt Per Capita (1)
2014	\$ 580,625	\$ 628,049	\$ 443,902	\$ 443,903	\$ -	\$ -	\$ -	NA	\$ 1.75
2013	565,970	628,048	628,049	443,902	443,903	-	-	NA	1.71
2012	3,060,176	1,518,871	443,903	443,903	443,902	443,903	-	NA	9.34
2011	4,489,273	1,518,878	1,518,871	443,903	443,903	443,902	443,903	NA	13.74
2010	3,571,200	1,334,740	443,903	443,903	443,903	443,903	887,805	0.0260%	11.01
2009	4,381,025	1,737,995	522,044	443,903	443,903	443,903	1,331,708	0.0334%	13.65
2008	4,380,018	1,498,839	443,903	443,903	443,903	443,903	1,775,611	0.0339%	13.83
2007	4,454,220	1,001,843	713,503	443,903	443,903	457,494	2,205,922	0.0374%	14.22
2006	4,175,855	696,737	443,903	443,903	443,903	443,903	2,663,416	0.0377%	13.33
2005	4,959,033	905,533	696,737	443,903	443,903	443,903	3,107,319	0.0481%	16.14

Note (1) Population and income information per the County of Cumberland, North Carolina Annual Financial Report for the year ended June 30, 2014.
(See Demographic and Economic Statistics page).

Note (2) The Board of Education does not have any overlapping debt.

Minimum future payments include principal and interest amounts.

Installment purchase contracts are authorized for finance energy conservation measures and for the purchase of school buses.

Source: Cumberland County Board of Education financial statement footnote disclosures.

CUMBERLAND COUNTY BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS FOR THE COUNTY OF CUMBERLAND
Current Year and Nine Years Ago
(Amounts Expressed in Thousands)
Unaudited

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	2013 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2004 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Goodyear Tire & Rubber Co.	\$ 328,160	1	1.52%	\$ 109,359	2	0.75%
Cross Creek Mall, LLC	130,249	2	0.60%	85,301	4	0.59%
Wal-Mart Stores, Inc.	126,810	3	0.59%	91,998	3	0.63%
Progress Energy Carolinas	86,171	5	0.40%			
Carolina Telephone Co.	71,197	4	0.33%	117,547	1	0.81%
Purolator Filters, NA LLC	59,731	6	0.28%	61,912	7	0.43%
Piedmont Natural Gas Co., Inc.	52,790	7	0.24%	56,981	9	0.39%
DAK Americas, LLC	50,971	9	0.24%	60,182	8	0.42%
South River EMC	46,147	8	0.21%			
Cargill	38,991	10	0.18%			
Black & Decker				63,330	6	0.44%
Carolina Power & Light Co.				69,678	5	0.48%
UDRT of NC				40,987	10	0.28%
	<u>\$ 991,217</u>		<u>4.59%</u>	<u>\$ 757,275</u>		<u>5.22%</u>

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS FOR THE COUNTY OF CUMBERLAND (1)
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year Ended June 30	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected		Total Tax Collections	Percent of Total Tax Collections To Net Levy
2014	\$ 171,641,426	\$ 169,217,802	98.59%	NA	\$ 169,217,802	98.59%
2013	164,274,193	160,024,057	97.41%	2,882,676	162,906,733	99.17%
2012	159,824,747	155,867,130	97.52%	2,994,214	158,861,344	99.40%
2011	155,671,269	151,707,302	97.45%	3,082,190	154,789,492	99.43%
2010 ²	158,424,003	154,634,400	97.61%	2,987,363	157,621,763	99.49%
2009	144,914,639	140,776,733	97.14%	3,297,598	144,074,331	99.42%
2008	144,435,397	140,172,406	97.05%	3,364,344	143,536,750	99.38%
2007	138,486,845	133,857,005	96.66%	3,648,900	137,505,905	99.29%
2006	133,891,832	129,101,364	96.42%	3,737,885	132,839,249	99.21%
2005 ²	127,699,476	122,645,671	96.04%	3,979,667	126,625,338	99.16%

Note (1) Includes only the General Fund

Note (2) Denotes the year in which a revaluation was effective on the January 1st preceeding the beginning of the fiscal year.

Note (3) Collections for FY 2005 include all collections through 9th prior year.

Collections for FY 2006 include all collections through 8th prior year.

Collections for FY 2007 include all collections through 7th prior year.

Collections for FY 2008 include all collections through 6th prior year.

Collections for FY 2009 include all collections through 5th prior year.

Collections for FY 2010 include all collections through 4th prior year.

Collections for FY 2011 include all collections through 3rd prior year.

Collections for FY 2012 include all collections through 2nd prior year.

Collections for FY 2013 include all collections through 1st prior year.

NA - Not Applicable

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
ASSESSED VALUE OF TAXABLE PROPERTY FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year Ended June 30	Real Property	Public Service ¹	Personal Property		Less: Tax Exempt Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value ²	Assessed Value as a Percentage of Actual Value ³
			Motor Vehicle	Other					
2014	\$ 21,692,891	\$ 367,912	\$ 2,813,072	\$ 1,430,381	\$ 3,157,526	\$ 23,146,730	\$ 0.9025	\$ 22,368,904	103.48%
2013	21,274,270	375,488	2,233,690	1,369,721	3,104,069	22,149,100	0.9025	22,115,926	100.15%
2012	22,414,175	369,870	2,132,938	1,310,970	4,670,700	21,557,253	0.9025	21,542,173	100.07%
2011	21,827,755	348,880	2,050,229	1,239,005	4,463,684	21,002,185	0.9025	21,035,842	99.84%
⁴ 2010	19,873,921	353,743	2,058,957	1,196,304	2,829,620	20,653,305	0.9210	20,676,049	99.89%
2009	15,256,387	313,954	2,126,672	1,175,694	2,051,163	16,821,544	1.0150	20,584,366	81.72%
2008	14,654,940	340,324	2,094,609	1,144,309	1,852,697	16,381,485	1.0350	19,048,238	86.00%
2007	14,054,554	368,900	1,982,534	1,115,176	1,813,350	15,707,814	1.0350	17,521,265	89.65%
2006	13,497,036	366,205	2,017,935	1,086,581	1,780,516	15,187,241	1.0350	16,425,742	92.46%
2005	13,156,842	336,616	1,767,131	1,075,944	1,847,915	14,488,618	1.0350	14,734,687	98.33%

¹ Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

² Estimated actual taxable value reflects an increase in real and exempt property. Estimated Actual Taxable Value was computed by using Real Estate Assessment Sales Ratio Study Percentages from the North Carolina Department of Revenue.

³ Estimated actual values and the ratio of total assessed value to total estimated actual value has been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

⁴ Denotes the year in which a revaluation was effective on the January 1st preceding the beginning of the fiscal year.

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. Assessed valuations are established by the Board of Commissioners at 100% of market value as of the year of the revaluation. The last revaluation was effective January 1, 2009 and is reflected beginning in Fiscal Year 2010.

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
PROPERTY TAX RATES - DIRECT GOVERNMENTS FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
(Per \$100 of Assessed Value)
Unaudited

Taxes Levied By Cumberland County					
Year Ended June 30	County Direct Rate	County Recreation Rate	Fire Protection Districts (1)	Special Fire District (2)	Total Direct Rate
2014	\$ 0.740	\$ 0.050	\$ 0.100	\$ 0.0125	\$ 0.9025
2013	0.740	0.050	0.100	0.0125	0.9025
2012	0.740	0.050	0.100	0.0125	0.9025
2011	0.740	0.050	0.100	0.0125	0.9025
2010	0.766	0.050	0.100	0.0050	0.9210
2009	0.860	0.050	0.100	0.0050	1.0150
2008	0.880	0.050	0.100	0.0050	1.0350
2007	0.880	0.050	0.100	0.0050	1.0350
2006	0.880	0.050	0.100	0.0050	1.0350
2005	0.880	0.050	0.100	0.0050	1.0350

Note (1) Cumberland County has seventeen fire protection districts.

Note (2) Established in FY 1990 to assist fire departments that have limited resources available for funding.

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
(Per \$100 of Assessed Value)
Unaudited

Year Ended June 30	City of Fayetteville (1)	Fayetteville Revitalization District	Town of Hope Mills	Town of Spring Lake (1)	Town of Eastover (2)	Town of Falcon	Town of Godwin	Town of Linden (1)	Town of Stedman	Town of Wade
2014	\$ 0.456	\$ 0.100	\$ 0.420	\$ 0.660	\$ 0.205	\$ 0.150	\$ 0.195	\$ 0.200	\$ 0.320	\$ 0.240
2013	0.456	0.100	0.420	0.660	0.205	0.150	0.195	0.150	0.320	0.240
2012	0.456	0.100	0.420	0.660	0.205	0.150	0.195	0.150	0.320	0.240
2011	0.456	0.100	0.420	0.660	0.205	0.150	0.195	0.150	0.320	0.240
2010	0.456	0.100	0.390	0.660	0.205	0.150	0.195	0.150	0.300	0.240
2009	0.530	0.100	0.460	0.760	0.205	0.150	0.195	0.150	0.370	0.240
2008	0.530	0.100	0.460	0.660	0.205	0.150	0.190	0.150	0.370	0.235
2007	0.530	0.100	0.460	0.660	NA	0.150	0.170	0.150	0.370	0.235
2006	0.530	0.100	0.410	0.660	NA	0.150	0.170	0.150	0.370	0.235
2005	0.530	0.100	0.410	0.660	NA	0.150	0.170	0.150	0.370	0.235

Note (1) Municipalities that are excluded from paying the County Recreation Tax

Note (2) Town of Eastover was incorporated in FY 2008

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

CUMBERLAND COUNTY BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR THE COUNTY OF CUMBERLAND
Last Ten Fiscal Years
Unaudited

<u>Years Ended June 30</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (1)</u>	<u>Unemployment Rate (3)</u>
2014	332,553	NA	NA	NA	8.2%
2013	331,279	NA	NA	NA	10.6%
2012	327,643	NA	\$ 45,590	NA	10.4%
2011	326,673	NA	44,678	NA	10.3%
2010	324,225	\$ 13,732,225,650	42,354	NA	9.1%
2009	321,071	13,121,121,789	41,627	NA	9.2%
2008	316,662	12,916,959,642	40,791	NA	6.2%
2007	313,138	11,910,830,106	38,037	NA	5.3%
2006	313,282	11,064,493,676	35,318	NA	5.4%
2005	307,336	10,300,673,376	33,516	30.8	5.4%

NA: Information not available

Note (1) North Carolina State Office of Demographics.

Note (2) Bureau of Economic Analysis.

Note (3) Bureau of Labor Statistics.

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

**CUMBERLAND COUNTY BOARD OF EDUCATION
PRINCIPAL EMPLOYERS FOR THE COUNTY OF CUMBERLAND
Current Year and Nine Years Ago
Unaudited**

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Department of Defense-Military	51,000	1	36.39%	52,616	1	39.09%
U.S. Department of Defense-Civilians	23,000	2	16.41%	5,155	3	3.83%
Cumberland County Schools	6,530	3	4.66%	6,313	2	4.69%
Cape Fear Valley Health System	5,400	4	3.85%	3,800	4	2.82%
Wal-Mart	2,860	5	2.04%	1,100	9	0.82%
Cumberland County Government	2,350	6	1.68%	2,388	6	1.77%
Goodyear Tire & Rubber Co.	2,330	7	1.66%	2,650	5	1.97%
*City of Fayetteville	2,055	8	1.47%	1,743	7	1.29%
Fayetteville Technical Community College	1,390	9	0.99%	1,150	8	0.85%
U.S. Postal Service	1,225	10	0.87%			
Purolator				1,150	8	0.85%
M.J. Soffe				1,100	9	0.82%
	<u>98,140</u>		<u>70.02%</u>	<u>79,165</u>		<u>58.80%</u>
 Total Employment	 <u>140,134</u>			 <u>134,607</u>		

*2014 City of Fayetteville includes Fay PWC in the amount of 643

Source: County of Cumberland, North Carolina, Annual Financial Report for the year ended June 30, 2014.

**CUMBERLAND COUNTY BOARD OF EDUCATION
FULL -TIME SCHOOL EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
Unaudited**

Position	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Officials, Adm., Mgrs.	8	8	9	9	7	7	7	7	7	7
Principals	86	85	83	85	87	84	85	87	77	84
Asst. Principals, Teaching	7	9	6	10	13	8	6	5	9	7
Asst. Principals, Nonteaching	115	116	114	110	112	122	126	119	116	107
Elementary Teachers	1,852	1,886	1,866	1,847	1,851	1,872	1,894	1,905	1,846	1,806
Secondary Teachers	644	682	652	654	655	671	668	657	647	626
Other Teachers	943	932	952	1,032	1,040	1,023	927	889	916	834
Guidance	130	131	135	134	138	148	148	141	144	134
Psychological	30	31	30	33	32	34	28	30	26	28
Librarian, Audiovisual	78	85	85	96	97	98	95	93	94	96
Consultant, Supervisor	53	57	52	52	55	63	75	72	68	95
Other Professional	191	196	196	198	190	179	204	190	183	162
Teacher Assistants	817	939	891	1,036	1,001	1,156	1,141	1,069	1,103	1,116
Technicians	22	22	24	55	52	55	55	50	50	48
Clerical, Secretarial	427	436	435	450	431	441	455	446	433	435
Service Workers	780	738	728	729	751	764	765	686	717	664
Skilled Crafts	182	186	183	188	181	189	182	181	185	177
Laborers, Unskilled	88	86	90	89	89	88	91	86	22	21
Total	6,453	6,625	6,531	6,807	6,782	7,002	6,952	6,713	6,643	6,447

Source: NC Department of Public Instruction SS-200 Report - Public School System Full-Time Personnel Report for Cumberland County Board of Education

**CUMBERLAND COUNTY BOARD OF EDUCATION
SCHOOLS AND STUDENT PROGRAMS
Last Ten Fiscal Years
Unaudited**

Schools / Program	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of schools										
Elementary	52	53	53	53	52	51	51	53	54	54
Middle	16	16	15	15	15	15	15	15	15	15
Grades 6-12	1	1	1	1	1	1	1	1	1	1
High	15	14	14	13	13	14	14	14	11	11
Alternative	1	2	2	2	3	3	3	3	2	2
Special	1	1	1	1	3	3	3	2	4	2
Total	86	87	86	85	87	87	87	88	87	85
Average Student Teacher Ratio	15:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1	15:1	16:1
Child Nutrition										
Average breakfasts served daily	15,903	16,234	16,320	15,522	15,338	15,338	15,002	14,939	13,852	14,547
Average lunches served daily	32,416	34,599	37,066	35,698	35,861	35,810	35,371	43,676	43,343	45,226
Free & Reduced Lunch percentage	58.50%	58.45%	57.88%	55.23%	53.73%	53.73%	55.69%	55.45%	56.07%	53.09%
Before and After School Care										
Number of sites	38	41	43	43	43	44	44	44	44	44
Number of participants	1,301	1,465	1,394	2,273	2,803	3,010	3,227	3,403	3,376	3,085
Exceptional Children's Program										
Number of disabled students	7,270	7,325	7,335	7,343	7,279	7,474	7,481	7,631	7,527	7,519
Number of academically/ intellectually gifted students	5,168	4,970	4,706	4,946	4,825	4,563	4,574	4,223	4,242	3,494
English as a Second Language Program (ESL)										
Number of students served	1,001	1,022	964	1,080	1,201	1,245	1,246	1,008	1,142	867
Number of schools with ESL	85	83	79	75	77	77	77	75	81	80
Number of languages spoken	57	46	52	42	67	60	48	46	57	35
Athletic Programs										
Middle Schools										
Men's sports	6	6	6	6	6	6	6	6	6	6
Women's sports	5	5	5	5	5	5	5	5	5	5
High Schools										
Men's sports	17	17	17	17	17	17	17	17	17	17
Women's sports	16	16	16	16	16	16	16	16	16	16

Source: Information taken from the District's unaudited data provided from various departments.

CUMBERLAND COUNTY SCHOOLS
CAPITAL ASSET INFORMATION
Last Ten Fiscal Years
Unaudited

	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School Buildings										
<u>Elementary Schools</u>										
Number	52	53	53	53	52	52	52	54	54	55
Square feet	3,267,613	3,331,675	3,423,155	3,200,223	3,108,445	3,103,616	3,025,759	3,005,577	2,969,274	NA
Acres	920	940	923	912	861	793	777	794	822	NA
Portables	138	139	134	149	143	129	135	134	127	NA
Enrollment	23,828	24,593	24,715	24,943	25,066	25,615	24,631	24,516	24,152	NA
<u>Middle Schools</u>										
Number	18	18	17	17	17	17	17	17	17	17
Square feet	1,896,265	1,811,716	1,636,435	1,845,826	1,708,197	1,572,940	1,639,658	1,739,013	1,687,432	NA
Acres	380	370	384	384	375	330	328	349	422	NA
Portables	27	27	35	30	33	51	40	32	37	NA
Enrollment	11,563	11,820	11,771	11,963	11,769	11,767	11,876	12,157	12,348	NA
<u>High Schools</u>										
Number	16	16	16	15	18	18	18	17	16	13
Square feet	2,510,290	2,558,452	2,527,354	2,526,508	2,553,041	2,561,905	2,572,759	2,427,181	1,893,120	NA
Acres	711	712	712	712	730	754	772	735	686	NA
Portables	32	31	31	25	25	25	20	27	29	NA
Enrollment	15,200	15,134	15,199	15,098	15,105	15,089	16,405	16,405	16,266	NA
<u>Totals</u>										
Number	86	87	86	85	87	87	87	88	87	85
Square feet	7,674,168	7,701,843	7,586,944	7,572,557	7,369,683	7,238,461	7,238,176	7,171,771	6,549,826	NA
Acres	2,011	2,022	2,019	2,008	1,966	1,877	1,877	1,878	1,930	NA
Portables	197	197	200	204	201	205	195	193	193	NA
Enrollment	50,591	51,547	51,685	52,004	51,940	52,471	52,912	53,078	52,766	52,556
Number of Buses:	444	439	444	463	466	492	492	504	492	484

Source: Information taken from the District's unaudited data provided from various departments.

NA: Information not available.

Compliance Section

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

Cumberland County Board of Education
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland County Board of Education (the "Board") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature of Cherry Rickett LLP in black ink.

Fayetteville, North Carolina
December 15, 2014

**Report of Independent Auditor on Compliance for Each Major Federal
Program and Internal Control over Compliance in Accordance with OMB
Circular A-133 and the State Single Audit Implementation Act**

Cumberland County Board of Education
Fayetteville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Cumberland County Board of Education (the "Board"), compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2014. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The Board's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 LLP

Fayetteville, North Carolina
December 15, 2014

**Report of Independent Auditor on Compliance for Each Major State Program
and Internal Control Over Compliance In Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

Cumberland County Board of Education
Fayetteville, North Carolina

Report on Compliance for Each Major State Program

We have audited the Cumberland County Board of Education (the "Board"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2014. The Board's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A 133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 L L P

Fayetteville, North Carolina
December 15, 2014

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses? ☐ yes ☒ none reported

- Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditor's Results (Continued)

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133?

 X yes no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

84.027	Special Education Cluster
84.173	Special Education – Grants to States (IDEA, Part B)
	Special Education - Preschool Grants (IDEA Preschool)
84.010	Title I, Part A Cluster
84.010	Title I Grants to Local Education Agencies
	Title I Grants to Location Education Agencies (Title I, Part A of ESEA) – School Improvement

Dollar threshold used to distinguish
between Type A and Type B Programs

\$1,717,828

Auditee qualified as low-risk auditee?

 X yes no

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

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

Type of auditor's report issued on compliance for major State programs: *Unmodified*

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

☐ yes ☒ no

Identification of major State programs:

Program Name

State Public School Fund

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2014**

Section II – Financial Statement Findings

None reported

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2014**

Section III – Federal Award Findings and Questioned Costs

Finding 2014-001

Non-Material Non-compliance – Allowable Costs

U.S. Department of Education

Passed through the N.C. Department of Public Instruction

Program Name: Department of Education Cross-Cutting

Title I, Part A Cluster CFDA # 84.010 Title I Grants to Local Education Agencies; Title I Grants to Local Education Agencies (Title I, Part A of ESEA) – School Improvement

Special Education Cluster: CFDA # 84.027 Special Education – Grants to States; CFDA #84.173 Preschool Grants

Criteria: On an annual basis, the State approves an indirect cost rate that is to be used when calculating and allocating indirect costs charged to federal programs.

Condition: The incorrect indirect cost rate was used when calculating and charging indirect costs to federal programs during the current fiscal year. The rate applies to the Title I Part A Cluster and the Special Education Cluster.

Context: We noted that the Board used the State approved rate for fiscal year 2013 of 1.848% during the year ended June 30, 2014, rather than the State approved rate for fiscal year 2014 of 1.639%.

Questioned costs: \$62,411. Programs affected included:

<u>PRC</u>	<u>CFDA</u>	<u>Program</u>	<u>Amount</u>
017	84.048	Carl D. Perkins Vocational and Applied Technology	\$ 547
049	84.173	IDEA-Preschool Grants	470
050	84.010	Title I	29,896
060	84.027	IDEA-Grants to States	23,238
103	84.367	Teacher Quality Enhancement	5,363
117	84.377	School Improvement Cluster	619
143	84.388	School Improvement Cluster ARRA	2,278
			<u>\$ 62,411</u>

The Board reimbursed all federal programs on August 22, 2014.

**Cumberland County Board of Education
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2014**

Section III – Federal Award Findings and Questioned Costs

Finding 2014-001 (Continued)

Non-Material Non-compliance – Allowable Costs

Effect: Indirect costs were not properly calculated and therefore not allocated properly to federal programs.

Cause: Management oversight

Recommendation: Establish controls to ensure that all calculations are correct and use the most current information provided by the State.

Management Response: Management agrees with the finding.

Section IV – State Award Findings and Questioned Costs

None reported

**Cumberland County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 2014-001

Name of Contact Person: Frank R. Lopes, Jr., Associate Superintendent Business Operations

Corrective Action: A monthly review process has been implemented to ensure the correct rate is being used and that the calculation is accurate.

Proposed Completion Date: August 2014

Section IV – State Award Findings and Questioned Costs

None reported

**Cumberland County Board of Education
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 2013-001
Status: Corrected

Section IV – State Award Findings and Questioned Costs

None reported

**Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (commodities):			
Passed through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	\$ 1,706,277
Cash Assistance:			
Passed through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	4,638,920
National School Lunch Program	10.555	PRC 035	13,202,967
Passed through the N.C. Department of Health and Human Services:			
Division of Public Health:			
Summer Food Service Program for Children	10.559	PRC 035	122,668
Total Cash Assistance			17,964,555
Total Child Nutrition Cluster			19,670,832
Total U.S. Department of Agriculture			19,670,832
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041	PRC 308	4,480,986
Indian Education - Title IX	84.060	PRC 310	208,267
Passed through Moore County Board of Education			
ARRA - Race to the Top - Regional Leadership Academies	84.395	PRC 364	146,005

Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Passed through the N.C. Department of Public Instruction:			
Education Technology State Grants Cluster			
Education Technology State Grants (Enhancing Education Through Technology Program)	84.318	PRC 107, 108	121,641
Total Education Technology State Grant Cluster			<u>121,641</u>
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	PRC 050	14,725,007
Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvement	84.010	PRC 105	46,698
Total Title I, Part A Cluster			<u>14,771,705</u>
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060, PRC 114	11,438,029
Special Education - Preschool Grants	84.173	PRC 049	228,857
IDEA - Targeted Assistance for Preschool Federal Grants	84.173A	PRC 119	12,750
Special Needs Targeted Assistance	84.027A	PRC 118	19,967
Total Special Education Cluster			<u>11,699,603</u>
School Improvement Cluster			
School Improvement Grants	84.377	PRC 117	370,116
ARRA - School Improvement Grants, Recovery Act	84.388	PRC 143	1,154,710
Total School Improvement Cluster			<u>1,524,826</u>
Education of Homeless Children and Youth Cluster			
Education of Homeless Children and Youth	84.196	PRC 026	63,431
Total Education of Homeless Children and Youth Cluster			<u>63,431</u>

Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Title III, English Language Acquisition Grant	84.365	PRC 104, 111	77,116
Foreign Language Assistance Program (FLAP)	84.293	PRC 359, 360	138,189
Special Education - State Personnel Development	84.323A	PRC 082	17,590
Mathematics and Science Partnership, Title II-B	84.366B	PRC 112	223,578
Teacher Quality Enhancement	84.367	PRC 103	2,613,687
ARRA - Race to the Top	84.395	PRC 156	186,816
Passed through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States - Program Development	84.048	PRC 017	618,243
Capacity Building Grant	84.048	PRC 058	398
Total U.S. Department of Education			<u>36,892,081</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.xxx	PRC 301	698,020
Total Federal Assistance			<u>57,260,933</u>

Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			241,874,762
Driver Training - SPSF		PRC 012	932,918
Vocational Education			
State Months of Employment		PRC 013	12,585,464
Program Support Funds		PRC 014	807,293
School Technology Fund - SPSF		PRC 015	742,336
Breakfast Program		PRC 035	66,486
Lateral Entry		PRC 440	100,844
			<hr/>
Total N.C. Department of Public Instruction			257,110,103
			<hr/>
<u>N.C Department of Health and Human Services</u>			
NC Pre-Kindergarten Program		PRC 413	1,467,964
			<hr/>
Total N.C. Department of Health and Human Services			1,467,964
			<hr/>

Cumberland County Board of Education
Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u> Financed Purchase of School Buses		PRC 120	<u>184,145</u>
Total Non-Cash Assistance			<u>184,145</u>
Total State Assistance			<u>258,762,212</u>
Total Federal and State Assistance			<u>\$ 316,023,145</u>

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

Basis of Presentation

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